

OPERATING AGREEMENT

FOR

TROPICAL & LOSEE, LLC

A NEVADA LIMITED LIABILITY COMPANY

This Operating Agreement is made as of May 7, 1996 by the undersigned parties (individually and together, the "Members").

WHEREAS, on May 7, 1996, the Members formed a limited liability company by filing its Articles of Organization (the "Articles of Organization") pursuant to the Nevada Limited Liability Company Act;

WHEREAS, the Members desire to adopt this Operating Agreement; and

WHEREAS, each Member represents that it has sufficient right and authority, without breaching any provision of law or contract to execute this Operating Agreement and is not acting on behalf of any undisclosed or partially disclosed principal by such action;

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Members hereby agree as follows:

ARTICLE 1.

DEFINITIONS

The definitions of some of the terms used in this Operating Agreement or the Sections in which such terms are defined are set forth in the attached Exhibit 1.

ARTICLE 2.

ORGANIZATION AND TERM

2.1 Formation. The Members formed Tropical & Losee, LLC, a Limited Liability Company (the "Company") under and pursuant to the provisions of Chapter 86 of the Nevada Revised Statutes (NRS) by filing, on May __, 1996, the Articles of Organization of the Company. The rights and liabilities of the Members shall be provided in NRS Chapter 86, et. seq., the Articles of Organization and this Operating Agreement. The fact that the Articles of Organization are on file in the office of the Secretary of State, State of Nevada, shall constitute notice that the Company is a limited liability company.

In order to maintain the Company as a limited liability company under the laws of the State of Nevada, the Company shall from time to time take appropriate action, including the preparation and filing of such amendments to the Articles of Organization and such other assumed name certificates, documents, instruments and publications as may be required by law, including, without limitation, action to reflect:

- (a) A change in the Company name;
- (b) A correction of false or erroneous statements in the Articles of Organization or the desire of the Members to make a change in any statement therein in order that it shall accurately represent the agreement among the Members; or
- (c) A change in the time for dissolution of the Company as stated in the Articles of Organization and in this Agreement.

2.2 Name. The Company's name shall be:

Tropical & Losee, LLC

The Company shall cause appropriate trade name and like statements to be filed and published under the name set forth in this Section 2.2, or such other name as the Company may have or use in any state or jurisdiction from time to time.

2.3 Term. The term of the Company shall commence on May __, 1996 and shall continue in full force and effect until the earliest of the following:

- (a) May 1, 2066;
- (b) Dissolution of the Company by the unanimous written agreement of the Members; or
- (c) The death, retirement, resignation, expulsion, bankruptcy, dissolution or declaration of mental or physical incompetence of a Member or the occurrence of any other event which terminates the continued membership of a Member in the Company as provided in Article 15, unless all remaining Members agree to continue the business of the Company within ninety (90) days after the termination of the Company.

2.4 Registered Agent and Office. The Company's registered agent and office in Nevada shall be Douglas D. Gerrard, Esq., whose business address is GERRARD & COX, 1850 E. Flamingo, Suite 111, Las Vegas, Nevada, 89119. At any time, the Company may designate another registered agent and/or office.

2.5 Principal Place of Business. The principal office and place of business of the Company shall be at 3301 Spring Mountain Road, Suite 12, Las Vegas, Nevada, 89102. At any time, the Company may change the location of its principal place of business and may establish additional offices. The following items shall at all times be maintained at the Company's principal office:

(a) A current list of the full name and last known business address of each Member and Administrative Committee Member separately identifying the Members in alphabetical order and the Administrative Committee Member, if any, in alphabetical order;

(b) A copy of the filed Articles of Organization and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any document has been executed;

(c) Copies of the Company's federal income tax returns and reports, if any, for the three (3) most recent years;

(d) Copies of any then effective Operating Agreement and of any financial statements for the Company for the three (3) most recent years;

(e) A statement setting forth the Capital Contributions of each Member including:

(1) The amount of cash and description and statement of the agreed value of the other property or services contributed by each Member and which each Member has agreed to contribute;

(2) The items as which or events on the happening of which any additional contributions agreed to be made by each Member are to be made;

(3) Any right of a Member to receive, or of a manager to make, distributions to a Member which include return of all or any part of the Member's contributions; and

(4) Any events upon the happening of which the Company is to be dissolved and its affairs wound up.

Records kept pursuant to this Section 2.5 are subject to inspection and copying at the reasonable request, and at the expense, of any Member during ordinary business hours.

2.6 Effective Date. The effective date of this Operating Agreement shall be the date of the filing of the Company's Articles of Organization.

2.7 Other Instruments. Each Member hereby agrees to execute and deliver to the Company within five (5) days after receipt of a written request therefor, such other and further documents and instruments, statements of interest and holdings, designations, powers of attorney and other instruments and to take such other action as the Company deems necessary, useful or appropriate to comply with any laws, rules or regulations as may be necessary to enable the Company to fulfill its responsibilities under this Operating Agreement.

ARTICLE 3.

PURPOSE AND POWERS OF THE COMPANY

3.1 Purpose. The Company is organized to (i) acquire, own, develop, operate, manage, lease, maintain, sell, exchange, transfer, mortgage and hold for sale or investment that certain parcel of property comprised of approximately forty (40) acres and located on the Northwest corner of Losee Road and Tropical Parkway in the City of North Las Vegas (the "Property"), which is more fully described as:

The Southeast Quarter (SE 1/4) of the Northeast Quarter (NE 1/4) of Section 26, Township 19 South, Range 61 East, M.D.M.;

(ii) to incur indebtedness, secured or unsecured, for any purpose of the Company as provided for in Article 7; and (iii) to engage in any other activities that are necessary or incidental to the foregoing purposes or that may be necessary or appropriate to protect or enhance the assets of the Company.

The Company shall not engage in any other business without the unanimous consent of all Members.

3.2 Powers of the Company. In furtherance of the purpose of the Company as set forth in Section 3.1, and subject only to restrictions imposed by this Agreement, the Company shall have the power and authority to take in its name all actions necessary, useful or appropriate in the Members' discretion to accomplish its purpose, including, but not limited to, the power:

(a) To conduct its business, carry on its operations and have and exercise the powers granted by NRS Chapter 86 in any state, territory, district or possession of the United States, or in any foreign country which may be necessary or convenient to effect any or all of the purposes for which it is organized;

(b) To make contracts and guarantees and to incur liabilities, borrow money at such rates of interest as the Company may determine, issue its notes, bonds and other obligations and secure any of its obligations by mortgage or pledge or all or any part of its property, franchises and income;

(c) To purchase, take, receive, lease or otherwise acquire, own, hold, improve, use and otherwise deal in and with real or personal property, or interests therein, to be located in or used in Nevada;

(d) To sell, convey, assign, encumber, mortgage, pledge, lease, exchange, transfer and otherwise dispose of all or any part of its property and assets;

(e) To purchase, take, receive, subscribe for or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, lend, pledge, or otherwise dispose of, and otherwise use and deal in and with, shares or other interests in or obligations of domestic or foreign corporations, associations, general or limited partnerships, other limited liability companies, or individuals or direct or indirect obligations of the United States or of any government, state, territory, governmental district or municipality or of any instrumentality of any of them;

(f) To sue and be sued, complain and defend, and participate in administrative or other proceedings, in its name;

(g) To elect Administrative Committee Members and appoint agents of the Company, and define their duties and fix their compensation;

(h) To make and alter operating agreements, not inconsistent with the Articles of Organization or with the laws of the State of Nevada, for the administration and regulation of its affairs;

(i) To indemnify a Member or Administrative Committee Member or former member or Administrative Committee Member, and to make any other indemnification that is authorized by the Articles of Organization or by this Operating Agreement in accordance with the provisions of NRS Chapter 86;

(j) To cease its activities and surrender its certificate of organization;

(k) To have and exercise all powers necessary or convenient to effect any or all of the purposes for which the Company is organized; and

(l) To become a member of a general partnership, limited partnership, joint venture, or similar association or any other limited liability company.

3.3 Independent Activities. Each Member may, notwithstanding this Agreement, engage in whatever activities they choose, whether the same are competitive with the Company or otherwise, without having or incurring any obligation to offer any interest in such activities to the Company. The provisions of this Section 3.3 shall apply to any activities in which a Member may be currently engaged or to any activities in which any Member may become engaged in the future. Neither this Agreement nor any activity undertaken pursuant hereto shall prevent any Member from engaging in such activities, or require any Member to permit the Company or any other Member to participate in any such activities, and as a material part of the consideration for the execution of this Agreement by each Member, each Member hereby waives, relinquishes and renounces any such right or claim of participation.

ARTICLE 4.

MEMBERS, CAPITAL CONTRIBUTIONS AND UNITS

4.1 Members: Obligation to Update. All Members of the Company, past and present, and their last known business, residence or mailing address shall be listed on the attached Exhibit 2. The Administrative Committee shall be required to update Exhibit 2 from time to time as necessary to accurately reflect the information therein.

4.2 Capital Contributions. The Initial Capital Contribution of each Member is set forth on the attached Exhibit 3. Capital Contributions to the Company shall consist of cash, property, or services rendered or a promissory note or other obligation to contribute cash or property or to perform services. No Member shall be liable under a judgment, decree or order of a court, or in any other manner for a debt, obligation or liability of the Company. Additionally, except as provided in Section 4.3, no Member shall be required to lend any funds to the Company or to pay any contributions, assessments or payments to the Company except the Capital Contribution provided for in this Article 4; provided that a Member may be required to repay its Capital Contribution to the Company as provided in Article 13.

4.3 Additional Contributions. In addition to the Initial Capital Contributions, the Administrative Committee may determine from time to time that additional contributions are necessary to enable the Company to carry out its purpose. Upon making such a determination, the Administrative Committee shall give notice to David E. Crowe ("Crowe") of the amount of the additional contribution needed from Crowe and Crowe shall contribute such additional amounts within ten (10) days thereafter (the "Additional Crowe Contributions"). No other Member shall be required to make additional contributions unless this Agreement is amended by a unanimous vote of all Units. The deposit of the Additional Crowe Contributions into the Company shall not entitle Crowe to any additional Units and shall have no effect on ownership percentages in the Company. The deposit of the Additional Crowe Contributions shall entitle Crowe to priority guaranteed payments as set forth more fully in Section 10.1(b). In the event Crowe fails to make the Additional Crowe Contributions ("Delinquent Contribution"), the Profits Interest of Crowe may (i) be reduced in the same proportion the Delinquent Contribution bears to the total of all Capital Contributions, including all initial and additional contributions, or (ii) the Administrative Committee may elect to allow the other Members to contribute the amount of the Delinquent Contribution, in proportion to each Member's Profits Interest. The Members who contribute a Delinquent Contribution shall be entitled to treat the amounts contributed as a loan bearing interest at the applicable federal rate ("AFR"), as set forth in IRC § 1274(d), in effect at the time the delinquent amounts are contributed. Until such loans have been fully repaid, the Members contributing a Delinquent Contribution shall be entitled to all distributions to which Crowe would be entitled under pursuant to Article 10.

4.4 Units. A Member's interest in the Company shall be represented by the "Unit" or "Units" held by such Member. Each Member's respective Units in the Company are set forth on the attached Exhibit 2. By its execution of this Operating Agreement, each Member hereby votes and agrees that its votes, consents and actions pursuant to the Articles of Organization, the Operating Agreement and NRS Chapter 86 shall be counted and determined as provided in this Operation Agreement. The Members hereby agree that each Unit shall entitle the Member possessing such Unit:

(a) To one vote on matters on which the Members may vote under the Articles of Organization, this Operating Agreement and/or the provisions of NRS Chapter 86; and

(b) Subject to Section 9.2, to an equal proportionate share of the Company's income, gains, losses, deductions and credits.

Each Member hereby agrees that its interest in the Company and in its Units shall for all purposes be deemed a personal interest and shall not be deemed realty or any interest in the Company's real or personal property or assets of any kind.

4.5 Profits Interest. Each Member shall be entitled to a share of all Company Profits in proportion to the number of Units owned by such Member, as set forth in Exhibit "2", and as more fully described in Section 9.2 hereof. A Member's Profits Interest may only be reduced if such Member fails to make additional capital contributions which may be required by Section 4.3.

4.6 Restriction on Registration of Units. To the extent required so that the Company is not deemed to be a "publicly traded partnership" under the Code, Units shall only be registered in the name of the beneficial owner, and the Company shall not be bound to recognize any equitable or other claim to or interest in such Units on the part of any other person (such as a broker, dealer, bank, trust company or clearing corporation) which is acting as a nominee, agent or in some other representative capacity, whether or not the Company shall have knowledge thereof, except for:

(a) Units held by a guardian, custodian or conservator for the benefit of a minor or incompetent;

(b) Units held by a trust for the benefit of the trustee or a trustee's spouse, parent, parent-in-law, issue, brother, sister, brother-in-law, sister-in-law, niece, nephew, cousin, grandchild or grandchild-in-law; and

(c) Units held by a fiduciary for other like beneficiaries.

The Company's Units shall only be traded in accordance with the Department of the Treasury's rules and regulations then in effect which set forth the parameters within which a partnership may act and not be deemed to be a "publicly traded partnership" under the Code. In no event may the Company's Units be listed on an established securities exchange.

4.7 Withdrawals and Interest. No Member shall have the right to:

(a) Withdraw its Capital Contribution;

(b) Receive any return or interest on any portion of its Capital Contribution except as otherwise provided herein; or

(c) Withdraw from the Company except by transfer of its Units to another party in accordance with Article 15, by resignation in accordance with Article 6, or upon the dissolution of the Company.

4.8 Return. Other than as provided for in Article 10 hereof, no Member shall be entitled to the return of all or any part of its Capital Contribution unless and until there remains Property of the Company after:

(a) All liabilities of the Company (except liabilities to Members on account of their Capital Contributions) have been paid;

(b) All amounts due to Members in respect of their share of profits and other gains have been paid; and

(c) The Company has been dissolved without reformation in accordance with Article 16 and a statement of intent to dissolve has been filed with the Nevada Secretary of State.

ARTICLE 5.

ACQUISITION OF THE PROPERTY

5.1 Acquisition of the Property. The Company is being organized for the initial purpose of acquiring and developing for resale the Property located at the Northwest corner of Tropical and Losee Roads in the City of North Las Vegas. Title to the property is presently vested in Fiesta Enterprises, Inc., a Nevada corporation ("Seller"). The Property is presently under contract of sale to the J. McDonald Company, Inc., a Nevada corporation ("Buyer" or "McDonald"), pursuant to that certain Letter of Intent to Purchase executed by Buyer and Seller on or about December 7, 1995 (the "Purchase Agreement"). An escrow has been opened with Southwest Escrow Company, located at 3110 South Valley View, Suite 105, Las Vegas, Nevada 89102, identified as Escrow Number 95-12-0033, into which the sum of \$10,000.00 was initially deposited by Buyer.

The total purchase price for the Property is the sum of ONE MILLION SIX HUNDRED EIGHTY THOUSAND DOLLARS (\$1,680,000.00) to be paid as follows:

1. \$10,000.00 earnest money deposit due by no later than December 11, 1995;
2. \$40,000.00 due by no later than February 7, 1996 unless Buyer disapproves the property condition prior to such date;
3. \$256,250 to be deposited into escrow by no later than May 14, 1996 to be used to reduce the principal balance of a Note in favor of Christina M. Hixon in the amount of \$768,750.00 secured by a Deed of Trust against the Property in first position, the terms of which Note are further described in the Purchase Agreement (the "Hixon Note");
4. Additional sum of \$160,000.00 to be paid at Close of Escrow which shall occur no later than June 19, 1996;
5. Buyer to assume the balance of the Hixon Note in the amount of \$512,500.00 secured by a Deed of Trust against the Property in first position, the terms of which Note are further described in the Purchase Agreement; and

6. Buyer to execute a Note in favor of Seller in the amount of \$711,250.00 secured by a Deed of Trust against the Property in second position, the terms of which Note are further described in the Purchase Agreement.

McDonald, as his Capital Contribution, shall convey and assign to the Company its interest in the Purchase Agreement, including the sum of TEN THOUSAND DOLLARS (\$10,000.00) deposited into escrow by McDonald as the initial earnest money deposit required by the Purchase Agreement.

The Initial Capital Contributions of the Members and the Additional Crowe Contributions shall be used to complete Buyer's obligations and close escrow in accordance with the terms of the Purchase Agreement. Title to the Property shall be vested in the name of the Company at close of escrow. The Initial Capital Contribution of Crowe has been deposited into the escrow to satisfy the requirement that an additional FORTY THOUSAND DOLLARS (\$40,000.00) be deposited by February 7, 1996. Major's Initial Capital Contribution of TEN THOUSAND DOLLARS (\$10,000.00) has also been deposited into the escrow to satisfy cash requirements.

ARTICLE 6.

RIGHTS AND POWERS OF MEMBERS

6.1 Powers of Members Holding Voting Rights. The powers of the Members holding voting rights shall include but not be limited to:

(a) The right and power to elect and remove the Administrative Committee as provided in Article 7 and Section 8.8;

(b) As provided in Section 8.9, the power to amend the Articles of Organization and this Operating Agreement;

(c) As provided in Articles 14 and 15 the power to approve or disapprove the issuance of Additional Units for sale to then existing Members or new subscribers and the admission of a transferee of some or all of a Member's Units as a Substitute Member;

(d) As provided in Section 8.9, the power to approve the sale, exchange or other disposition of part or all of the Company's Property when such sale, exchange or other disposition is, or is part of, a single transaction or plan; and

(e) As provided in Section 8.9, the power to dissolve the Company by the approval of all of the Members.

6.2 Transactions Between a Member or Administrative Committee Member and the Company. Except as otherwise provided by this Agreement or applicable law, any Member or Administrative Committee Member may, but shall not be obligated to, lend money to the Company, act as surety for the Company and transact other business with the Company and has the same rights and obligations when transacting business with the Company as a person or entity who is not a Member or an Administrative Committee Member.

7.3 Authority of Administrative Committee. The Administrative Committee shall have the authority to manage the day-to-day operations and affairs of the Company and to make decisions regarding the business of the Company. Any action taken by the Administrative Committee shall constitute the act of and serve to bind the Company. In dealing with the Administrative Committee acting on behalf of the Company, no person shall be required to inquire into the authority of any

Administrative Committee Member to bind the Company. Persons dealing with the Company are entitled to rely conclusively on the power and authority of the Administrative Committee as set forth and limited in this Agreement.

7.4 Election and Removal. Any succeeding Administrative Committee of the Company shall be chosen, pursuant to this Agreement, by the Members who hold at least sixty percent (60%) of the Voting Units of the Company.

7.5 Powers of Administrative Committee. The powers of the Administrative Committee shall include, but shall not be limited to, the power to:

- (a) Commence litigation or defend the same and settle any litigation involving the Company;
- (b) Take and hold all property of the Company, real, personal or mixed, in the Company's name, or in the name of an agent of the Company if such is necessary in connection with any financing transaction in connection with the Property;
- (c) Subject to the restrictions contained in this Agreement, execute and deliver on behalf of and in the name of the Company, or in the name of an agent of the Company, contracts, escrow instructions, deeds, deeds of trust, notes, leases, mortgages, bills of sale, sales contracts, and any and all other instruments, contracts and documents necessary or incidental to the conduct of the Company's business including, but not by way of limitation, the dedication of Company property;
- (d) Acquire by purchase, lease or otherwise the real or personal property contemplated by this Agreement or which may be necessary or incidental to the accomplishment of the purposes of the Company;
- (e) Acquire and develop the Property in accordance with Article 5 hereof and in connection therewith to cause the Company to obtain and encumber the Property with any loans required by the Purchase Agreement or permitted pursuant to this Section 7.5;
- (f) Borrow additional funds on behalf of the Company to meet the current cash needs of the Company, provided such amounts of additional funds so borrowed shall not, at any time, exceed the sum of TWENTY THOUSAND DOLLARS (\$20,000.00);
- (g) Without otherwise affecting the Member's rights, pay or prepay in whole or in part, any liabilities affecting the Property and in connection therewith execute any extensions or renewals of encumbrances on any or all of the Property and the Project;

(h) Care for and distribute funds to the Members by way of cash, income, return of capital or otherwise, all in accordance with the provisions of this Agreement, and perform all matters in furtherance of the objectives of the Company or this Agreement;

(i) Contract on behalf of the Company for the employment and services of employees and/or independent contractors and delegate to such persons the duty to manage or supervise any of the assets or operations of the Company and to prepare the reports required by Section 7.8 hereof;

(j) Establish, adjust, and approve any operating budget for the Company;

(k) If necessary, adopt and approve a separate operating budget for the Property;

(l) Make any and all elections for federal, state and local tax purposes;

(m) Engage in any kind of activity and perform and carry out contracts of any kind (including contracts of insurance covering risks to property and Members' liability) necessary or incidental to, or in connection with, the accomplishment of the purposes of the Company, as may be lawfully carried on or performed by a limited liability company under the laws of each state in which the Company is then formed or qualified; and

7.6 Responsibility for Books and Records. Proper and complete records and books of account shall be kept by the Administrative Committee, or any Administrative Committee Member designated by the Administrative Committee, in which shall be entered fully and accurately all transactions and other matters relative to the Company's business as are usually entered into records and books of account maintained by persons engaged in businesses of a like character. The Company books and records shall be prepared in accordance with generally accepted accounting practices, consistently applied, and shall be kept on the cash basis. The books and records shall at all times be maintained at the principal place of business of the Company or at the office of any Administrative Committee Member, and shall be open to the inspection and examination of the Members or their duly authorized representatives as provided in Section 2.5.

7.7 Reports to Members. As soon as is practicable in the particular case, the Administrative Committee shall, upon request, deliver to every other Member:

(a) Such information concerning the Company after the end of each fiscal year as shall be necessary for the preparation by such a Member of his income or other tax returns;

(b) An unaudited statement prepared by the Administrative Committee setting forth, as of the end of and for each fiscal year, a profit and loss statement and a balance sheet of the Company and a statement showing the amounts allocated to or against each Interest during that year;

(c) If feasible, on or before October 15 of each year, a statement setting forth projected Taxable Income or Tax Losses to be generated by the Company for the fiscal year;

(d) Other information as in the judgment of the Administrative Committee shall be reasonably necessary for the other Members to be advised of the results of operations of the Company.

7.8 Additional Reports. The Administrative Committee may prepare and deliver to the Members from time to time during each fiscal year, in connection with distributions or otherwise, unaudited statements showing the results of operations of the Company to the date of that statement.

7.9 Time to be Devoted to Business. The Administrative Committee shall devote such time to the Company's business as is necessary to manage and supervise the Company's business and affairs in an efficient manner. Nothing in this Agreement shall preclude the employment, at the expense of the Company, of any agent or third party to manage or provide other services with respect to the Company's property or administrative business, subject to the control of the Administrative Committee.

7.10 Limits on Powers of Administrative Committee. Anything in this Agreement to the contrary notwithstanding, the Administrative Committee shall not, without the unanimous consent of all Members, cause or permit the Company to:

- (a) Do any act in contravention of this Agreement;
- (b) Do any act which would make it impossible to carry on the ordinary business of the Company, except as otherwise provided in this Agreement;
- (c) Confess a judgment against the Company;
- (d) Possess property, or assign rights in specific property, for other than a Company purpose;
- (e) Knowingly perform any act that would subject any Member to liability as a Member in any jurisdiction;
- (f) Dispose of the goodwill of the Company's business;
- (g) Commingle funds of the Company with funds of any other person;
- (h) Admit additional or Substitute Members, except as provided in Articles 14 and 15 of this Agreement;
- (i) Amend this Agreement, if any such amendment would materially change the rights, duties and obligations of the parties to this Agreement except as provided in Article 17 hereof;
- (j) Sell or otherwise dispose of all or any portion of the Property;

(k) Contract for real estate brokerage services or pay real estate brokerage fees for the sale of the Property or property management fees for the management of the Property, to third parties, including any Affiliate of the Members; or

(l) Execute any document which grants a security interest or lien against any Company property.

7.11 Authority to Pay Certain Fees and Expenses. The Members hereby acknowledge that in certain instances there may be certain circumstances that make it appropriate for the Company to contract for the performance of services or the purchase, sale or other disposition of goods or other property, by or with some other party or entity related to or affiliated with the Members, or any one of them, or with respect to any entity to which the Members or any one of them may have a direct or indirect ownership or controlling interest; however, in each such instance:

(a) Any such services, goods or property obtained from any such person or entity shall be on terms no less favorable to the Company than those reasonably available from unrelated third parties.

7.12 Salaries. The Company may pay to any Administrative Committee Member, Member or any employee employed by the Company, a salary as compensation for their services rendered to the Company, but only if the services to be provided and the salary to be paid for such services has been approved by all Members. Such salaries shall be treated as expenses of the Company and shall not be deemed to constitute distributions to the recipient of any profit, loss or capital of the Company. The initial salary of each Administrative Committee Member shall be ONE DOLLAR (\$1.00) per year. The salary of the Administrative Committee Members may only be modified upon the written consent of all Members.

7.13 Resignation of Administrative Committee Member. An Administrative Committee Member may resign from his position as an Administrative Committee Member at any time by notice to the Members. Such resignation shall become effective as set forth in such notice.

ARTICLE 8.

MEETINGS AND VOTES OF MEMBERS

8.1 Meetings. Meetings of the Members shall be held at the principal office of the Company or at such other place either within or without Nevada as specified from time to time by the Administrative Committee and agreed upon by all Members. If the Administrative Committee shall specify another location such change in location shall be recorded on the notice calling such meeting. There will be no regularly scheduled meetings of the Members.

8.2 Special Meetings. Special meetings of the Members shall be scheduled and presided over by an Administrative Committee Member. Special meetings may be called by the Administrative Committee or upon the request of Members holding not less than fifty percent (50%) of all Units entitled to vote at the meeting; provided that requests to approve the admission of Substitute Members may be called by any Member.

8.3 Court Ordered Meeting.

(a) Any court of competent jurisdiction in the State of Nevada may summarily order a meeting to be held:

(1) on application of any Member of the Company if a meeting was not held within six (6) months after the end of the Company's fiscal year or fifteen (15) months after its last annual meeting, whichever is earlier; or

(2) on application of a Member who participated in a proper call for a special meeting if (i) notice of the special meeting was not given within thirty (30) days after the date the demand was delivered to the Administrative Committee of the Company; or (ii) the special meeting was not held in accordance with the notice.

(b) The court may fix the time and place of the meeting, specify a record date for determining Members entitled to notice of and to vote at the meeting, prescribe the form and content of the meeting notice, fix the quorum required for the meeting or direct that the interests represented at the meeting constitute a quorum for the meeting, and enter other orders necessary to permit the meeting to be held.

8.4 Notice.

(a) Written notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered not less than ten (10) days or more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the Administrative Committee or persons calling the meeting to each Member of record entitled to vote at such meeting.

(b) Notice to Members of record, if mailed, shall be deemed delivered as to any Member when deposited in the United States mail, addressed to the Member with postage prepaid, but, if three (3) successive letters mailed to the last-known address of any Member are returned as undeliverable, no further notices to such Member shall be necessary until another address for such Member is made known to the Company.

(c) When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Company may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each Member entitled to vote at the meeting.

8.5 Waiver of Notice.

(a) When any notice is required to be given to any Member of the Company under the provisions of NRS Chapter 86 or under the provisions of the Articles of Organization or this Operation Agreement, a waiver thereof in writing signed by the person entitled to such notice, whether before, at, or after the time stated herein, shall be equivalent to the giving of such notice.

(b) By attending a meeting, a Member:

(1) waives objection to lack of notice or defective notice of such meeting unless the Member, at the beginning of the meeting objects to the holding of the meeting or the transacting of business at the meeting;

(2) waives objection to consideration at such meeting of a particular matter not within the purpose or purposes described in the meeting notice unless the Member objects to considering the matter when it is presented.

8.6 Proxies. At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member or by his duly authorized attorney-in-fact. Such proxy shall be filed with the Administrative Committee of the Company before or at the time of the meeting. No proxy shall be valid after eleven (11) months from date of execution, unless otherwise provided in the proxy.

8.7 Fifty-one Percent Votes. An affirmative vote by or on behalf of the Members possessing at least fifty-one percent (51%) of the Units of the Company shall be required to approve or disapprove any matter on which the Members are entitled to decide, except as otherwise provided in this Operating Agreement.

8.8 Sixty Percent Votes. An affirmative vote by or on behalf of the Members possessing at least sixty percent (60%) of the Units of the Company shall be required to:

(a) Remove an Administrative Committee Member pursuant to Section 7.4;

8.9 One Hundred Percent Votes. An affirmative vote by or on behalf of the Members possessing one hundred percent (100%) of the Units of the Company shall be required to approve or disapprove the following matters:

(a) Amend the Articles of Organization and/or this Operating Agreement so as to:

(1) enlarge the obligations of any Member, including requiring any additional contribution, assessment or payment by a Member, without the consent of such Member;

- (2) modify the method of determining, allocating or distributing the Company's income, gains, losses, deductions and credits during the term of the Company or upon its liquidation;
 - (3) adversely affect the federal and state income tax treatment to be afforded Members or adversely affect the liabilities of the Members;
 - (4) cause the Company to become an entity other than a Nevada limited liability company;
 - (5) alter the term of the Company from that set forth in Section 2.3; or
 - (6) Modify, enlarge or change the purpose of the Company from that set forth in Section 3.1 of this Agreement or as set forth in the Articles of Organization;
- (b) Approve Substitute Members;
 - (c) Approve the issuance of Additional Units;
 - (d) Dissolve the Company by written consent;
 - (e) Approve any merger of the Company with any other legal entity;
 - (f) Amend this Section 8.9;
 - (g) Borrow money from a Member;
 - (h) Increase the salary of the Administrative Committee Member or pay a salary to any other employee of the Company as set forth in Section 7.13;
 - (i) Sell, refinance or otherwise dispose of all or any portion of the Property;
 - (j) Borrow funds in excess of TWENTY THOUSAND DOLLARS (\$20,000.00) on behalf of the Company to meet the current cash needs of the Company;
 - (k) Change the location of the principal place of business for the Company or establish additional offices for the Company as set forth in Section 2.5;
 - (l) Execute any document granting a security interest or lien against any Company property; or
 - (m) Contract for real estate brokerage services or pay real estate brokerage fees for the sale of the Property or property management fees for the management of the Property, to third parties, including any Affiliate of the Members.

8.10 Voting Procedures.

(a) The costs of calling and holding any meeting of the Members called by the Administrative Committee, shall be paid by the Company. Such costs for all other meetings called by the Members shall be paid by the Members calling the meeting. Each Member shall be responsible for its own costs associated with attending and participating in a meeting.

(b) Matters not described in a meeting notice may be discussed at a meeting if the Members or their authorized representatives possessing at least fifty-one percent (51%) of all of the Units are present at the meeting and may be voted upon if the Members or their authorized representatives possessing at least the required percentage of the Units to approve such matter are present at the meeting.

8.11 Action by Members Without a Meeting. Unless the Articles of Organization, or this Operating Agreement provide otherwise, action required or permitted by NRS Chapter 86 to be taken at a Member's meeting may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by each Member entitled to vote. Action taken under this Section 8.11 is effective when all Members entitled to vote have signed the consent, unless the consent specifies a different effective date.

Written consent of all of the Members entitled to vote on any matter has the same force and effect as a unanimous vote of such Members and may be stated as such in any document.

ARTICLE 9.

MEMBER ACCOUNTS, ALLOCATIONS AND DISTRIBUTIONS

9.1 Maintenance of Members Accounts.

(a) A Member Account shall be established in the Company's books for each Member and transferee in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Each Member Account shall be:

(1) increased by:

(i) such Member's cash contributions;

(ii) the fair market value of the property contributed by such Member to the Company (net of liabilities securing such contributed property that the Company is considered to assume or take subject to); and

(iii) the amounts allocated to such Member for its share of the income and gain of the Company; and

(2) decreased by:

(i) the amounts allocated to such Member for such Member's share of the Company's losses and deductions;

(ii) the amount of money distributed to such Member by the Company; and

(iii) the fair market value of the property distributed to such Member by the Company (net of liabilities securing such contributed property that such Member is considered to assume or take subject to).

(b) For purposes of computing the amount of any item of income, gain, deduction or loss to be reflected in the Members' Member Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes provided that:

(1) in accordance with the requirements of Code Section 704(c), any deductions attributable to a contributed property shall be determined as if the adjusted basis of such property on the date it was acquired by the Company was equal to the fair market value of such property. Upon an adjustment pursuant to Section 9.1(e) to the Carrying Value of any Company Property, any further deductions attributable to such property shall be determined as if the adjusted basis of such property was equal to the Carrying Value of such property immediately following such adjustment;

(2) any income, gain or loss attributable to the taxable disposition of any property shall be determined by the Company as if the adjusted basis of such property as of such date of disposition was equal in amount to the Company's Carrying Value of such property as of such date;

(3) all fees and other expenses incurred by the Company to promote the sale of (or to sell) a Unit that can neither be deducted nor amortized under Code Section 709 shall, for purposes of Member Account maintenance, be treated as an item of deduction and shall be allocated among the Members pursuant to Section 9.2; and

(4) the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Code Section 754 which may be made by the Company and, as to those items described in Code Section 705(a)(1)(B) and Code Section 705(a)(2)(B), without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalizable for federal income tax purposes.

(c) If any Member or transferee would otherwise have a negative balance in its Member Account, the amount of any such negative balance shall be reduced (but not in excess of such negative balance) by the amount of such Member's or transferee's share of Company Minimum Gain (determined in accordance with Treasury Regulation Section 1.704-1(b)(4)(iv)(f) after taking

into account all increases and decreases to such Company minimum Gain during the taxable year). Such reduction shall be taken into account in determining the permissible allocations under Section 9.2.

(d) Generally, a Substitute Member or transferee of a Unit will succeed to the Member Account relating to the Unit transferred. However, if the transfer causes a termination of the Company under Code Section 708(b)(1)(B), the Company Properties shall be deemed to have been distributed in liquidation of the Company to the Members (including the Substitute Member transferee of a Unit) and deemed recontributed by such Members and transferees in reconstitution of the Company. In such event, the Carrying Values of the Company Properties shall be adjusted immediately prior to such deemed distribution pursuant to Section 9.1(e) (and such Carrying Values shall constitute the agreed values of such properties upon this deemed contribution of the recontributed property). The Member Accounts of such reconstituted Company shall be maintained in accordance with the principles of this Section 9.1.

(e) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(e), immediately prior to the actual or deemed distribution of any Company Property, the Member Accounts of all Members and transferees and the Carrying Values of all Company Properties to be distributed shall be adjusted (consistent with the provisions hereof) upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to each such Company Property (as if such Unrealized Gain or Unrealized Loss has been recognized upon an actual sale of each such property, immediately prior to such distribution, and has been allocated to the Members and transferees, at such time, pursuant to Section 9.2). In determining such Unrealized Gain or Unrealized Loss, the aggregate fair market value of Company Properties as of any date of determination shall be determined by the Company using such reasonable methods of valuation as it may adopt.

(f) The foregoing provisions and other provisions of this Agreement relating to maintenance of Member Accounts are intended to comply with Treasury Regulation Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such regulation. In the event the Administrative Committee shall determine that it is prudent to modify the manner in which the Member Accounts or any debits or credits thereto, are computed in order to comply with such regulations, the Administrative Committee, acting in accordance with Section 17.3 and without the approval of the Members, may amend this Agreement to reflect such modification, provided that it is not likely to have a material effect on the amounts distributed to the Members pursuant to Article 16 upon dissolution of the Company.

9.2 Allocations of Profits and Losses. Subject to this Article 9, the Company's profits, losses, deductions and credits shall be allocated to the Members as follows:

(a) After giving effect to the special allocations set forth in Sections 9.3 through 9.8 hereof, profits, gains and credits shall be allocated to the Members in proportion to the Profits Interest held by each Member as set forth in Exhibit "2".

(b) Losses and deductions for any fiscal year shall be allocated to the Members in proportion to their respective Units.

9.3 Minimum Gain Chargeback Allocations. Notwithstanding any other provision of this Operating Agreement to the contrary, except as provided in Section 9.4 below, if the amount of any Company Minimum Gain at the end of any taxable year is less than the amount of such Company Minimum Gain at the beginning of such taxable year, there shall be allocated to any Member having a negative Member Account balance at the end of such taxable year (determined after taking into account any adjustments, allocations and distributions described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6) gross income and gain (in respect of the current taxable year and any future taxable year) in an amount sufficient to eliminate such negative Member Account balance in compliance with Treasury Regulation Section 1.704-1(b)(4)(iv)(e). Such allocation of gross income and again shall be made prior to any other allocation of income, gain, loss or deduction. Any such allocation of gross income or gain pursuant to this Section 9.3 shall be made to each Member Account having a negative balance in the proportion such negative balance bears to negative balances of all the Members. Any allocations of gross income or gain pursuant to this Section 9.3 shall be taken into account, to the extent feasible, in computing subsequent allocations of income, gain, loss or deduction of the Company so that the net amount of all items allocated to each Member pursuant to this Article 9, to the extent possible, shall be equal to the net amount that would have been allocated to each such Member pursuant to the provisions of this Article 9 if the allocations made pursuant to the first sentence of this Section 9.3 had not occurred. This Section 9.3 is intended to constitute a "minimum gain chargeback" within the meaning of Treasury Regulation Section 1.704-1(b)(4)(iv)(e).

9.4 Qualified Income Offset Allocations. While a deficit balance in a Member Account shall reduce such Member's right to a return of capital of the Company, a deficit balance shall not constitute an obligation of that Member to the Company to repay the amount of such deficit balance. In the event a Member unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), that reduces any Member's Member Account below zero or increases the negative balance in such member's Member Account, except as may be provided in Section 9.3 above, gross income and gain shall be allocated to such Member in an amount and manner sufficient to eliminate any negative balance in its Member Account created by such adjustments, allocations or distributions as quickly as possible in accordance with Treasury Regulation Section 1.704-1(b)(2)(ii)(d). Any such allocation of gross income or gain pursuant to this Section 9.4 shall be made to each Member Account having a negative balance in the proportion such negative balance bears total negative balances of all the Members. Any allocations of items of gross income or gain pursuant to this Section 9.4 shall: (i) not duplicate any allocations of gross income or gain made pursuant to Section 9.3, (ii) be taken into account, to the extent feasible, in computing subsequent allocations of the Company, so that the net amount of all items allocated to each Member pursuant to this Article 9 shall, to the extent possible, be equal to the net amount that would have been allocated to each such Member pursuant to the provisions of this Article 9 if such adjustments, allocations or distributions had not occurred. This Section 9.4 is intended to constitute a "qualified income offset" within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(d).

9.5 Special Allocation Adjustments. Except as provided in Section 9.3, in the event any Member has a deficit Member Account at the end of any Company fiscal year that is in excess of the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentence of

Treasury Regulation Section 1.704-1(b)(4)(iv)(f), each such Member shall be specially allocated items of Company gross income and gain in the amount of such excess as quickly as possible.

9.6 Code Section 754 Election Adjustments. To the extent an adjustment to the tax basis of any Company asset pursuant to Code Section 734(b) or 743(b) is required to be taken into account in determining Member Accounts, the amount of such adjustment to the Member Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Member Accounts are required to be adjusted pursuant to such Treasury Regulation Section.

9.7 Curative Allocations. The allocations set forth in Sections 9.3, 9.4, 9.5 and 9.6 (the "Regulatory Allocations") are intended to comply with certain requirements of Treasury Regulation Section 1.704-1(b). The Regulatory Allocations may not be consistent with the manner in which the Members intend to divide Company distributions. Accordingly, the Administrative Committee is hereby authorized to divide other allocations of profits, losses and other items among the Members so as to prevent the Regulatory Allocations from distorting the manner in which Company distributions will be divided among the Members pursuant to Article 16. In general, the Members anticipate that this will be accomplished by specially allocating items of income, gain, loss and deduction among the Members so that the net amount of the Regulatory Allocations and such special allocations to such Member is zero. However, the Administrative Committee shall have discretion to accomplish this result in any reasonable manner.

9.8 Code Section 704(c) Allocations. In accordance with Code Section 704(c) income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its fair market value at time of contribution. Any elections or other decisions relating to such allocation shall be made by the Administrative Committee in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 9.7 are solely for purposes of federal income taxes and shall not affect, or in any way be taken into account in computing any Member's Member Account, or share of items of the Company's income, gains, losses, deductions and credits, or distributions pursuant to any provision of this Agreement.

ARTICLE 10.

DISTRIBUTIONS

10.1 Net Cash From Operations, Sales or Refinancings. Except as otherwise provided in Article 16 hereof, Net Cash From Operations and Net Cash From Sales or Refinancings, if any, shall be distributed by the Administrative Committee at such times as such funds become available, but in any event at least one annual distribution on January 30th of each year commencing in the first year the Company generates Net Income, and continuing each year thereafter, in the following order and priority:

(a) First, an amount equal to forty percent (40%) of Net Income shall be distributed to the Members with each Member receiving its share in proportion to the Units held by each Member as set forth in Exhibit "2".

(b) Second, a guaranteed payment shall be made to Crowe (the "Crowe Guaranteed Payment"), which shall not act as a reduction to Crowe's capital account, and shall be treated and calculated as an interest premium on the aggregate sum of Crowe's Initial Contribution and all Additional Crowe Contributions (hereinafter collectively referred to as the "Total Crowe Contribution") as follows:

(1) The Crowe Guaranteed Payment shall be calculated as simple interest on that portion of the Total Crowe Contribution, which has not been returned in accordance with Section 10.1(c) hereof, at the rate of five percent (5%) per annum through December 31, 1996, and at the rate of ten percent (10%) per annum thereafter until the Total Crowe Contribution has been fully returned in accordance with Section 10.1(c);

(c) The balance, if any, one hundred percent (100%) to Crowe as a Priority Return of Capital, until such time as Crowe has received total Priority Return of Capital payments which collectively equal the sum of the Total Crowe Contribution;

(d) Once Crowe has received total Priority Return of Capital payments which collectively equal the sum of the Total Crowe Contribution and all Delinquent Contribution obligations have been fully satisfied, the balance shall be divided and distributed equally as guaranteed payments to McDonald and Fletcher H. Majors, Jr. ("Majors"), which payments shall not act as reductions to the capital accounts of McDonald and Majors, and shall be treated and calculated as an interest premium on the Initial Contribution of McDonald ("McDonald Contribution") and the Initial Contribution of Majors ("Majors Contribution") as follows:

(1) The guaranteed payment to McDonald shall be calculated as simple interest on that portion of the McDonald Contribution, which has not been returned in accordance with Section 10.1(e) hereof, at the rate of five percent (5%) per annum through December 31, 1996, and at the rate of ten percent (10%) per annum thereafter until the McDonald Contribution has been fully returned in accordance with Section 10.1(e);

(2) The guaranteed payment to Majors shall be calculated as simple interest on that portion of the Majors Contribution, which has not been returned in accordance with Section 10.1(e) hereof, at the rate of five percent (5%) per annum through December 31,

1996, and at the rate of ten percent (10%) per annum thereafter until the Majors Contribution has been fully returned in accordance with Section 10.1(e);

(e) The balance, if any, fifty percent (50%) to McDonald as a Priority Return of Capital and fifty percent (50%) to Majors as a Priority Return of Capital, until such time as McDonald and Majors have received total Priority Return of Capital payments which equal the sum of their Initial Contributions; and

(f) Once McDonald and Majors have received total Priority Return of Capital payments which equal the sum of their Initial Contributions and all Delinquent Contribution obligations have been fully satisfied, the balance shall be divided and distributed to the Members in proportion to the Profits Interest held by each Member which shall be in direct proportion to the Units held by each Member as set forth in Exhibit "2".

10.2 Timing of Allocations and Distributions.

(a) Distributions shall be made by the Administrative Committee at least annually, in accordance with this Article 10.

(b) If any Unit or economic benefit therein is transferred during any month, every item of Company income, gain, loss, deduction and credit attributable to such Unit for the fiscal year shall be divided and allocated between the transferor and transferee based upon such transferor's and transferee's respective proportionate interests. For purposes of making this allocation, all transfers consummated during the first fifteen (15) days of a month will be treated as made as of the first (1st) day of the month of transfer, and all transfers consummated after the fifteenth (15th) day of a month will be treated as made as of the first (1st) day of the following month. Distributions shall be made in accordance with allocations.

10.3 Distribution in Kind. A Member shall have no right to demand and receive any distribution from the Company in any form other than cash. However, a Member may be compelled to accept a distribution of an asset in kind from the Company to the extent that the percentage of the asset distributed to him exceeds a percentage of that asset which is equal to the percentage in which he shares in distributions from the Company.

10.4 Limitations on Distribution. A Member may not receive a distribution from the Company to the extent that, after giving effect to the distribution, all liabilities of the Company, other than liability to Members on account of their Capital Contributions, would exceed the fair value of the Company's assets.

10.5 Distribution Upon Resignation. Except as otherwise provided in the provisions of NRS Chapter 86 or this Operating Agreement, upon resignation, any resigning Member is entitled to receive any distribution to which he is entitled, which shall be equal to the fair value of his Units in the Company as of the date of resignation.

ARTICLE 11.

FISCAL YEAR, BOOKS AND RECORDS

11.1 Books of Account and Records. At all times during the term of the Company, the Company shall keep or cause to be kept at the Company's principal office, the items set forth in Section 2.5.

11.2 Inspection. All documents required to be maintained at the Company's principal office under Section 2.5, as well as true and full information regarding the state of the Company's business, financial condition and other information regarding the affairs of the Company as is just and reasonable, shall be made available upon reasonable demand for any purpose reasonably related to the Member's interest as a Member, during ordinary business hours for inspection and copying at the reasonable request and expense of any Member. In addition, any Member of the Company shall have the right to have a formal accounting of Company affairs whenever circumstances render it just and reasonable.

11.3 Fiscal Year. The fiscal year of the Company shall end on December 31 in each year except that the first year of the Company shall be that period (even if less than twelve (12) months) beginning on the date of filing the Articles of Organization and ending on the next following December 31, and the final year of the Company shall be that period beginning on the first (1st) day of such year and ending on the date of cancellation of the Articles of Organization.

11.4 Accounting. The Company's accountants employed at any one time shall be the final authority with regard to any accounting questions that may arise during the course of the business of the Company. The accountants shall be selected by the Administrative Committee in its sole discretion. The fees of the accountants will be a normal Company business expense.

11.5 Annual Audit. An annual audit of the Company and all income-producing property owned by the Company may, at the request of any Member who holds at least a sixty percent (60%) interest in the Company, be prepared and certified by an independent public accounting firm retained by the Administrative Committee. In the event that such audit is requested by a qualified Member, and such accounting is conducted, the cost thereof to the extent such cost exceeds any cost which would ordinarily be incurred by the Company for the preparation of a review by an independent public accounting firm covering the same period as the audit, shall be borne by the requesting Member, unless as the result of such audit, it is determined by the public accounting firm hired to perform such audit that, the net profit from operations before taxes should be adjusted to reflect a variance of five percent (5%) or more in the calculation of year-to-date net profit before taxes. If such audit results in a calculation of net profit before taxes which varies five percent (5%) or more as compared to the same calculation prepared prior to the audit by any property management company hired to manage the Project, the cost of the audit will be paid by the Company from proceeds generated by the Project. If such audit results in a calculation of net profit before taxes which varies less than five percent (5%) as compared to the same calculation prepared prior to the audit by any property management company hired to manage the Project, the Member who requested the audit shall pay the cost thereof, unless Members possessing at least seventy percent (70%) of the

Units of the Company requested the audit, in which case the Company shall pay the cost thereof. The calculation of net profit before taxes for all purposes in this Agreement, including this paragraph, shall be conducted in accordance with generally accepted accounting principles.

ARTICLE 12.

TAX MATTERS

12.1 Tax Matters Member. The Administrative Committee shall designate a tax matters Member for purposes of federal and state income tax matters. The tax matters Member shall cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Internal Revenue Code and all other tax returns deemed necessary and required by the Company.

12.2 Basis Adjustment on Transfers of Units. In the event of a transfer of all or part of a Member's Units, the Company, at the sole discretion of the Administrative Committee, may elect pursuant to Code Section 754 to adjust the basis of the Company Property upon the request of the transferee; provided that the basis adjustment to which the transferee would be entitled would increase the basis of the transferee's Units by at least TWO THOUSAND DOLLARS (\$2,000.00) per Unit and the transferee deposits funds with the Administrative Committee in advance sufficient to indemnify the Company for the costs of making the adjustment based upon the Administrative Committee's estimate thereof and agrees in writing to reimburse the Company for any overage in such costs. If any Member transfers all or part of its Units, any basis adjustment from such transfer, whether made under Code Section 754 or otherwise, shall be allocated solely to the transferee.

12.3 Deductions and Elections. Wherever reasonably possible, the Company shall treat as expense items all amounts incurred for services, rent, taxes, leases, interest and other fees and charges during or relating to Company Property which may, in accordance with applicable law, regulations and/or decisions, be considered as expenses. Any such items that must be capitalized shall be spread over the shortest period of time allowable. The Company shall, to the extent permitted by applicable law and regulations, elect to claim those tax positions as the tax matters Member, in its discretion, determines to be most favorable to the Members. No Member shall take any action or refuse to take any action which would cause the Company to forfeit the benefits of any tax election previously made or agreed to be made. Each Member shall promptly supply the Company with any information necessary to give effect to such tax elections.

ARTICLE 13.

MEMBERS' LIABILITY AND INDEMNITY

13.1 Members.

(a) No Member shall be liable under a judgment, decree or order of a court, or in any other manner, for the debts, liabilities, or obligations of the Company. A Member shall have no liability to any other Member and/or the Company when acting pursuant to its authority granted pursuant to the Articles of Organization and/or this Operating Agreement except to the extent such Member's acts or omissions constituted willful misconduct or gross negligence of such Member. Additionally, a Member shall be liable to the Company for:

(1) any difference between its Capital Contribution actually paid in and the amount promised by any member as stated in this Operating Agreement or any writing signed by the Member; and

(2) any unpaid Capital Contribution which it agreed in this Operating Agreement or in any writing signed by the Member, to make in the future at the time and on the conditions stated in this Operating Agreement or in any other instrument, except that if a Member is unable to perform because of death, disability or other reason, such Member may, at the option of the Company, contribute cash equal to that portion of the Member's Capital Contribution which has not been made; or

(3) the obligation of any Member to make a Capital Contribution or return money or other property paid or distributed in violation of the provisions of NRS Chapter 86 except as may be compromised by vote of the Members as set forth in Section 8.7.

(b) If a Member has received the return of any part of his Capital Contribution in violation of this Operating Agreement or the provisions of NRS Chapter 86, he is liable to the Company for a period of six (6) years thereafter for the amount of the Capital Contribution wrongfully returned.

Any liability of a Member to the Company under this Article 13 can be waived or compromised pursuant to a vote by the Members in accordance with Section 8.7. A Member who is subject to an obligation to repay any Capital Contribution to the Company as required by the Articles of Organization or this Operating Agreement, must make such repayment on demand by the Company. No Member shall be liable to the Company, its creditors or any other Member with respect to any amounts paid to such Member as profit sharing, loan repayment, interest, salary, wage, rental, royalty, fee or payment for value given which is not paid to such Member as a return of such Member's Capital Contribution.

13.2 Administrative Committee.

(a) The Administrative Committee does not in any way guarantee the return of any Member's Capital Contribution or a profit for the Members from the Company's business. The Administrative Committee shall incur no liability to the Company or to any of the Members as a result of engaging in any other business or venture regardless of whether such other business or venture competes with the Company or whether the Administrative Committee is active in the management or business of such other business or venture. Neither the Company nor any of the Members shall have any rights by virtue of the Articles of Organization, this Operating Agreement or any applicable law in or to the other business ventures of the Administrative Committee or to the income, gains, losses, deductions and credits derived therefrom by the Administrative Committee.

13.3 Company's Indemnification of Members, Administrative Committee Member, Employees or Agents. The Company shall indemnify its Members, Administrative Committee Member, employees and agents as set forth in the Articles of Organization.

13.4 Force Majeure. Notwithstanding anything in this Operating Agreement to the contrary, a Member or an Administrative Committee Member, shall not be liable (except for such Member's or Administrative Committee Member's obligations to contribute or return its Capital Contributions under the provisions of NRS Chapter 86 or this Operating Agreement) for any loss or damage to Company Property or operations caused by its failure to carry out any of the provisions of the Articles of Organization and/or this Operating Agreement as a result of foreseeable or unforeseeable acts of God or incidents resulting from outside forces, whether or not beyond the control of such Member or Administrative Committee, such as strikes, labor troubles, riots, fires, weather, floods, acts of a public enemy, insurrections, breakdown or failure of machinery, acts, omissions or delays of governmental authorities and governmental laws, rules, regulations or orders.

13.5 Remedies. The remedies of the Members hereunder are cumulative and shall not exclude any other remedies to which a Member may be lawfully entitled. The Members acknowledge that all legal remedies for any breach of this Operating Agreement may be inadequate, and therefore they consent to any appropriate equitable remedy; provided, that any failure of a Member to abide by the terms of this Operating Agreement, including without limitation any vote or consent that should bind a Member, or any other failure to adhere to the terms of this Operating Agreement which cost the Company legal and court costs to enforce same shall render the breaching Member liable to the Company for any such fees and costs.

13.6 Waiver. The failure of any Member to insist upon strict performance of a covenant or condition hereunder shall not be a waiver of its right to demand strict compliance therewith in the future.

ARTICLE 14.

ADDITIONAL MEMBERS AND UNITS

14.1 Additional Units. By approval of or on behalf of the Members possessing all of the Units, the Company may issue Additional Units by sale or other issuance to existing Members or other persons or entities (separately and together, "Additional Members"). Any such sale or other issuance of Company Units shall be made in accordance with the Articles of Organization and this Operating Agreement. As a condition to such issuance, Additional Members acquiring such Units shall execute the Articles of Organization, this Operating Agreement and all other documents and instruments as the Company may require and shall become Members as regards such Units upon the date the last of such agreements are executed. The legal fees and costs associated with the preparation and filing of an amendment to the Articles of Organization to effectuate such admission, if necessary, and all of other documents necessary to continue the Company's right to do business in the jurisdictions in which it is then doing business, shall be borne by the Company.

14.2 Allocations. Additional Units shall not be entitled to any retroactive allocation of the Company's income, gains, losses, deductions, credits or other matters of any kind; provided that Additional Units shall be entitled to their respective share of the Company's income, gains, losses, deductions, credits and other matters of any kind arising under contracts entered into before the effective date of the issuance of any Additional Units to the extent that such income, gains, losses, deductions, credits and other matters of any kind arise after such effective date. The Company's books may be closed at the time Additional Units are issues (as though the Company's tax year had

ended) or the Company may credit to the Additional Units pro rata deductions, credits and other matters of any kind for that portion of the Company's fiscal year after the effective date of the issuance of the Additional Units.

ARTICLE 15.

TRANSFERS

15.1 Transfer Restrictions. Each Member hereby agrees that its Units and any economic benefit therein are not transferable except as provided in this Article 15. "Economic benefit" or "benefit" of a Unit shall mean a Unit's share of the Company's profits or other compensation by way of income and return of contributions but shall not include the Company's losses, deductions and credits. In addition, the Administrative Committee is authorized and has the right, but not the obligation, to take such actions as are necessary or advisable so that transfers of Units (or any economic benefit therein) in a secondary trading market (or the substantial equivalent thereof) are not recognized including, but not limited to, such actions as are authorized in Section 17.3 hereof.

Subject to any required approval of the other Members, transfers of Units and/or economic benefits therein during any year shall become effective as of the date of any required approval by the other Members, provided that the transferee and transferor have satisfied all of the requirements of this Article 15. Subject to satisfying the requirements of this Article 15, any such transfer requiring approval of the Members pursuant to this Article 15 shall be considered by the Members at the Members' next annual or special meeting. Unless and until the transferee of a Member's Units is accepted as a Substitute Member pursuant to this Article 15, the transferor Member shall remain a Member in the Company and shall retain all rights and obligations incident to such status, except to the extent that the transferor agrees to transfer the economic benefits of its Units as permitted by this Article 15 for transfers of economic benefits without the consent of the other Members.

Notwithstanding anything to the contrary, any attempted or purported transfer of any Unit or economic benefit therein (including, but not limited to, an adjustment of the right to receive profits or the return of contributions) in violation of the following restrictions shall be void ab initio and of no effect:

(a) No transfer may be made within the meaning of the Code or the regulations thereunder, if the Units or economic benefits sought to be transferred, when added to all other Units and economic benefits transferred within the period of twelve (12) consecutive months prior thereto, equals fifty percent (50%) or more of the total interest in Company profits and capital, or otherwise would result in the termination of the Company under the Code;

(b) No transfer may be made except in compliance with or pursuant to an exemption from the registration provisions of the Securities Act of 1933, as amended, and in-compliance with or pursuant to an exemption from applicable state securities laws and rules and regulations promulgated thereunder;

(c) No transfer may be made which would cause the Company to become an "investment company" under the Investment Company Act of 1940, as amended;

(d) No transfer may be made which would cause the Company to be deemed to be a "publicly traded partnership" under the Code or would otherwise cause the Company to be treated as an association or corporation for tax purposes under the Code;

(e) No direct transfer may be made to a minor or incompetent in any respect unless made for their benefit to their guardian, trustee or other legal representative; and

(f) No transfer of a partial interest in any Unit or an economic benefit in a partial Unit may be made.

15.2 Company Review. Prior to the vote of the Members for their approval of the admission of a transferee of Units as a Substitute Member, the transferor may submit a written or oral report of the proposed transfer to the Company for its review. Subject to obtaining an opinion of counsel that the restrictions provided in this Article 15 will not be violated by the transfer, the Company shall notify the transferor within sixty (60) days after receipt whether or not the proposed transfer violates any of the restrictions contained in this Article 15 and whether or not the transfer consequently may be effected. Any opinion of counsel shall be provided at the option of the Company by the transferring parties at their sole expense, shall be satisfactory in form and substance to the Company and shall be from counsel satisfactory to the Company.

15.3 Transfers of Economic Benefits Without Members' Approval. Subject to Sections 15.1 and 15.2, economic benefits in Units may be transferred without the consent of the Members in the following events:

- (a) The transfer as a result of the death of a Member;
- (b) The transfer in connection with the entry of a divorce decree for or against a Member;
- (c) The transfer as a gift and for no consideration;
- (d) The transfer to related parties after which the ownership of the economic benefits will be effectively unchanged, i.e., intrafamily transfers or transfers within an affiliated group; or
- (e) The transfer to a family trust in which a Member is the controlling Trustee.

15.4 Transfers with Members' Approval.

(a) Following satisfaction of the requirements of Sections 15.1 and 15.2, a proposed transfer of Units requiring the Members' approval shall be submitted to the Members for their approval after:

- (1) the transferee has executed this Operating Agreement and any other documents and instruments as the Company may require; and

(2) the transferring parties have paid and have agreed to pay, as the Company shall determine, all reasonable expenses connected with such request and admission, including, but not limited to, any required opinion of counsel, the legal fees and costs associated with the preparation and filing of all other documents necessary to continue the Company's right to do business in the jurisdictions in which it is then doing business. The Company shall not be obligated to justify such expenses and for its convenience in lieu of itemizing such expenses, may select a reasonable amount to cover such expenses.

(b) Upon satisfaction of Sections 15.1 and 15.2, and for Units, 15.4(a), the request for transfer of Units shall be submitted to the Members at the Company's next meeting. The Members shall vote whether or not to approve a proposed transfer of Units and whether or not a proposed transferee of Units should be admitted as a Substitute Member for the transferor Member to the extent of the Units proposed to be transferred. If a proposed transferee of Units is not approved to be a Substitute Member, then subject to the provisions of the proposed transfer, such transferee may nevertheless receive the "economic benefits" of such Units pursuant to the definition of "economic benefits" set forth in Section 15.1 hereof.

(c) If a proposed transfer of Units is approved by all of the Members, the transferee shall be admitted as a Member and shall be vested with all the rights and powers, and be subject to all the restrictions and liabilities of the transferor to the extent of the Units transferred. Admission of a transferee as a Substitute Member shall not relieve the transferor from any obligation or liability that existed on or before the effective date of admission; provided that the transferor shall be relieved from obligations and liabilities arising thereafter and arising under existing agreements to the extent that such obligations are to be performed after the effective date of admission or that such liabilities arise thereafter.

(d) If a proposed transfer of Units is refused by or on behalf of any Member, the proposed transferee of the Member's Units shall not be admitted as a Member and shall not have the right to participate in the management of the business and affairs of the Company, provided that such transferring parties may again apply to have the transferee admitted as a Substitute Member.

15.5 Death of Member; Other Termination of Membership.

(a) In the event of the death of a Member who is an individual or if a court of competent jurisdiction adjudges a Member to be incompetent to manage his person or his property, followed by a decision by or on behalf of all of the remaining Members to continue the Company rather than allowing it to dissolve, the Member's executor, administrator, guardian, conservator, or other legal representative may exercise all of the Member's rights for the purpose of settling his estate or administering his property. If a Member is a corporation, trust or other entity and is dissolved or terminated, the powers of that Member may be exercised by its legal representative or successor.

(c) In the event of bankruptcy or dissolution of a Member, followed by a decision by or on behalf of all the remaining Members to continue the Company rather than allowing it to dissolve, any successor to the Units of the affected Members as a result thereof shall be deemed to

be the transferee of the entire interest of the affected Member and may be admitted at the next annual meeting as a Substitute Member upon satisfaction of the requirements of this Article 15.

(c) The provisions of Article 2 and this Section 15.5 shall not cause or require the dissolution of the Company should any of the events described in such Article or Section occur to a person or entity who is not a Member but only possesses economic benefits associated with any Units.

15.6 Successors and Assigns. This Operating Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the parties hereto.

ARTICLE 16.

DISSOLUTION AND WIND-UP

16.1 Wind-up and Reformation.

(a) Upon the occurrence of an event under Section 2.3, the Company shall be dissolved unless there are at least two (2) Members remaining and, within ninety (90) days following the occurrence of the dissolving event, the remaining Members vote to continue the business of the Company.

(b) If the continuance of the Company is approved by or on behalf of the Members, the new Company shall be deemed formed without any further or additional documentation to effect such action and all Members and others owning economic benefits of Units shall automatically become participants in the new Company without any change in their respective rights and obligations. Unless otherwise agreed to by the Members owning fifty-one percent (51%) or more of the Units, the Articles of Organization and this Operating Agreement shall automatically constitute the Articles of Organization and Operating Agreement of such new Company. All of the assets and liabilities of the dissolved Company shall be deemed to have been automatically assigned, assumed, conveyed and transferred to the new Company. No bond, collateral, assumption or release of any Member's or the Company's liabilities shall be required. Unless otherwise agreed by the Members, continuance of the Company shall be subject to the provisions of Section 16.6.

(c) If the continuance of the Company is not approved by the Members within said ninety (90) days the Company shall promptly commence to wind up its affairs and execute a statement of intent to dissolve. Such statement of intent to dissolve shall be executed by the Administrative Committee. Upon the filing with the Nevada Secretary of State of a statement of intent to dissolve, the Company shall cease to carry on its business, except insofar as may be necessary for the winding-up of its business, but its separate existence shall continue until Articles of Dissolution have been filed with the Nevada Secretary of State or until a decree dissolving the Company has been entered by a court of competent jurisdiction.

16.2 Authority to Wind-up. In the event that winding-up is required hereunder, the winding-up activities shall be managed by the Administrative Committee or a committee thereof appointed for this express purpose, to the exclusion of the Members.

16.3 Settlement and Distribution. In settling accounts after dissolution, the assets of the Company shall be distributed as follows:

(a) To creditors, in the order of priority as provided by law, including Members who are creditors, in satisfaction of liabilities of the Company other than liabilities for distributions to Members on their contributions under NRS § 86.521(a);

(b) Except as provided in Articles 9 and 10 of this Agreement, to Members and former Members of the Company in satisfaction of their share of profits and other compensation by way of income on their contributions, under NRS § 86.521(b); and

(c) Except as provided in this Operating Agreement, to Members of the Company for the return of their Capital Contributions and respecting their Unit Ownership in the proportions in which the Members share in distributions.

16.4 Termination. Upon completion of the distribution of the Company's Property as provided in this Article 16, the Company shall be terminated, and the Administrative Committee shall cause the filing of the Articles of Dissolution pursuant to the provisions of NRS §§ 86.531 and 86.541 and shall take all such other actions as may be necessary to terminate the Company.

16.5 Claims of the Members. The Members shall look solely to the Company's Property for the return of their Capital Contributions, and if the assets of the Company remaining after payment or discharge of the debts or liabilities of the Company are insufficient to return such Capital Contribution, the Members shall have no recourse against the Company or any other Member or Administrative Committee.

16.6 Waiver of Right to Court Decree of Dissolution. The parties agree that irreparable damage would be done to the good will and business affairs of the Company if any Member should bring an action in court to dissolve the Company. Care has been taken in this Operating Agreement to provide fair and just payment in liquidation of the Units of all Members. Accordingly, each party hereby waives and renounces its right to a court decree of dissolution or to seek the appointment by the Court of a receiver and/or liquidator for the Company, under the provisions of NRS Chapter 86 or any other statute, common law or regulatory rule, except as may be sought by the Company itself.

ARTICLE 17.

AMENDMENTS

17.1 Proposal of Amendments. Amendments to the Articles of Organization and this Operating Agreement may be proposed in writing by any Member or Members owning at least ten percent (10%) of the Units or by the Administrative Committee. As required by the Company, any such proposed amendment must be accompanied by an opinion of counsel as to the legality and effect on the Members. Copies of any amendments made pursuant to this Article 17 shall be sent to the Members.

17.2 Amendments by Members. A proposed amendment shall be voted upon at a special meeting of the Members duly called for the purpose of voting on the amendment. Such votes shall be made as provided in Article 8. Upon the Members' approval of any amendment, all Members, whether or not they consented to such amendment, shall be deemed to have consented to and shall be bound by the terms and provisions thereof as if they had so consented.

17.3 Amendments by Administrative Committee. Notwithstanding any provision of this Agreement, amendments to this Operating Agreement which, in the opinion of counsel to the Company, are necessary to maintain the status of the Company as a tax partnership under federal and state law or for other tax purposes may be made by the Administrative Committee without the necessity of a vote of the Members.

ARTICLE 18.

NOTICES

Any notice, payment, demand or communication required or permitted to be given hereunder shall be deemed to have been given when delivered personally to the party to be notified or when deposited in the United States mail, postage and charges prepaid, addressed as follows:

- (a) If to the Company, addressed to the Company's principal office;
- (b) If to the Administrative Committee, addressed to such Administrative Committee's address for purposes of notice which is contained in the Company's books and records; and
- (c) If to a Member, addressed to such Member's address for purposes of notice which is contained in the Company's register of its Members. Any Member may change its address or representative to be notified by written notice to the Company.

ARTICLE 19.

GOVERNING LAW AND INTERPRETATION

19.1 Governing Law. This Operating Agreement shall be deemed to be made under and shall be construed in accordance with the laws of the State of Nevada.

19.2 Severability. If any provision of this Operating Agreement or the application thereof to any person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Operating Agreement shall not be affected and the application of such affected provision shall be enforced to the greatest extent permitted by law.

19.3 Headings. All section or subsection titles or captions contained in this Operating Agreement are for convenience only and shall not be deemed part of the context of this Operating Agreement.

19.4 Plurals and Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require.

19.5 Time. In computing any period of time pursuant to this Operating Agreement, the day of the act, event or default from which the designated period of time begins to run shall not be included, but the time shall begin to run on the next succeeding day. The last day of the period so computed shall be included, unless it is a Saturday, Sunday or legal holiday, in which event the period shall run until the end of the next day which is not a Saturday, Sunday or legal holiday.

ARTICLE 20.

NO THIRD PARTY BENEFICIARIES

Except as may be expressly provided for herein, no person or entity not a party hereto shall have any rights or obligations hereunder.

ARTICLE 21.

ENTIRE AGREEMENT

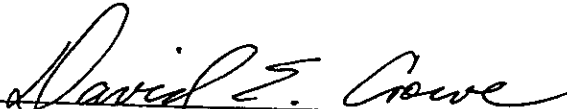
The Articles of Organization and this Operating Agreement contain the entire understanding between and among the Members and supersede any prior understandings and agreements between and among them respecting the subjects of the Articles of Organization and this Operating Agreement. The attached Exhibits 1, 2, 3, 4 and 5 are incorporated herein by this reference. If any of the matters covered by this Operating Agreement were performed or commenced by the Members prior to their execution of this Operating Agreement, this Operating Agreement shall be deemed to govern such prior actions as if it were executed by the Members prior to such actions being undertaken.

ARTICLE 22.

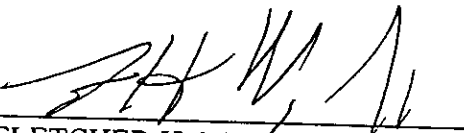
COUNTERPART EXECUTION

This Operating Agreement may be executed in counterparts, all of which taken together shall be deemed one original. Each Member shall become bound by this Operating Agreement immediately upon such Member's execution hereof and independently of the execution hereof by any other Member.

This Operating Agreement is executed as of the date first above mentioned.

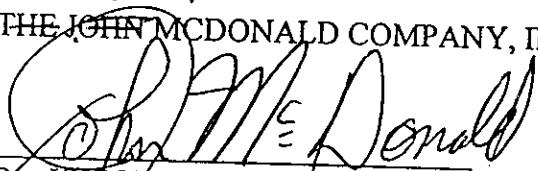


DAVID E. CROWE



FLETCHER H. MAJORS, JR.

J. Mc DONALD CO., INC.
THE JOHN MCDONALD COMPANY, INC.



By: JOHN MCDONALD, President

EXHIBIT 1

To that Operating Agreement for
Tropical & Losee, LLC, a Nevada Limited Liability Company

DEFINITIONS

"**Additional Member**" is defined in Section 14.1 and means any person or entity who acquires Additional Units of the Company.

"**Additional Units**" means Units of the Company issued by the Company subsequent to the filing date of the Articles of Organization.

"**Administrative Committee**" means John McDonald and Fletcher H. Majors, Jr., both of whom are Members or representatives of a Member which is a corporation, partnership or limited liability company, and both of whom are eighteen (18) years of age or older, and to whom is delegated all of the management duties of the Company's business as provided in Article 7.

"**Affiliate**" means any individual, partnership, joint, venture, trust corporation or other form of enterprise which directly or indirectly controls, is controlled by, or is under common control with, a Member. For purposes of the preceding sentence, "control" means possession, directly or indirectly, of the power to direct or cause direction of management and policies through ownership of voting securities, contract, voting trust or otherwise.

"**Articles of Organization**" of the Company means the Articles of Organization filed with the Secretary of State, State of Nevada, to form the Company, as originally executed and as amended, modified, supplemented or restated from time to time, as the context requires.

"**Benefit**" is defined in Section 15.1.

"**Benefit Plan Investors**" means an employee benefit plan as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (including a Qualified Plan) or a plan described in Code Section 4975(e)91) (including an IRA).

"**Capital Contribution**" means the gross amount of investment by a Member, or all Members, as the case may be, which may consist of cash, property, or services rendered or a promissory note or other obligation to contribute cash or property or to perform services.

"**Carrying Value**" means the adjusted basis of an asset for federal income tax purposes, as of the time of determination. The Carrying Value of any asset shall be adjusted from time to time to the extent required by Sections 9.1(d) and 9.1(e), and to reflect changes, additions or other adjustments to the Carrying Value for dispositions, acquisitions or improvements of the Company's assets.

"**Code**" means the Internal Revenue Code of 1986, as amended, and applicable Treasury Regulations thereunder.

"Company" means Tropical & Losee, LLC, a Nevada Limited Liability Company.

"Company Minimum Gain" means for partnership tax purposes as set forth in Treasury Regulation Section 1.704-1(b)(4)(iv)(c), the amount of gain, if any, that would be realized by the Company if it were to sell or dispose of (in a taxable transaction) property subject to a nonrecourse liability of the Company for a price equal to that necessary to fully satisfy such liability.

"Economic Benefit" is defined in Section 15.1.

"Guaranteed Payment" shall mean a priority payment to a Member which shall not be considered a return of capital and shall not effect the capital account of any Member receiving such payment. Guaranteed Payments shall be calculated and distributed as described in Section 10.1.

"Initial Contribution" means the initial contributions of each Member to the Company of cash or an interest in the Property, as set forth in Exhibit "3" hereto.

"Member" means each of the parties who has executed this Operating Agreement and each of the parties who may hereafter become Additional or Substitute Members as provided in the Articles of Organization and in this Operating Agreement.

"Member Account" means the account maintained for each Member pursuant to Section 9.1.

"Net Cash From Operations" means the gross cash proceeds, as determined by generally accepted accounting principles, from the Company operations, which shall include the leasing or rental of Company property in the normal course of the Company's business, less the portion thereof used to pay or establish reserves for Company expenses, payment of loans, debt payments, including capital improvements, replacements and contingencies, and all other operating expenses as determined by the Administrative Committee. "Net Cash From Operations" shall not be reduced by depreciation, amortization, cost recovery deductions or similar allowances.

"Net Cash From Sales or Refinancings" means the net cash proceeds, determined in accordance with generally accepted accounting principles, from all sales and other dispositions and all refinancings of the Property or the Project, less any portion thereof used to establish reserves, all as determined by the Administrative Committee. "Net Cash From Sales or Refinancings" shall include all principal and interest payments with respect to any note or other obligation received by the Company in connection with sales and other dispositions of Company Property or the Project, not in the ordinary course of the business of the Company.

"Net Income" and **"Net Loss"** for each fiscal year or other period, means an amount equal to the Company's taxable income or loss (including but not limited to any gain or loss to the Company from any sale or disposition of all or any portion of the assets of the Company) for such year or period, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss), with the following adjustments:

- (i) Expenditures described in Section 705(a)(2)(B) of the Code shall be included as an expense in the determination of Net Income and Net Loss.
- (ii) Income exempt from taxation shall be included in the determination of Net Income and Net Loss.

"Operating Agreement" means this Operating Agreement of Tropical & Losee, LLC, a Nevada Limited Liability Company, as originally executed and as amended, modified, supplemented or restated from time to time, as the context requires.

"Priority Return of Capital" means the payment, from Net Cash From Operations or Net Cash From Sales or Refinancings, to each Member as a return of the capital contributed by such Member, which payment shall be disbursed pursuant to Section 10.1 hereof.

"Property" means the real property to be acquired by the Company which is comprised of approximately 40 acres located at the Northwest corner of Losee Road and Tropical Parkway which is further described as:

The Southeast Quarter (SE 1/4) of the Northeast Quarter (NE 1/4) of Section 26, Township 19 South, Range 61 East.

"Publicly Traded Partnership" means a partnership or company as defined by Code section 7704.

"Regulatory Allocations" are defined in Section 9.5.

"Retire" is defined in Section 15.5.

"Substitute Member" means any transferee of a Member's Units who is admitted as a Member in the Company pursuant to Article 15.

"Unit" means an interest in the Company as described in Section 4.3.

"Unrealized Gain" attributable to a Company asset means, as of any date of determination, the excess, if any, of the fair market value of such asset (as determined under Section 9.1(e) as of such date of determination) over the Carrying Value of such asset as of such date of determination (prior to any adjustment to be made pursuant to Section 9.1(e) as of such date).

"Unrealized Loss" attributable to a Company asset means, as of any date of determination, the excess, if any, of the Carrying Value of such asset as of such date of determination (prior to any adjustment to be made pursuant to Section 9.1(e) as of such date) over the fair market value of such asset (as determined under Section 9.1(e) as of such date of determination).

EXHIBIT 2

Attached to that Operating Agreement for
Tropical & Losee, LLC, a Nevada Limited Liability Company

**MEMBERS AND UNITS
AS OF May 7, 1996**

<u>All Members, Past and Present</u>	<u>Business, Residence or Mailing Address</u>	<u>Number of Units Owned</u>
David E. Crowe	9109 Golden Eagle Drive Las Vegas, NV 89134	50
J. McDonald Company, Inc.	3301 Spring Mountain Road Suite 12 Las Vegas, NV 89102	40
Fletcher H. Majors, Jr.	2082 Redland Road Wetumpka, AL 36092	10

EXHIBIT 3

Attached to that Operating Agreement for
Tropical & Losee, LLC, a Nevada Limited Liability Company

**MEMBERS AND CAPITAL CONTRIBUTIONS
AS OF May 7, 1996**

<u>Members</u>	<u>Value of Contributions</u>	<u>Form of Consideration</u>
David E. Crowe	\$40,000.00	Cash
J. McDonald Company, Inc.	\$10,000.00	Interest in real property
Fletcher H. Majors, Jr.	\$10,000.00	Cash

TROPICAL & LOSEE, LLC

**MEMORANDUM OF ACTION BY WRITTEN CONSENT
TO DESIGNATE ADMINISTRATIVE COMMITTEE**

As authorized by Article 8.11 of the Operating Agreement of Tropical & Losee, LLC (the "Company"), the members of the Company agree by written consent to the following action to be taken by or on behalf of the Company:

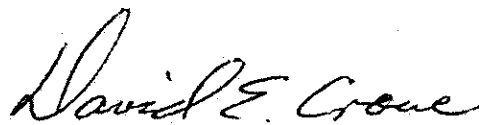
WHEREAS, the members of the Company have delegated all of the duties relating to the day-to-day operations and affairs of the Company to the Administrative Committee consisting of two members to be determined and appointed by members holding at least 60% of the Units of the Company; and

WHEREAS, the members of the Company have decided to reform the Administrative Committee to be comprised of the two members named in this Resolution;

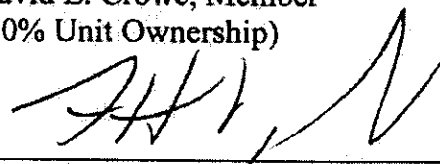
THEREFORE IT IS RESOLVED that as of the date of this Resolution the Administrative Committee of the Company shall be comprised of David E. Crowe and Fletcher H. Majors, Jr., both of whom are hereby authorized to act on behalf of the Company as the Administrative Committee and to serve in such capacity until their resignation or removal.

This Resolution shall have the same force and effect as an action of the Members at a meeting held upon the date of this consent.

Dated this 17 day of April, 2003



David E. Crowe, Member
(50% Unit Ownership)



Fletcher H. Majors, Jr.,

(10% Unit Ownership)

Member

TROPICAL & LOSEE, LLC

**MEMORANDUM OF ACTION BY WRITTEN CONSENT
TO DESIGNATE ADMINISTRATIVE COMMITTEE**

As authorized by Article 8.11 of the Operating Agreement of Tropical & Losee, LLC (the "Company"), the members of the Company agree by written consent to the following action to be taken by or on behalf of the Company:

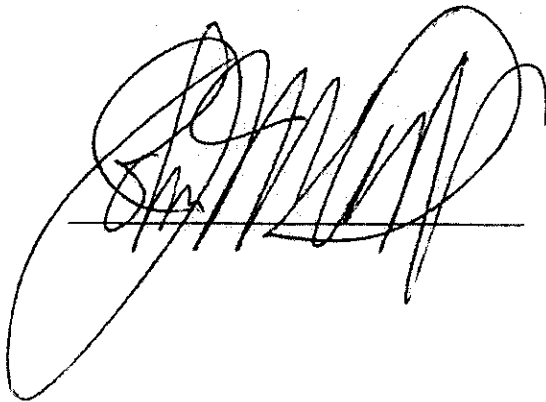
WHEREAS, the members of the Company have delegated all of the duties relating to the day-to-day operations and affairs of the Company to the Administrative Committee consisting of two members to be determined and appointed by members holding at least 60% of the Units of the Company; and

WHEREAS, the members of the Company have decided to reform the Administrative Committee to be comprised of the two members named in this Resolution;

THEREFORE IT IS RESOLVED that as of the date of this Resolution the Administrative Committee of the Company shall be comprised of David E. Crowe and Fletcher H. Majors, Jr., both of whom are hereby authorized to act on behalf of the Company as the Administrative Committee and to serve in such capacity until their resignation or removal.

This Resolution shall have the same force and effect as an action of the members at a meeting held upon the date of this consent.

Dated this 17 day of APRIL, 2003.



J. McDonald Co., Inc., Member
(40% Unit Ownership)

By:

John McDonald, President