

Operating Agreement for

WCR Management I LLC

OPERATING AGREEMENT

DATE: August 19, 2014

PARTIES: Stockholders

RECITAL:

The parties to this agreement (the "members") are entering into this agreement for the purpose of forming a limited liability company (the "company") under the Limited Liability Company Act of the state of Texas (the "Act").

AGREEMENTS:

1. Formation

1.1 Name. The name of the company is WCR Management I LLC.

1.2 Articles of Organization. Articles of organization for the company were filed with the secretary of state for the state of Texas on August 19, 2014.

1.3 Duration. The company will exist until dissolved as provided in this agreement.

1.4 Principal Office. The company's principal office will initially be at 401 W. President George Bush Turnpike #109, Richardson, TX 75080, but it may be relocated by the members at any time.

1.5 Designated Office and Agent for Service of Process. The company's initial designated office will be at 401 W. President George Bush Turnpike #109, Richardson, TX 75080, and the name of its initial agent for service of process at that address will be Craig Pettit. The company's designated office and its agent for service of process may only be changed by filing a notice of the change with the secretary of state for the state in which the articles of organization of the company were filed.

1.6 Purposes and Powers. The company is formed for the purpose of engaging in the business of buying, selling and leasing rental properties. The company has the power to do all things necessary, incident, or in furtherance of that business.

1.7 Title to Assets. Title to all assets of the company will be held in the name of the company. No member has any right to the assets of the company or any ownership interest in those assets except indirectly as a result of the member's ownership of an interest in the company. No member has any right to partition any assets of the company or any right to receive any specific assets on the winding up of the business of the company or on any other distribution from the company. Assets of the company may not be commingled with those of a member or any other person.

2. Members, Contributions and Interests

2.1 Initial Members. The names and addresses of the initial members of the company, the amounts of their initial capital contributions and their initial ownership interests ("Ownership Interests") are:

<u>Name and Address</u>	<u>Contribution</u>	<u>Ownership Interest</u>
Craig Pettit 401 W. President George Bush #109 Richardson, TX 75080	\$200	100%

Ownership Interests are defined as any liquidated amount after all liabilities have been paid in full.

2.2 Initial Capital Contributions. The capital contributions listed in Exhibit A must be paid to the company immediately after all the members have signed this agreement. Immediately after all members have signed this agreement, members must execute and deliver to the company all documents necessary to transfer the assets to the company free and clear of all liens and encumbrances.

2.3 Additional Members. Except as otherwise provided in the section of this agreement relating to substitution, additional members of the company may be admitted only with the Manager's approval.

2.4 Additional Contributions. Except as otherwise provided in the act, no member is required to contribute additional capital to the company without that member's consent. Additional capital contributions may be made only with the members' unanimous approval.

2.5 No Interest on Capital Contributions. No interest will be paid on capital contributions.

2.6 Capital Accounts. An individual capital account must be maintained for each member. A member's capital account will be credited with all capital contributions made by the member and with all income and gain (including any income exempt from federal income tax) allocated to the member. A member's capital account will be charged with the amount of all distributions made to the member and with all losses and deductions (including deductions attributable to tax-exempt income) allocated to the member. Members' capital accounts must be maintained in accordance with the federal income tax accounting principles contained in Treasury Regulations §1.704-1(b)(2)(iv).

2.7. No Right of Transfer. No member shall have a right to sell, assign, encumber, give, donate, pledge, hypothecate or otherwise transfer any portion of an ownership interest,

3. Allocation of Profits and Losses

3.1 Net Profit or Loss. The net profit or loss of the company for each fiscal year will be determined according to the accounting principles employed in the preparation of the company's federal income tax information return. The profit or loss, as well as any items thereof that must be separately stated under IRC §703(a), will be allocated to the members in proportion to their ownership interests.

3.2 Allocations Solely for Tax Purposes. In accordance with IRC §704(c), income, gain, loss, and deduction with respect to any property contributed to the capital of the company must be allocated among the members to take into account any variation between the adjusted basis of the property for federal income tax purposes in the hands of the company and the agreed value of the property as set forth in this agreement, or in any document entered into at the time additional property or other capital is contributed to the company. Any elections or other decisions relating to the allocations to be made under this section will be made by the members. The allocations to be made under this section are solely for income tax purposes and will not affect any member's capital account, allocable share of the net profits and net losses, or right to distributions.

4. Distributions – There will be no distributions to members or managers other than contractual arrangements.

5. Miscellaneous Provisions

5.1 Amendment. The members may amend or repeal all or part of this agreement by unanimous written agreement. This agreement may not be amended or repealed by oral agreement of the members.

5.2 Binding Effect. The provisions of this agreement are binding on and will inure to the benefit of the heirs, personal representatives, successors, and assigns of the members. This section is, however, not a modification of any restriction on transfer set forth in this agreement.

5.3 Notice. Except as otherwise provided in other sections of this agreement, any notice or other communication required or permitted to be given under this agreement must be in writing and personally delivered or mailed by certified mail, return receipt requested, with postage prepaid. Notices addressed to a member must be addressed to the member's address listed in the section of this agreement relating to initial members, or if there is none, the address of the member shown on the records of the company. Notices addressed to the company must be addressed to its principal office. The address of a party to which notices are to be mailed may be changed by the party's giving written notice to the other parties. All mailed notices and other communications will be deemed to be given at the expiration of three days after the date of mailing unless the recipient acknowledges receipt prior to that time.

5.4 Litigation Expense. If any legal proceeding is commenced for the purpose of interpreting or enforcing the Termination provision of Exhibit A of this agreement, including any proceeding in the United States Bankruptcy Court, the prevailing party is entitled to recover reasonable attorneys' fees in the proceeding, or any appeal, to be set by the court without the necessity of hearing testimony or receiving evidence, in addition to the costs and disbursements allowed by law.

5.5 Additional Documents. Each member must execute all additional documents and take all actions as are reasonably requested by the other members in order to complete or confirm the transactions contemplated by this agreement.

5.6 Counterparts. This agreement may be executed in two or more counterparts, which together will constitute one agreement.

5.7 Governing Law. This agreement is governed by the law of the state in which the articles of organization of the company were filed and must be construed in accordance with the law of that state.

5.8 Third Party Beneficiaries. The provisions of this agreement are intended solely for the benefit of the members and create no rights or obligations enforceable by any third party, including any creditor of the company, except as otherwise provided by applicable law.

5.9 Authority. Each individual executing this agreement on behalf of a corporation or other entity warrants that he or she is authorized to do so and that this agreement constitutes a legally binding obligation of the corporation or other entity that the individual represents.

6. Meetings. The company will have an annual meeting at the company's principal office. Notice for the meeting will be at least 10 days prior to the meeting and in accordance with section 5.3 of this Operating Agreement.

7. **Termination.** Any Member(s) ("Option Members") may make a written offer to purchase the other Ownership Interests and pay off all debt in cash payable within 120 days with 15% put in escrow ("Option Escrow") with The Pettit Firm. Such escrow will be forfeited if not closed within the 120 period ("Option to Purchase") and distributed pro-rata to the Non-option Members. The other members(s) ("Non-Option Members") have 60 days to choose from the following:
- (i) Accept the Option to Purchase
 - (ii) Issue a
 - (1) Reject Option to Purchase With Purchase Agreement ("Purchase Agreement") that will include a full Release of the Option Escrow and will specify an amount to purchase the Option Partners' Ownership Interests plus pay off all debt in cash payable within 60 days and will include 15% of the Option Members' Ownership Interests ("Earnest Money") put in escrow with The Pettit Firm, such Earnest Money to be distributed pro-rata to the Option Members if not closed; or,
 - (2) Issue a Reject Option to Purchase with Draft ("Purchase Draft"). Such Purchase Draft will be executed in an NFL-style draft where Non-option Members select one (1) loan (or property) for each 10% (or portion thereof) Ownership Interest, then, Options Members select one (1) loan (or property) for each 10% (or portion thereof) Ownership Interest for Round 1, then, the process is repeated for further Rounds until all loans (or properties) have been drafted. Upon such event, the Non-option Members' will retain the Ownership Interests and the Option Partners will receive:
 - a. A transfer of lien to the entity of their choice upon payoff of the debt on the property
 - b. A gain or loss on the K1 reflecting an elimination of their Ownership Interests based on the difference of their Ownership Interests less the cumulative amounts of their distributed loans

MANAGER: Craig Pettit

_____.

By: Self

EXHIBIT A

- **Manager Responsibilities**
 - o Manage Property Managers
 - o Investor Relations
 - o Loan Payments as agreed
- **Manager Vesting**
 - o For each of the first six(6) years that Manager completes the responsibilities without being terminated, Manager will receive an award of 5% of the Ownership Interests which, by definition, dilute other Ownership Interests (Six Yearly Awards)
 - o For each of the two (2) years following issuance of the Six Yearly Awards, the Manager will receive an award of 10% of the Ownership Interests which, by definition, will dilute other Ownership Interests
 - o Manager has the opportunity to receive a full 50% of the Ownership Interests
- **Officers**
 - o Officers will be elected by the members at each annual meeting
 - o The initial officers are
 - Manager – Craig Pettit
 - President – Craig Pettit
 - Secretary – Craig Pettit