

# **JOINT VENTURE AGREEMENT**

**SMK and Lyman Place**

**Joint Venture Agreement**

Dated as of:  
June 11, 2012

## JOINT VENTURE AGREEMENT

**THIS JOINT VENTURE AGREEMENT** (this “JV Agreement”) is effective as of 6/11/2012 (the “Effective Date”) by and among SMK Capital Management LLC, a Florida Limited Liability Company (“SMK” or, in its capacity as manager under this JV Agreement, the “Manager”) and each of the investors listed on Exhibit B here (each an “Investor” and collectively, the “Investors”). 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 and 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”) as a particularly attractive distressed real estate investment, and has purchased the Investment Property and plans to continue to renovate, manage and rent/or sell the Investment Property for a profit.
- C. The Investors and SMK (together, collectively referred to herein as the “JV Parties” and each a “JV Party”) now wish to form a joint venture (the “Joint Venture”) in order to collaborate in any needed renovating and rehabbing the Investment Property and sharing in the profit (if any) generated there from.
- D. The Joint Venture will be a collaboration between the parties whereby the Investor will provide an initial investment to be used to rehabilitate the Investment Property through the experience, guidance and management of SMK, with SMK then finding and installing a tenant or relocating the present tenants in the Investment Property and eventually reselling the Investment Property, with each of the JV Parties sharing in any profits generated therefrom, all pursuant to the terms and conditions set forth herein. If the investment property has already been renovated and tenanted at the time of investor funding, the investor funds will then be used to fund the entire cost of the investment.
- E. Both the Investor and SMK therefore now wish to enter into and execute this JV Agreement for the purposes set forth herein and in order to fix and define between themselves their respective responsibilities, interests, obligations and liabilities in connection with the Joint Venture.

**NOW THEREFORE**, in consideration of the mutual covenants and agreements herein contained, the JV Parties hereby agree to constitute themselves as joint venturers for the purposes described herein, and intending to be legally bound hereby, the parties do hereby agree as follows:

## **1. FORMATION OF JOINT VENTURE**

The JV Parties hereby jointly enter into and form this Joint Venture, for the limited purpose and scope set herein, pursuant to the laws of the State of California and the terms of this Agreement. Notwithstanding the foregoing, except as otherwise expressly provided in this JV Agreement or by other written agreement executed by the JV Parties, no JV Party shall have the authority to act for or to assume any obligations or responsibilities on behalf of any other JV Party. Each of the JV Parties acknowledges and agrees that the creation of the Joint Venture shall be purely contractual in nature, and that (i) the Joint Venture shall not constitute the creation of any separate limited liability company, partnership or other legal entity and (ii) other than as specifically provided herein, neither SMK nor the Investor shall be required to make any filing with, or obtain any consent from, the State of California or any other governmental body, in each case, in order for the Joint Venture to commence and for the JV Parties to be contractually bound by this JV Agreement.

## **2. PURPOSE**

The purpose and scope of the Joint Venture shall be limited to: (i) the funding of the Joint Venture by the Investor; (ii) the rehabilitation of the Investment Property by a contractor approved and selected by SMK (the "Investment Property Contractor"); (iii) the locating of and installation in the Investment Property of, a suitable tenant/occupant (the "Potential Tenant") for the Investment Property by SMK or a property management company approved and selected by SMK (the "Investment Property Management Company"); (iv) the management of the Investment Property at all times prior to a sale thereof by SMK or Investment Property Management Company; and (v)(i) the eventual sale of the Investment Property (an "Investment Property Sale") in approximately 6-9 months, or such other time period as otherwise mutually agreed by the JV Parties pursuant to the terms and conditions hereof, or (ii) another exit strategy to realize upon the Investment Property, collectively agreed to by the JV Parties (collectively, "Alternate Exit Strategies"). Notwithstanding the foregoing, the JV Parties hereby mutually agree and acknowledge that the foregoing purpose(s) may be modified by mutual agreement as otherwise provided for in this JV Agreement.

## **3. NAME AND TITLE TO ASSETS**

The name of the Joint Venture shall be "SMK and LYMAN PLACE Joint Venture." Any and all property and assets of the Joint Venture, including without limitation, the Investment Property, shall be owned by the Joint Venture, but with actual title to be held by SMK as trustee for, and on behalf of, the Joint Venture.

## **4. PRINCIPAL OFFICE**

The location of the principal office of the Joint Venture shall be the principal office of SMK, at 1007 Sepulveda Blvd., #67 C/O Mark Khuri, Manhattan Beach, CA 90267 or such other place in California as the JV Parties shall unanimously determine.

## **5. NO CREATION OF PARTNERSHIP**

Nothing herein contained shall be read or construed so as to make the JV Parties (or any of them) partners, nor shall anything herein contained be read or construed to in any way restrict the

freedom of any JV Party to conduct any business or activity whatsoever (including but not limited to the acquisition, development and ownership of real property) free of any accountability to the Joint Venture or to the other JV Parties, even if such business or activity competes with the undertaking of the Joint Venture (other than directly with respect to the Investment Property). Unless expressly provided in this JV Agreement to the contrary, no JV Party shall have the authority to act for, or responsibility to assume any obligation or responsibility on behalf of, any other JV Party or the Joint Venture and no JV Party shall be deemed to be an agent for or representative of any other JV Party.

## **6. TERM OF JOINT VENTURE**

The term of the Joint Venture shall commence on the **11th** day of **June 2012** and shall terminate in accordance with Section 14.

## **7. INTERESTS OF THE JV PARTIES IN THE JOINT VENTURE ASSETS**

- (a) Each JV Party shall own a percentage interest ("Percentage Interest") in the Joint Venture equivalent to the percentage set forth opposite the name of such JV Party under the column "JV Percentage 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 Investors.
- (b) Each of the Investors 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, tenancing, and ultimate sale of the Investment Property, and that that this aggregate figure is reflected as "Total Costs" on Exhibit C hereto and referred to herein as the "Investment Property Total Cost". The Investors further understand and agree that, this aggregate figure is an estimate only and that, in the event that, the actual total costs and expenses incurred in the renovation, tenancing, and ultimate sale of the Investment Property are below the Investment Property Total Cost, the remainder thereof will in no event be returned or reimbursed to the Investors and will be used as reserves; provided, however, that in no event shall the Investors 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 Additional Capital Contributions as set forth in Sections 10(c) and 11(b), the Investors will not be required to fund any other Capital Contributions with respect to the Investment Property.
- (c) The Manager shall receive full or part of the following fees (as set forth on Exhibit C under the heading Cost Analysis"), for locating and acquiring of the Investment Property and for future rehabilitation supervision and administration of the project:
- Procurement fees
  - Administration, administrative labor and overhead
  - Rehabilitation management and
  - Broker fees

All costs included in Exhibit C are hard costs and will not be returned to the Investors 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.

- (d) Upon the sale or disposition of the Investment Property the Manager, SMK will receive a percentage of the profits after the investors receive a preferred minimum return of 5% on their investment during this period, according to the following sliding scale:

<u>Investment Property</u> <u>Return on investment (% ROI)</u>	<u>SMK, Management Split %</u>
25 % +	40 %
20 - 24.99 %	30 %
15 - 19.99 %	25 %
10 - 14.99 %	20 %
5 - 9.99 %	15 %
< 4.99 %	0 %

Each other JV Partner hereby agrees and acknowledges that such Percentage Split for SMK is fair and reasonable based on such contributions by the Manager to the Joint Venture and its work and ability to achieve those results.

**8. BOOKS, BANK ACCOUNTS, CHECKING**

- (a) At all times during the term hereof, SMK, the Manager (on behalf of the Joint Venture) shall keep or cause to be kept, at the principal place of business of the Joint Venture or at such other place as SMK may determine, books and accounting for the business and operations of the Joint Venture. Such books shall, at all times (during business hours and upon reasonable notice), be open to inspection by any JV Party, or such JV Party's authorized representatives.
- (b) The Joint Venture 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 to furnish) to each JV Party quarterly management statements for each quarter in such fiscal year, including a statement of income and expenses for the Investment Property for each such quarter.
- (d) Additionally, as soon after the close of each Fiscal Year as is reasonably practical, the Manager shall furnish (or cause the Investment Property Manager to furnish) to each Investor an annual management statement for the entirety of such Fiscal Year, including a summary statement for any income generated by the Investment Property 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 Investor. The accountant for the Company chosen by the Manager shall be Mathew Owens CPA Redondo Beach, CA.

- (e) Notwithstanding anything to contrary in this Section 8 or elsewhere in this JV Agreement, each Investor hereby acknowledges that each of the Investment Property Contractor and the Investment Property Management Company are separate and distinct entities of SMK. As such each Investor 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 Contractor or the Investment Property Management Company except in the case of gross negligence, willful misconduct or actual fraud by SMK.
- (f) All cash contributions of the Investors to the Joint Venture shall be made to SMK, as The Manager for the Joint Venture and all such cash contributions and all other funds of the Joint Venture shall be deposited in a deposit account held at Bank of America for the Joint Venture (the "JV Bank Account").

**9. ALLOCATION OF PROFITS AND LOSSES; DISTRIBUTIONS**

- (a) Each JV Party will share in the Joint Venture's profits and losses in accordance with its Percentage Interest and the terms of this JV Agreement.
- (b) Subject to applicable law and any limitations contained elsewhere in this JV Agreement, the Manager does not plan to distribute any possible Distributable Cash to the JV Parties, and all funds will be retained as reserves until the property is sold or another exit strategy is used.

**10. MANAGEMENT AND CONTROL OF JOINT VENTURE**

- (a) Subject to the terms hereof, the business, property and affairs of the Joint Venture shall be managed by the Manager. Except for matters as to which the approval of the other JV Parties is expressly required by this JV Agreement, the Manager shall have full, complete and exclusive authority, power and discretion to manage and control the business, property and affairs of the Joint Venture (including, but not limited to, any and all decisions with respect to renovation and tenanting of the Investment Property, the supervision and oversight of the Investment Property Contractor and the Investment Property Management Company, and the management of the Investment Property 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 Joint Venture's business, property and affairs.
- (b) The Manager shall also be responsible for (i) directing and overseeing any and all renovation of the Investment Property through the Investment Property Contractor, (ii) directing and overseeing the Investment Property Management Company in locating and installing the Potential Tenant for the Investment Property and (iii) relocating tenants if financially reasonable at the manager's own discretion; 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 Contractor or the Investment Property Management Company), and that each of the JV Parties hereby indemnifies the Manager with respect to any work or action undertaken by either the Investment Property Contractor or the Investment Property Management Company except in the instance of

gross negligence, willful misconduct or actual fraud on the party of the Manager in connection there with. The JV Parties hereby agree and acknowledge that the Manager is not affiliated with either the Investment Property Management Company or the Investment Property Contractor, 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 JV Agreement, the Manager shall have no authority hereunder to engage in any of the following without first obtaining the affirmative super majority vote or written consent of at least 75% of all JV Parties, according to their percentage interests necessitating:
  - (i) a capital call for any Additional Capital Contribution for each such JV Party
  - (ii) the institution of any Alternate Exit Strategy
- (d) The Manager, acting individually, shall be the signing officer of the Joint Venture having the authority to bind the Joint Venture in all its contracts, debts and liabilities, promissory notes, bills of exchange and other instruments in writing to be executed by the Joint Venture other than as expressly provided otherwise herein.

## **11. CAPITAL CONTRIBUTIONS**

- (a) *Initial Capital Contributions.* It is accepted and agreed that, as each JV Party's initial contribution to the Joint Venture ("Initial Capital Contribution"), such JV Party has made (or will, on the date hereof make) a contribution to the Joint Venture 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 Joint Venture in accordance with the terms set forth herein (including, but not limited to, by any additional Investors joined after the Effective Date) and to, at all times, reflect each JV Party's Aggregate Capital Contribution.
- (b) *Additional Capital Contributions.* There will be no additional capital contributions required by any JV Party unless voted upon as in section 10(c) above.

## **12. SECURITY FOR INVESTORS' CAPITAL CONTRIBUTIONS**

Each Investor's Aggregate Capital Contributions shall be secured by a deed of trust (the "Investment Property Deed of Trust") filed on the Investment Property by SMK, and SMK hereby agrees to file the Investment Property Deed of Trust no later than 90 days after the execution in full of this JV Agreement. Each of the JV Parties hereby agrees and acknowledges that, in the event, an additional Investor (or additional Investors) become a party to this Agreement and obtains a Percentage Interest, the Investment Property Deed of Trust will be amended and restated by SMK (no later than 60 days after the amendment to add such additional Investor(s) is executed in full) to reflect the addition of such additional Investor(s) and that such additional Investor(s) is in the same priority position as all other investors with respect to such security on the Investment Property.

### **13. JV PARTY INTEREST PURCHASE PROVISIONS**

- (a) The JV Parties hereby agree not to dissolve, terminate or liquidate, or to petition any court for the dissolution, termination or liquidation of the Joint Venture other than pursuant to the terms of this JV Agreement.
- (b) Other than as set forth in Section 14 or Section 15 below, no JV Party shall transfer or otherwise attempt to dispose of such JV Party's interest (or any part thereof) in this Joint Venture. Notwithstanding the foregoing, however, in the event that any such JV Party wishes to transfer its interest in the Joint Venture, it may offer in writing (the "Selling Offer") to sell the whole (but not less than the whole) of its interest in the Joint Venture to the other JV Parties at a price and upon such terms and conditions as may be set out by the offering JV Party (in such capacity, the "Selling JV Party"); 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 JV Parties (in such capacity, the "Buying JV Parties") of the Selling JV Party's written offer to sell (the "Selling JV Party's Offer") the Buying JV Parties shall be entitled to a period of thirty (30) clear days starting the first business day following the day the Selling JV Party's Offer is received in which to elect to accept the Selling JV Party's Offer to offer in writing to sell and/or negotiate the terms of the Selling JV Party's Offer.
- (c) If, at the end of such period, a Buying JV Party elects to accept the Selling JV Party's Offer it shall deliver a fully signed copy of the offer to the Selling JV Party (with a copy to the Manager) within the thirty (30) day period provided for in sub-clause (b) of this Section accompanied by payment in full to acquire such Selling JV Party's interest in the Joint Venture and, upon the completion of such transaction, the Manager shall adjust the remaining JV Parties' Percentage Interests.
- (d) Except as described in Section 13(b) above, no transfer or assignment of any JV Party's interest (or any portion thereof) shall be permitted.

### **14. DISSOLUTION AND WINDING UP OF THE JOINT VENTURE**

- (a) The Joint Venture 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 the Investment Property 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 super majority (75%) of the JV Parties according to their percentage interests.
- (b) Upon the occurrence of a Dissolution Event, the Joint Venture 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 Joint Venture and shall take full account of the liabilities of the Joint Venture 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 in Section 14(c) below.

- (c) After determining that all known debts, liabilities and expenses of the Joint Venture have been paid or adequately provided for, the remaining assets shall be distributed to the JV Parties 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 Joint Venture pursuant to this Section 14, the JV Parties shall no longer be considered joint ventures and this JV Agreement and the provisions and terms hereof shall be null and void.

## **15. ADDITIONAL INVESTORS**

- (a) In the event that, as of the Effective Date, the Investors 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 Investors may be located and joined as JV Parties in the Joint Venture, provided, that each such additional Investor (i) contributes Aggregate Capital Contributions to the Joint Venture in a minimum amount acceptable to the Manager (in its sole discretion) and (ii) such additional Investor agrees to be bound by the terms and conditions of this JV Agreement.
- (b) In the event of any such joinder of an additional Investor, (i) this JV 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 Investor and such Investor's Aggregate Capital Contributions (including, but not limited to, a modification of Exhibit B hereto to reflect the change in Percentage Interests of each Investor), and (ii) the Investment Property Deed of Trust shall be amended, amended and restated, or otherwise modified to reflect the addition of such additional Investor (with the same priority as the original JV Parties), and the Manager shall ensure that such Investment Property Deed of Trust is correctly re-filed with the proper governmental agencies to ensure that the Investors (collectively) hold a first priority trust deed against the Investment Property to secure their collective Capital Contributions.
- (c) Each JV Party hereby agrees and acknowledges that, with respect to the Joint Venture, SMK may be both the Manager and an Investor hereunder. In the event that SMK is an Investor as of the Effective Date and, pursuant to Section 15(b) above, an additional Investor(s) is(are) located, notwithstanding any other restrictions on transfer hereunder, SMK shall be able to join such other Investor(s) and transfer its Percentage Interest or any part of its Percentage Interest of the Joint Venture owned by virtue of it being an Investor to such new Investor(s) (and thereby remain solely the Manager of the Joint Venture if all of its Percentage Interest is transferred).

**16. GENERAL RISKS OF REAL ESTATE OWNERSHIP**

- (a) The Joint Venture 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 Joint Venture's ability to respond to adverse changes in the performance of the Real Estate market could have a negative effect on the Joint Venture achieving its goals.
- (b) The Joint Venture might have difficulty or unexpended extra expenses in renovating, renting, tenant relocating, or in selling the real estate Investment Property. Failure or delay to sell planned Investment Property could result in lower gains or possible losses and have a material adverse effect on the Joint Venture assets and results.
- (c) By signing this agreement any and all investors are aware of the risks associated with this investment including the possibility of excessive financial losses.


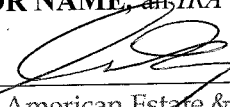
**17. MISCELLANEOUS**

- (a) Any and all such notices which any JV Party 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 other parties or by prepaid registered or certified mail addressed to the parties at their respective addresses as set forth in Exhibit D hereto, or at such other address as the parties may from time to time designate in writing upon the books of the Joint Venture. 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 JV Agreement shall be interpreted in accordance with the laws of the State of California applicable to agreements executed and to be wholly performed therein. Any controversy or claim arising out of or relating to this JV Agreement or the validity, construction or performance of this JV 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 Los Angeles, CA 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 JV Parties 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 Los Angeles, California and any award shall be final, binding and non-appealable. The JV Parties agree to accept service of process in accordance with the rules of AAA.

- (c) This JV Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of California applicable to agreements executed and to be wholly performed within such state.
- (d) No waiver by any JV Party hereof of any failure by any other JV Party 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 JV Agreement may not be amended or changed except by a written instrument duly executed by at least 75% of the JV Parties according to their percentage interest.
- (f) This JV Agreement contains the sole and only agreement of the JV Parties relating to the Joint Venture and correctly sets forth the rights, duties and obligations of each to the other(s) as of the date hereof. Any prior agreements, promises, amendments, negotiations or representations not expressly set forth in this JV Agreement shall be null and void and are of no force and effect.
- (g) No JV Party shall sell, assign, mortgage, hypothecate or encumber his, her or its interest or any portion thereof, in the Joint Venture without the prior written consent of all of the JV Parties other than pursuant to the terms of this JV Agreement.
- (h) In all instances where a voting of the Investors is needed, the Manager's vote will count as any other Investor, according the Manager's Percentage Interest in the Join Venture noted in Exhibit B.
- (i) This JV Agreement shall be binding upon, and shall enure to the benefit of the JV Parties and each of their respective legal representatives, successors and permitted assigns.

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

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

<b>"MANAGER"</b>	
<b>SMK Capital Management LLC</b> , a Florida limited liability company	
By: 	
Name: Suheil Khuri or Mark Khuri	
Title: Manager	
<b>"INVESTOR"</b>  <b>INVESTOR NAME, an individual</b>  By: _____ Name:  Title:  Date: _____	<b>"INVESTOR"</b>  <b>INVESTOR NAME, an IRA</b>  By:  _____ Name: American Estate & Trust, LC FBO Georges Khouri  Title: <b>David A. Freeberg</b> Vice President / Controller American Estate & Trust, LC  Date: <u>8-22-12</u>

**EXHIBIT A**  
**ADDITIONAL DEFINITIONS**

“Alternate Exit Strategies” has the meaning set forth in Section 2.

“Capital Contributions” shall mean, for each Investor, any Initial Capital Contributions, or additional Capital Contributions made by such Investor.

“Initial Capital Contribution” shall have the meaning set forth in Section 11(a).

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

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

“Investment Property Deed of Trust” shall have the meaning set forth in Section 12.

“Investment Property Manager” shall have the meaning set forth in Section 2

“Investment Property Management Company” shall have the meaning set forth in Section 2.

“Investment Property Sale” shall have the meaning set forth in Section 2.

“Investment Property Total Cost” shall have the meaning set forth in Section 7(b).

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

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

“JV Bank Account” shall have the meaning set forth in Section 8(f).

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

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

“Additional Capital Contributions” shall have the meaning set forth in Section 11(b).

“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).

“Potential Tenant” shall have the meaning set forth in Section 2.

“Percentage Interest” shall have the meaning set forth in Section 7(a).

“Return on Investment” (“ROI”) shall be calculated as: Net Profit or Loss (sale proceeds minus total costs and expenses) divided by Capital Contributed.

**EXHIBIT B**  
**JV PARTIES; CONTRIBUTIONS & PERCENTAGE INTEREST**

*As of August 17, 2012*

JV PARTY	TYPE	CAPITAL OR OTHER CONTRIBUTION	PERCENTAGE INTEREST
1.SMK Capital Management	INVESTOR	\$155,882	32.55%
2. Charles Buttaci	INVESTOR	\$25,000	5.22%
3. American Estate & Trust, LC FBO Georges Khouri IRA	INVESTOR	\$82,500	17.23%
4. ETC Custodian FBO Joseph Fay IRA	INVESTOR	\$60,500	12.63%
5. James Typadis	INVESTOR	\$30,000	6.26%
6. James Alfandre	INVESTOR	\$50,000	10.44%
7. Luke Rigolosi	INVESTOR	\$50,000	10.44%
8. Jerry Shang	INVESTOR	\$25,000	5.22%
<b>TOTAL AMOUNT INVESTED</b>		<b>\$478,882</b>	<b>100%</b>

**EXHIBIT C - INVESTMENT PROPERTY INFORMATION**



**Hollywood Triplex Fix and Flip - Property Summary**

- Property Address = 1216 Lyman Pl, Los Angeles, CA 90029
- Property Lot Size = 5,797 sq ft
- Purchased on 5/18/12 = \$381,053
- Current Value = ~\$450,000
- Potential Value = ~\$710,000
- Current Gross Rents = \$26,280/yr
- Potential Gross Rents = \$68,400/yr



**CONSERVATIVE SCENARIO**

Remodel only the vacant unit & exterior grounds. Rent out the remodeled unit at market rates, resell the property to an investor or owner occupant

**BEST CASE SCENARIO**

Relocate existing tenants, remodel all 3 units & exterior grounds. Rent out at market rates, resell the property to an investor or owner occupant

**Conservative Scenario - COST ANALYSIS**

Purchase Price	\$381,053
Property Insurance & utilities	\$3,750
Procurement & Syndication Fees	\$5,000
Administrative Expenses	\$3,000
Accounting / Legal Fees	\$3,000
Broker Fee	\$1,950
Rehab Vacant 2/1 Unit	\$23,052
Exterior Rehab & Foundation Repairs	\$16,800
Rehab. Management & Overhead	\$4,500
Additional Rehab. Buffer / Reserves	\$3,000
<b>TOTAL COST</b>	<b>\$445,105</b>

**Best Case Scenario - COST ANALYSIS**

Purchase Price	\$381,053
Property Insurance & utilities	\$3,750
Procurement & Syndication Fees	\$5,000
Administrative Expenses	\$3,000
Accounting / Legal Fees	\$3,000
Broker Fee	\$1,950
Rehab Vacant 2/1 Unit	\$23,052
Rehab 2/1 Unit + Tenant Relocation	\$43,052
Rehab 3/2 Unit + Tenant Relocation	\$55,343
Exterior Rehab & Foundation Repairs	\$18,800
Rehab. Management & Overhead	\$7,000
Additional Rehab. Buffer / Reserves	\$5,000
<b>TOTAL COST</b>	<b>\$550,000</b>

**Conservative Scenario - SALE & PROFIT ANALYSIS**

Sale Price	<b>\$510,000</b>
Closing costs + Commission	\$36,720
Total Project Proceeds	\$473,280
Total Project Cost	\$445,105
Net Profits	\$28,175
<b>Project ROI</b>	<b>6.33%</b>
Management Profit Split (15%)	\$4,226
Investor Profit Split (85%)	\$23,949
Investor ROI	<b>5.38%</b>
Investor Annualized ROI (5 month holding period)	<b>12.91%</b>

**Best Case Scenario - SALE & PROFIT ANALYSIS**

Sale Price	<b>\$710,000</b>
Closing costs + Commission	\$51,120
Total Project Proceeds	\$658,880
Total Project Cost	\$550,000
Net Profits	\$108,880
<b>Project ROI</b>	<b>19.80%</b>
Management Profit Split (25%)	\$27,220
Investor Profit Split (75%)	\$81,660
Investor ROI	<b>14.85%</b>
Investor Annualized ROI (8 month holding period)	<b>21.42%</b>

PROJECT ROI	Investor Split	Mgmt Split
25+%	60%	40%
20-24.99%	70%	30%
15-19.99%	75%	25%
10-14.99%	80%	20%
5-9.99%	85%	15%
< 4.99%	100%	0%

<i>Investor Name</i>	
<i>Investor Signature</i>	<i>Date</i>

**EXHIBIT D**  
**JV PARTIES NOTICE INFORMATION**

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