

OPERATING AGREEMENT

LIMITED LIABILITY COMPANY

OPERATING AGREEMENT OF

SMK LEHIGH MNM, LLC

Dated as of:
May 14, 2012

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**OPERATING AGREEMENT
OF
SMK LEHIGH MNM, LLC**

This Limited Liability Company (the “Company”) **Operating Agreement** (the “Agreement”) is effective as of 5/14/2012 (the “Effective Date”) by and among SMK Capital Management LLC, a Florida Limited Liability Company (“SMK” or, in its capacity as manager under this Agreement, the “Manager”) and each of the Non-Managing Members listed on Exhibit B here (each as “Member” and collectively, the “Members”). Certain capitalized terms used but not otherwise defined herein shall have the meanings set forth in Exhibit A hereto.

WHEREAS:

- A. SMK is engaged in the business of real estate investment and development, including (but not limited to) the identification, purchase and rehabilitation of undervalued real estate assets in Southwestern Florida and Southern California;
- B. SMK has identified the investment property or properties set forth in and as described in Exhibit C hereto (the “Investment Property(ies)”) as a particularly attractive distressed real estate investment, and has purchased the Investment Property(ies) and plans to continue to renovate, manage and rent/or sell the Investment Property(ies) for a profit;
- C. The Members and SMK now wish to form a Limited Liability Company (hereinafter the “Company”) pursuant to the Limited Liability Company Law of the State of Florida and Articles of Organization of SMK Lehigh MNM, LLC were duly or will be duly filed with the Department of the State of Florida;
- D. Both the Members and SMK hereto desire to enter an operating agreement in accordance with the Limited Liability Company Law of the State of Florida;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, together with other good and valuable consideration the receipt of which is hereby acknowledged, and intending to be legally bound hereby, the parties do hereby agree as follows:

**ARTICLE I
FORMATION**

The MEMBERS and the MANAGER (SMK) hereby jointly enter into and form this Limited Liability Company, for the purpose and scope set herein, pursuant to the laws of the State of Florida and the terms of this Agreement.

- 1. NAME: The name of the Company shall be: SMK LEHIGH MNM, LLC.
- 2. PRINCIPAL OFFICE: 1007 Sepulveda Blvd., #67 C/O Mark Khuri, Manhattan Beach, CA 90267

3. ARTICLES OF ORGANIZATION: The Manager has filed the Articles of Organization of the Company with the Department of State, Florida State, as required by the Limited Liability Law of the State of Florida.

ARTICLE II

PURPOSE

The purposes of the Company are:

- (a) to acquire, develop, improve, maintain, hold, rent, operate and eventually sell residential real estate property(ies),
- (b) pending utilization or disbursement of funds, to make Temporary Investments, and
- (c) to engage in such activities as the Manager deems necessary or desirable for the accomplishment of the above purposes or the furtherance of any of the powers herein set forth and to do every other act and thing incident thereto or connected therewith and doing such other lawful acts as the Manager may deem necessary or advisable in connection with the maintenance and administration of the Company.
- (d) the management of the Investment property(ies) at all times prior to a sale thereof.
- (e) the eventual sale of the Investment property(ies) in approximately 3 – 5 years (or such other time period as otherwise mutually agreed by the Members pursuant to the terms and conditions hereof, or
- (f) another exit strategy to realize upon the Investment Property(ies), collectively agreed to by the Members (collectively, “Alternate Exit Strategies”).

Liability of Members. Except as specifically set forth in this Agreement, (i) a Member shall not be obligated to make any contribution to the Company of any amount in excess of its Capital Commitment or other payments provided for herein, and (ii) no Member (or former Member) shall have any personal liability whatsoever in its capacity as a Member, for the repayment of debts, liabilities, losses or other obligations of the Company.

ARTICLE III

INTERESTS OF THE MEMBERS IN THE COMPANY ASSETS

- (a) Each Member shall own a percentage interest (“Percentage Interest”) in the Company equivalent to the percentage set forth opposite the name of such Member under the column “Member’s Interest” in Exhibit B hereto, as such percentage may be adjusted from time to time pursuant to the terms of this Agreement. Percentage Interests shall be determined monthly, unless otherwise provided herein, in accordance with the relative Capital Contributions of the Members.
- (b) Each of the Members hereby agrees and acknowledges that the Manager has prepared a valuation of the Investment Property and an estimate of the total costs and expenses that are to be or have already incurred with respect to the renovation, tenanting, and ultimate sale of the Investment Property(ies), and that this aggregate figure is reflected as “Total Costs” on Exhibit C hereto and referred to herein as the “Investment Property(ies) Total”

Cost". The Members further understand and agree that, in no event shall the Members be required to fund any overages of the Investment Property Total Cost above and beyond the Manager's estimate set forth as "Total Costs" on Exhibit C hereto, and, other than in respect of any Mandatory Additional Capital Contributions as set forth below:

- (c) In addition to the Percentage Interests received by the Members in accordance with their relative Capital Contributions, the Manager shall receive an initial Percentage Interest in the Company equal to Fifteen Percent (15%) in exchange for the contribution of the Investment Property(ies) to the Company and the services and guidance it is providing to the Company hereunder. Each other Member hereby agrees and acknowledges that such Percentage Interest is fair and reasonable based on such contributions by the Manager to the Company. Other than the aforementioned 15% initial Percentage Interest to be received by the Manager and the one-time fees payable to the Manager for locating, and acquiring, of the Investment Property and other rehabilitation and tenanting fees (as set forth on Exhibit C under the heading "Cost Analysis"), SMK shall receive no other compensation in its capacity as Manager of the Company other than a yearly administrative fee for managing the Company as set forth in Exhibit C under the heading Cost Analysis. All costs included in Exhibit C are hard costs and will not be returned to the Members if they come in under the costs on Exhibit C. The Manager retains the rights to those funds as compensation for additional liability taken on under the investment and the warranties provided.

ARTICLE IV

BOOKS, BANK ACCOUNTS, CHECKING

- (a) At all times during the term hereof, the Manager (on behalf of the Company) shall keep or cause to be kept, at the principal place of business of the Company or at such other place as the Manager determines, books and accounting for the business and operations of the Company. Such books shall, at all times (during business hours and upon reasonable notice), be open to inspection by any Member, or such Member authorized representatives.
- (b) The Company shall be on a calendar year basis for accounting purposes (the "Fiscal Year").
- (c) Within 45 days after the end of each fiscal quarter in each Fiscal Year, the Manager shall furnish (or cause the Investment Property Management Company(ies) to furnish) to each Member,
 - (i) Quarterly management statements for each quarter in such fiscal year, including a statement of income and expenses for the Investment Property(ies) for each such quarter, [in each case verified by the Investment Property Management Company(ies) as fairly presenting an accounting for the Company as at the dates indicated,] and
 - (ii) Subject to Article V(b), a distribution of the Member's Percentage Interest of the Distributable Cash available for distribution by the Company during such period (in accordance with the terms and conditions of Article V(a-c) and Article VI(g).

- (d) Additionally, as soon after the close of each Fiscal Year as is reasonably practical, the Manager shall furnish (or cause the Investment Property(ies) Manager to furnish) to each Member an annual management statement for the entirety of such Fiscal Year, including a summary statement for the income generated by the Investment Property(ies) for such Fiscal Year. The Manager shall prepare the required Profit/Loss and Income/Expenses statements needed and provide them to the accountant to prepare a tax return for the Company and provide a Schedule K1 (Form 1065) to each Member. The accountant for the Company chosen by the Manager shall be Mathew Owens CPA, Redondo Beach, CA.
- (e) Notwithstanding anything to contrary in this Article or elsewhere in this Operating Agreement, each Member hereby acknowledges that each of the Investment Property Contractors and the Investment Property Management Companies are separate and distinct entities of SMK. As such each Member hereby indemnifies SMK for any inaccuracies, misrepresentations or inconsistencies contained in any report or document generated by or statement made by either the Investment Property Contractors or the Investment Property Management Companies except in the case of gross negligence, willful misconduct or actual fraud by SMK.
- (f) All cash contributions of the members shall be made to SMK LEHIGH MNM, LLC and all such cash contributions and all other funds of the Company shall be deposited in a deposit account held at Bank of America/Wells Fargo or any other bank that the manager chooses (the "Company Bank Account").

ARTICLE V

ALLOCATION OF PROFITS AND LOSSES; DISTRIBUTIONS

- (a) Each Member will share in the Company's profits and losses in accordance with its Percentage Interest and the terms of this Operating Agreement.
- (b) Subject to applicable law and any limitations contained elsewhere in this Operating Agreement, the Manager may elect from time to time to distribute Distributable Cash to the Members, which distributions shall be in proportion to each Member's Percentage Interest; provided, however, that any distributions of Distributable Cash shall first go to any Members who have funded Shortfall Additional Capital Contributions (in accordance with such Members' Percentage Interests).
- (c) Notwithstanding Article V(b) above, the Manager shall, in any event, make distributions of Distributable Cash (if any) to the Members each fiscal quarter as set forth in Article IV(c) above and to each of the Members upon any Dissolution Event (as hereinafter defined) pursuant to article XI(c) hereof.

ARTICLE VI

MANAGEMENT AND CONTROL OF THE COMPANY

- (a) The daily business, investment property(ies) and affairs of the Company shall be managed by the Manager. Except for matters as to which the approval of the other Members is expressly required by this Operating Agreement (Article VI(c) below), the Manager shall have full, complete and exclusive authority, power and discretion to manage and control the business, property(ies) and affairs of the Company (including, but not limited to, any and all decisions with respect to renovation and tenanting of the Investment Property(ies), the supervision and oversight of the Investment Property(ies) Contractors and the Investment Property(ies) Management Companies, and the management of the Investment Property(ies) Sale or Alternate Exit Strategy in accordance with the terms hereof), to make all decisions regarding those matters, and to perform any and all other acts or activities customary or incident to the management of the Company's business, property(ies) and affairs.

- (b) The Manager shall also be responsible for (i) directing and overseeing any repairs/renovation of the Investment Property(ies) if needed through the Investment Property(ies) Contractors and (ii) directing and overseeing the Investment Property(ies) Management Companies in locating and installing any new Tenant for the Investment Property(ies); provided, however, that, in each case, the Manager shall have no liability for any actions taken by any third party (including, but not limited to, the Investment Property(ies) Contractors or the Investment Property(ies) Management Company(ies)), and that each of the Members hereby indemnifies the Manager with respect to any work or action undertaken by either the Investment Property(ies) Contractors or the Investment Property(ies) Management Companies except in the instance of gross negligence, willful misconduct or actual fraud on the part of the Manager in connection therewith. The Members hereby agree and acknowledge that the Manager is not affiliated with either the Investment Property(ies) Management Company(ies) or the Investment Property(ies) Contractors, and any and all actions taken by them shall be completely independent of the Manager and individual to such party.

- (c) Notwithstanding any other provision of this Operating Agreement, the Manager shall have no authority hereunder to engage in any of the following without first obtaining the affirmative vote or written consent of the majority (51% or more) of the Members according to their Percentage Interests:
 - (i) a capital call for any Mandatory Additional Capital Contribution totaling more than \$3,000 in the aggregate for each such Member;
 - (ii) any Investment Property(ies) Sale; or
 - (iii) the institution of any Alternate Exit Strategy

- (d) The Manager, acting individually, shall be the signing officer of the Company having the authority to bind the Company in all its contracts, debts and liabilities, promissory notes,

bills of exchange and other instruments in writing to be executed by the Company other than as expressly provided otherwise herein.

- (e) The Manager and its affiliates, shareholders, members, partners, managers, directors, officers and employees (collectively, the “Affiliated Persons”) will only devote so much time to the affairs of the Company as is reasonably required in the judgment of the Manager. The Affiliated Persons will not be precluded from engaging directly or indirectly in any other business or other activity, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing with investments for their own accounts, for the accounts of family members, for the accounts of other individuals and institutional clients (collectively, “Other Accounts”). Such Other Accounts may have investment objectives or may implement investment strategies similar to those of the Company. The Affiliated Persons may also have investments in certain of the Other Accounts. Each of the Affiliated Persons may give advice and take action in the performance of their duties to their Other Accounts that could differ from the timing and nature of action taken with respect to the Company. The Affiliated Persons will have no obligation to purchase or sell for the Company any investment that the Affiliated Persons purchase or sell, or recommend for purchase or sale, for their own accounts or for any of the Other Accounts. No Non-Managing Member will, by reason of being a Member of the Company, have any right to participate in any manner in any profits or income earned or derived by or accruing to the Affiliated Persons from the conduct of any business or from any transaction in investments effected by the Affiliated Persons for any account other than that of the Company.
- (f) Amounts Held in Reserve. The Manager shall have the right, in its sole discretion, to withhold amounts otherwise distributable by the Company to the Members in order to make such provision as the Manager in its sole discretion deems necessary or advisable for the payment of any and all debts, liabilities and obligations, contingent or otherwise, of the Company.

ARTICLE VII **POWERS, RIGHTS AND OBLIGATIONS OF MEMBERS**

Except as expressly set forth herein, the Members shall not take part in, or interfere in any manner with, the conduct or control of the Company business, or have any right or authority to act or sign for, or to obligate the Company. The Members shall not at any time be entitled to withdraw all or any part of their contribution to the capital of the Company except to the extent they are entitled to withdrawals pursuant to the provisions of Article X hereof. Except as expressly set forth in Article XIV(e), the Members shall have no right to amend this Operating Agreement or terminate the Company, or to appoint, select, vote for or remove the Manager or its agents, or to otherwise participate in the business decisions of the Company. The Members shall have no right to demand and receive any property other than cash in return for their contributions, and, prior to the dissolution and liquidation of the Company pursuant to Article XI hereof, their right to cash shall be limited to the rights set forth in Article V hereof.

ARTICLE VIII
WITHDRAWALS

No Voluntary Withdrawal by Members. A Member may not voluntarily withdraw from the Company prior to its dissolution and winding up, and no Interest is redeemable or repurchasable by the Company at the option of a Member except as noted in Article X. Except as expressly provided in this Agreement, no event affecting a Member (including death, bankruptcy or insolvency) shall affect its obligations under this Agreement or affect the Company.

ARTICLE IX
CAPITAL CONTRIBUTIONS

- (a) *Initial Capital Contributions.* It is accepted and agreed that, as each Member's initial contribution to the Company ("Initial Capital Contribution"), such Member has made (or will, on the date hereof make) a contribution to the Company of the money, property, and/or services specified in Exhibit B hereto. Exhibit B shall be revised to reflect any additional contributions made to the Company in accordance with the terms set forth herein (including, but not limited to, by any additional Members joined after the Effective Date) and to, at all times, reflect each Member's Aggregate Capital Contribution.
- (b) *Additional Capital Contributions.* Each Member will be required to make additional capital contributions ("Mandatory Additional Capital Contributions") in cash to the Company for costs and expenses incurred with respect to the Company during the term of this Operating Agreement (as determined in the reasonable discretion of the Manager) in accordance with its Percentage Interest, but only (i) in an amount not to exceed \$3,000.00 for all such Mandatory Additional Capital Contributions for all Members and (ii) in the event the Manager has given prior written notice (such notice to be given at least 7 days prior to the demand for any Mandatory Additional Capital Contribution unless exigencies shall require) to the Members of the need thereof together with reasonable proof of the need for any such Mandatory Additional Capital Contributions and the aggregate amount thereof necessary for the Company to continue to fund its Ordinary Course Business Activities. Any Mandatory Additional Capital Contribution exceeding \$3,000 will follow the provisions in Article VI(c) whereby an affirmative member's majority vote (51% or more) is required.
- (c) *Default on Mandatory Additional Capital Contributions.* In the event that after proper notice and proof thereof, any Member fails to make a required Additional Capital Contribution ("Defaulting Member"), any other Member may, in addition to funding its own Percentage Interest of the Additional Capital Contribution, fund any or all of the aggregate amount of such Additional Capital Contribution not funded by the Defaulting Member (any such funding being referred to herein as a "Shortfall Additional Capital Contribution"). Shortfall Additional Capital Contributions shall have a higher priority in the payment of any Distributions made pursuant to this Operating Agreement as further set forth above in Article V(b).

ARTICLE X

COMPANY MEMBER INTEREST PURCHASE PROVISIONS

- (a) The Members hereby agree not to dissolve, terminate or liquidate, or to petition any court for the dissolution, termination or liquidation of the Company other than pursuant to the terms of this Operating Agreement.
- (b) Other than as set forth in Article VIII(b) above and Articles XI(a) and XII(c) below, no Member shall transfer or otherwise attempt to dispose of such Member's interest (or any part thereof) in this Company. Notwithstanding the foregoing, however, in the event that any such Member wishes to transfer its interest in the Company, it may offer in writing (the "Selling Offer") to sell the whole (but not less than the whole) of its interest in the Company to the other Members (including the Manager) at a price and upon such terms and conditions as may be set out by the offering Member (in such capacity, the "Selling Member"); provided, that the closing date for such Selling Offer shall be no earlier than 30 days nor later than 60 days from the date of the delivery of the Selling Offer. Upon receipt by the other Members (in such capacity, the "Buying Members") of the Selling Member's written offer to sell (the "Selling Member's Offer") the Buying Member shall be entitled to a period of thirty (30) clear days starting the first business day following the day the Selling Member's Offer is received in which to elect to accept the Selling Member's Offer to offer in writing to sell and/or negotiate the terms of the Member's Offer.
- (c) If, at the end of such period, a Buying Member elects to accept the Selling Member's Offer it shall deliver a fully signed copy of the offer to the Selling Member (with a copy to the Manager) within the thirty (30) day period provided for in sub-clause (b) of this article accompanied by payment in full to acquire such Selling Member's interest in the company and, upon the completion of such transaction, the Manager shall adjust the remaining Member's Percentage Interests.
- (d) The Members and/or Manager have the first right of refusal in any and all Selling Member's Offers and require no less than 30 days of negotiations before such an offer can be provided by the Selling Member to a non-Company related individual as noted in (e) below.
- (e) If there is no Buying Member or if the negotiations for a Selling Member's Offer fail (as in (b-d) above), then and only then can the Selling Member source other parties not related to the Company that may be interested in buying the Selling Member's whole (but not less than whole) interest in the Company. However, the Manager must pre-approve the prospective new Member, with right of refusal upon the Manager's discretion, prior to the purchase and the transfer of a Selling Member's Interest's.
- (f) Except as described in this Article X(b-e) above, no transfer or assignment of any Member's interest (or any portion thereof) shall be permitted.

ARTICLE XI

DISSOLUTION AND WINDING UP OF THE COMPANY

- (a) The Company shall dissolve, its assets disposed of, and its affairs wound up upon the first to occur of the following (each a “Dissolution Event”):
 - (i) the date that is 45 days after all Investment Property(ies) Sale;
 - (ii) the date that is 45 days after the implementation and completion of any Alternate Exit Strategy; or
 - (iii) as soon as is reasonably practicable after the mutual agreement of the majority (51% or more) of the Members (including the Manager) according to their percentage interests in the Company.
- (b) Upon the occurrence of a Dissolution Event, the Company shall continue solely for the purpose of winding up its affairs in an orderly manner, liquidating its assets and satisfying the claims of its creditors (if any). The Manager shall be responsible for overseeing the winding up and liquidation of the Company and shall take full account of the liabilities of the Company and the assets, and shall either cause its assets to be sold or distributed, and if sold, as promptly as is consistent with obtaining the fair market value thereof, shall cause the proceeds therefrom, to the extent sufficient therefore, to be applied and distributed as provided below.
- (c) After determining that all known debts, liabilities and expenses of the Company have been paid or adequately provided for (including, but not limited to, those expenses which are able to be deducted from “Distributable Cash”, as that term is used herein), the remaining assets shall be distributed to the Members in accordance with their Percentage Interests.
- (d) Upon the occurrence of a Dissolution Event and thereafter, other than with respect to the winding up of the Company pursuant to this, the Members shall no longer be considered Members in the Company and this Operating Agreement and the provisions and terms hereof shall be null and void.

ARTICLE XII

ADDITIONAL MEMBERS

- (a) In the event that, as of the Effective Date, the Members other than SMK have not contributed Aggregate Capital Contributions equal to the Investment Property Total Cost then, in the sole discretion of the Manager, additional Members may be located and joined as Members in the Company, provided, that each such additional Member (i) contributes Aggregate Capital Contributions to the Company in a minimum amount acceptable to the Manager (in its sole discretion) and (ii) such additional Member agrees to be bound by the terms and conditions of this Operating Agreement.

- (b) In the event of any such joinder of an additional Member, this Operating Agreement shall be amended, amended and restated, or otherwise modified as required or reasonably necessary (in the sole discretion of the Manager) to reflect the addition of such new Member and such Member's Aggregate Capital Contributions (including, but not limited to, a modification of Exhibit B hereto to reflect the change in Percentage Interests of each Member).
- (c) Each Member hereby agrees and acknowledges that, with respect to the Company, SMK may be both the Manager and a Member hereunder. In the event that SMK is a Member(s) as of the Effective Date and, pursuant to above, an additional Member(s) is located, notwithstanding any other restrictions on transfer hereunder, SMK shall be able to join such other Member(s) and transfer its Percentage Interest of the Company owned by virtue of it being a Member to such new Member(s) (and thereby remain solely the Manager of the Company).

ARTICLE XIII

GENERAL RISKS OF REAL ESTATE OWNERSHIP

- (a) The Company is subject to the same risks inherent in the operation and ownership of real estate in general. Thus changes in general economic and local conditions, fluctuations in occupancy rates, variations in rental schedules, potential state and local rent control, increases in property taxes and operating expenses, changes in zoning laws, and any other factor or event that would impede the Company's ability to respond to adverse changes in the performance of the Real Estate market could have a negative effect on the Company in achieving its goals.
- (b) The Company might have difficulty in selling a real estate property. Failure or delay to sell planned properties could result in lower gains and have a material adverse effect on the Company's assets.

ARTICLE XIV

MISCELLANEOUS

- (a) Any and all such notices which any Member is required or may desire to serve hereunder shall be in writing (including, but not limited to electronic mail) and shall be served by email delivery, personal delivery to the Manager or Members or by prepaid registered or certified mail addressed to the Manager or Members at their respective addresses as set forth in Exhibit D hereto, or at such other address as the Manager may from time to time designate in writing upon the books of the Company. Notice by mail shall be deemed received three (3) business days after deposit in the United States Mail and notice by

electronic mail shall be deemed received upon delivery and confirmation of receipt by the intended recipient.

- (b) This Operating Agreement shall be interpreted in accordance with the laws of the State of Florida applicable to agreements executed and to be wholly performed therein. Any controversy or claim arising out of or relating to this Operating Agreement or the validity, construction or performance of this Operating Agreement, or the breach thereof, shall be resolved by and through an arbitration proceeding to be conducted under the auspices and the commercial arbitration rules of the American Arbitration Association or any like organization as successor thereto (collectively, “AAA”) in Southern Florida before a single arbitrator familiar with real estate law. The parties shall have the right to engage in pre-hearing discovery in connection with such arbitration proceedings. The Members agree that they will abide by and perform any award rendered in any arbitration conducted pursuant hereto, that any court having jurisdiction thereof may issue a judgment based upon such award and that the prevailing party in such arbitration and/or confirmation proceeding shall be entitled to recover its reasonable attorneys’ fees and expenses. The arbitration will be held in a city in Southern Florida and any award shall be final, binding and non-appealable. The Members (including the Manager) agree to accept service of process in accordance with the rules of AAA.
- (c) This Operating Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of Florida applicable to agreements executed and to be wholly performed within such state.
- (d) No waiver by any Member hereof of any failure by any other Member to keep or perform any covenant or condition hereof shall be deemed a waiver of any preceding or succeeding breach of the same or any other covenant or condition.
- (e) This Operating Agreement may not be amended or changed except by a written instrument duly executed by the super majority (75% or more) of the members according to their Percentage Interests. This includes expulsion of the Manager or any of its agents.
- (f) This Operating Agreement contains the sole and only agreement of the Members relating to the Company and correctly sets forth the rights, duties and obligations of each Member as well as the Manager. Any prior agreements, promises, amendments, negotiations or representations not expressly set forth in this Operating Agreement shall be null and void and are of no force and effect.
- (g) No Member shall sell, assign, mortgage, hypothecate or encumber his, her or its interest or any portion thereof, in the Company without the prior written consent of the Manger and only following the terms of this Operating Agreement.
- (h) In all instances where a voting of the Members is needed, the Manager’s vote will count as any other Member, according to the Manager’s Percentage Interest in the Company noted in Exhibit B.


- (i) This Operating Agreement shall be binding upon, and shall enure to the benefit of the Company, its Members and each of their respective legal representatives, successors and permitted assigns.

[Remainder of Page Intentionally Blank; Signatures Commence Next Page]

IN WITNESS WHEREOF the Member hereto have executed this Operating Agreement as of the date first above written.

"MANAGER"

SMK Capital Management LLC, a Florida limited liability Company

By:  _____

Name: Suheil Khuri / Mark Khuri
Title: Manager

Date: 7/10/12

"MEMBER"

By:  _____

Name: STEVEN D. SCHNEIDERS
Title: Member

Date: 6/6/2012

EXHIBIT A
ADDITIONAL DEFINITIONS & REFERENCES

“Aggregate Capital Contribution” shall mean, as of any date and with respect to any Member, the sum of such Member’s total Capital Contributions.

“Alternate Exit Strategies” has the meaning set forth in Articles II(f) and VI(c).

“Capital Contributions” shall mean, for each Member, any Initial Capital Contributions, Mandatory Initial Capital Contributions, or Shortfall Additional Capital Contributions made by such Member.

“Company” shall have the meaning set forth in the recitals hereto.

“Company Bank Account” shall have the meaning set forth in Article IV(f).

“Distributable Cash” shall mean the amount of cash from profits made by the Company from Ordinary Course Business Activities which the Manager deems available for distribution to the Members, after taking into account all, debts, liabilities, expenses and other obligations of the Company (including, but not limited to, a reasonable amount necessary (as determined by the Manager) to pay for any property taxes, insurance, repairs or other anticipated costs in connection with the Company), which shall be paid prior to any distributions becoming available to the Members (including, but not limited to, any expenses relating to Accounting Fees).

“Initial Capital Contribution” shall have the meaning set forth in Article IX(a).

“Investment Property” shall have the meaning set forth in the recitals hereof.

“Investment Property Management Company” shall have the meaning set forth in Article IV.

“Investment Property Sale” shall have the meaning set forth in Article II.

“Investment Property Total Cost” shall have the meaning set forth in Article III(b).

“Manager” shall have the meaning set forth in the introductory paragraph hereto.

“Managing Member” shall have the meaning set forth in the recitals hereto.

“Mandatory Additional Capital Contributions” shall have the meaning set forth in Article IX(b).

“Member” shall have the meaning set forth in the introductory paragraph hereto.

“Operating Agreement” shall have the meaning set forth in the introductory paragraph hereto.

“Ordinary Course Business Activities” shall mean the renovation of the Investment Property, the tenanting of the Investment Property, the day to day management of the Investment Property and the eventual Investment Property Sale (or Alternate Exit Strategy, as the case may be).

“Percentage Interest” shall have the meaning set forth in Article III(a).


“Shortfall Additional Capital Contribution” shall have the meaning set forth in Article IX(c).

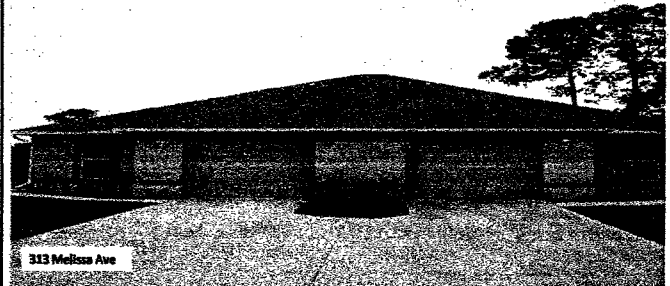
EXHIBIT B
MEMBERS; CONTRIBUTIONS & PERCENTAGE INTEREST

As of July 10, 2012

MEMBER	TYPE	CAPITAL OR OTHER CONTRIBUTION	PERCENTAGE INTEREST
1. SMK Capital Management LLC	Manager	Management and other services	15.00%
2. Stuart Gilchrist	Member	\$100,000	33.88%
3. Equity Trust Company Custodian FBO Joseph Fay IRA	Member	\$65,000	22.02%
4. Charles Buttaci	Member	\$50,000	16.94%
5. Equity Trust Company Custodian FBO Donato Mazzaro IRA	Member	\$24,000	8.13%
6. Steve Schneider	Member	\$11,900	4.03%
Total Amount invested		\$250,900	100.00%

EXHIBIT C
INVESTMENT PROPERTY(IES) INFORMATION

EXHIBIT C - INVESTMENT PROPERTY INFORMATION					
 <p>SMK CAPITAL MANAGEMENT LLC Real Estate - Diversified</p>	SMK Lehigh MNM, LLC - Property Summary Single Family Home = 916 Mary Ave St Duplex Home = 637 Nimitz Ave Duplex Home = 313 Melissa Ave				
	<p align="center">YEAR</p> <p align="center">1 2 3 4 5</p>				
Market Value	\$ 257,000	\$ 264,710	\$ 272,651	\$ 280,831	\$ 289,256
Investment Amount Including Reserves	\$ 250,900	\$ 250,900	\$ 250,900	\$ 250,900	\$ 250,900
Reserves	\$ 6,000	\$ 7,250	\$ 8,500	\$ 9,750	\$ 11,000
Equity	\$ 12,100	\$ 21,060	\$ 30,251	\$ 39,681	\$ 49,356
% Equity	4.71%	7.96%	11.10%	14.13%	17.06%
<p align="center">RENTAL ANALYSIS</p>					
Gross Rent	\$ 38,400	\$ 39,552	\$ 40,739	\$ 41,961	\$ 43,220
Vacancy 7%	\$ (2,820)	\$ (2,905)	\$ (2,992)	\$ (3,081)	\$ (3,174)
Adjusted Gross Income	\$ 35,580	\$ 36,647	\$ 37,747	\$ 38,879	\$ 40,046
Property Management 10%	\$ (3,558)	\$ (3,665)	\$ (3,775)	\$ (3,888)	\$ (4,005)
LLC Management Fee	\$ (1,200)	\$ (1,200)	\$ (1,200)	\$ (1,200)	\$ (1,200)
Property Taxes	\$ (3,470)	\$ (3,505)	\$ (3,540)	\$ (3,575)	\$ (3,611)
Property Insurance	\$ -	\$ (3,182)	\$ (3,182)	\$ (3,182)	\$ (3,182)
Accounting/Legal	\$ (1,200)	\$ (1,200)	\$ (1,200)	\$ (1,200)	\$ (1,200)
Annual Septic Pump Out	\$ -	\$ (1,070)	\$ (1,070)	\$ (1,070)	\$ (1,070)
Reserves	\$ -	\$ (1,250)	\$ (1,250)	\$ (1,250)	\$ (1,250)
Misc Expenses	\$ (2,000)	\$ (2,000)	\$ (2,000)	\$ (2,000)	\$ (2,000)
Total Operating Expenses	\$ (11,428)	\$ (12,071)	\$ (12,216)	\$ (12,365)	\$ (12,517)
Net Operating Income	\$ 24,152	\$ 19,576	\$ 20,530	\$ 21,514	\$ 22,528
CAP RATE	9.63%	7.80%	8.18%	8.57%	8.98%
Monthly Cash Flow	\$ 2,013	\$ 1,631	\$ 1,711	\$ 1,789	\$ 1,877
Investors Split 85%	\$ 1,711	\$ 1,387	\$ 1,454	\$ 1,524	\$ 1,596
Net Annual Cash Flow	\$ 20,529	\$ 16,640	\$ 17,451	\$ 18,287	\$ 19,149
Annual Return	8.18%	6.63%	6.96%	7.29%	7.63%
No Vacancy/Misc Annual Cash Flow	\$ 23,178	\$ 19,584	\$ 20,438	\$ 21,277	\$ 22,162
No Vacancy/Misc Annual Return	9.24%	7.81%	8.14%	8.48%	8.83%
End of yr asset value	\$ 257,000	\$ 264,710	\$ 272,651	\$ 280,831	\$ 289,256
Sales Cost 7%	\$ (17,990)	\$ (18,530)	\$ (19,086)	\$ (19,658)	\$ (20,248)
Net Sales Proceeds	\$ 239,010	\$ 246,180	\$ 253,566	\$ 261,173	\$ 269,008
Principal Reimbursement	\$ 250,900	\$ 250,900	\$ 250,900	\$ 250,900	\$ 250,900
Gain on Sale	\$ (11,890)	\$ (4,720)	\$ 2,666	\$ 10,273	\$ 18,108
Investors Split 85%	\$ (10,107)	\$ (4,012)	\$ 2,266	\$ 8,732	\$ 15,392
Annual Cash Flow	\$ 20,529	\$ 16,640	\$ 17,451	\$ 18,287	\$ 19,149
TOTAL GAIN IF SOLD	\$ 10,423	\$ 12,628	\$ 19,717	\$ 27,019	\$ 34,541
RETURN IN YEAR OF SALE	4.15%	5.03%	7.86%	10.77%	13.77%
AVERAGE ANNUAL ROI	4.15%	6.61%	7.56%	8.13%	8.56%
<p align="center">COST ANALYSIS</p>		<p align="center">ASSUMPTIONS</p>			
Purchase Price + Rehab	\$ 223,091	Market Appreciation	103%		
Broker Fees	\$ 6,500	Rental Increase	103%		
Procurement & Syndication Fees	\$ 8,000	Vacancy Rate	7.3%		
1st Yr Insurance	\$ 3,177	Tax Rate Increase	101%		
Septic Pump Out & Inspection	\$ 1,132	Monthly Rents	\$	3,200	
Administrative Labor	\$ 3,000				
Reserves	\$ 6,000				
TOTAL COST	\$ 250,900				
		www.SMKcap.com			



STEVEN D. SCHNEIDER
Member Name

Steven D. Schneider
Member Signature

6/6/2012
Date

EXHIBIT D
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