Texas Tarrant Investor LLC

Investor / Jose Velez Joint Operating Structure

Prepared for Investor Review — July 2026

---

1. Executive Summary

- Investor forms a new LLC and contributes $10,000 as initial working capital.
- Jose Velez joins the LLC as a member, contributing operational services: pre-foreclosure lead generation, marketing, and wholesale deal execution in Tarrant County.
- Membership interest: Investor 90% / Jose Velez 10%, permanent from formation.
- For the first six months only, a special profit-share overlay applies: 45% Investor / 55% Jose Velez, in recognition of his buildout work — overriding the standard ownership-proportional split during this term.
- After month six, the special profit-share right expires. Jose Velez retains his 10% membership interest permanently, and distributions revert to 90% Investor / 10% Jose Velez.
- Jose Velez transitions from operating member to consultant after month six. His 10% distribution is his sole compensation for continued consulting — no separate fee is paid.
- The $10,000 investor contribution is not returned; it is consumed as the LLC's startup and working capital.

2. Entity & Ownership Structure

	Months 1–6	Month 7 onward
Investor equity	90%	90%
Jose Velez equity	10%	10%
Profit distribution	45% Investor / 55% Jose Velez	90% Investor / 10% Jose Velez
Jose Velez role	Operating member	Consultant
Jose Velez compensation	55% profit-share overlay	10% distribution only

The 55% profit-share right during months 1–6 is a temporary contractual overlay, separate from Jose Velez's 10% membership interest, and must be documented as such in the LLC Operating Agreement to avoid ambiguity.

3. Use of the $10,000 Capital

Estimated flat monthly operating cost: $2,800, covering pre-foreclosure data and marketing, skip tracing, VA/appointment setter, disposition manager, and CRM/software. This figure should be validated against actual vendor and staffing costs before finalizing the model.

4. Operating Workflow

1. Pull county monthly pre-foreclosure data
2. Skip trace the data
3. Process data into the CRM
4. Assign data to a VA / appointment setter
5. Assign the appointment to the disposition manager
6. Schedule a site visit and analyze the property
7. Put the property under contract and open escrow
8. Wholesale / assign the contract

5. Financial Model — Steady-State Scenarios

Assumes 5 closed deals per month at $5,000–$15,000 in assignment revenue each, once the pipeline is fully ramped.

Scenario	Gross Revenue	Op Costs	Net Profit	Investor (45%)	Jose Velez (55%)
Low	$25,000	$2,800	$22,200	$9,990	$12,210
Mid	$50,000	$2,800	$47,200	$21,240	$25,960
High	$75,000	$2,800	$72,200	$32,490	$39,710

Net profit is calculated after the $2,800 monthly operating cost. This table reflects a steady-state month; see Section 6 for a realistic ramp-up timeline.

6. Month-by-Month Cash Flow (Ramp-Up)

Wholesale deals typically take 4–6 weeks from contract to closing, so revenue lags sourcing activity by roughly one month. The table below reflects that lag and shows the LLC's cash position at each stage of the six-month term, assuming net profit is distributed monthly.

Month	Deal Activity	Revenue Received	Op Costs	Net Profit	Investor (45%)	Jose (55%)	LLC Cash Balance
Month 1	1 sourced (none closed)	$0	$2,800	$-2,800	$0	$0	$7,200
Month 2	1 closed / 2 sourced	$10,000	$2,800	$7,200	$3,240	$3,960	$7,200
Month 3	2 closed / 4 sourced	$20,000	$2,800	$17,200	$7,740	$9,460	$7,200
Month 4	4 closed / 5 sourced	$40,000	$2,800	$37,200	$16,740	$20,460	$7,200
Month 5	5 closed / 5 sourced	$50,000	$2,800	$47,200	$21,240	$25,960	$7,200
Month 6	5 closed / 5 sourced	$50,000	$2,800	$47,200	$21,240	$25,960	$7,200

Six-month totals: Gross revenue $170,000 | Op costs $16,800 | Net profit $153,200 | Investor $68,940 | Jose Velez $84,260.

Key risk point: Month 1 carries operating costs with no revenue yet received, drawing the LLC's cash balance down from $10,000 to $7,200. From Month 2 onward, monthly net profit is fully distributed, so the cash balance stabilizes at $7,200 rather than continuing to grow — the LLC does not accumulate a larger reserve under this distribution policy. If a larger ongoing reserve is desired, consider retaining a portion of net profit each month rather than distributing it in full.

7. Timeline

- Month 1: LLC formation, marketing campaign launch, first leads sourced — no closings expected yet.
- Months 2–4: Pipeline ramps toward the 5-deals-per-month target as sourcing, skip tracing, and disposition processes mature.

- Months 4–6: Steady-state operation at the target deal volume, assuming consistent lead quality and conversion.
- Month 6: Term ends — transition to the post-term structure described in Section 8.

8. Post-Month-6 Transition

- The special 55% profit-share right for Jose Velez terminates.
- Jose Velez retains his 10% membership interest permanently.
- Investor retains 90% membership interest and full operational control.
- Distributions revert to 90% Investor / 10% Jose Velez.
- Jose Velez transitions from operating member to consultant, providing advisory and support services on an ongoing basis.
- Jose Velez's 10% distribution constitutes his full compensation for this consulting role — see acknowledgment in Section 9.

9. Exhibit — Acknowledgment of Consulting Compensation

Effective as of the date Jose Velez's status changes from Operating Member to Consultant (Month 7 of LLC operations), the parties acknowledge and agree that:

I. Jose Velez's ten percent (10%) membership interest in the LLC, and any distributions attributable to that interest, shall constitute full and complete compensation for any and all consulting, advisory, or support services provided by Jose Velez to the LLC from that date forward.

II. No separate consulting fee, hourly rate, retainer, or other compensation shall be owed to Jose Velez for such services unless the parties execute a new written agreement expressly stating otherwise.

III. This acknowledgment does not affect Jose Velez's membership rights, voting rights, or other rights attached to his 10% membership interest under the LLC Operating Agreement.

Signed and acknowledged by:

______________________________ Date: ____________

Investor / Managing Member

______________________________ Date: ____________

Jose Velez

10. Risks & Disclosures

- Deal flow, closing rates, and revenue figures in this document are illustrative projections, not guaranteed minimums or promised returns.
- The investor's $10,000 contribution is fully at risk. It is not returned as principal and is consumed as operating capital.
- Wholesaling real estate contracts in Texas involves specific legal and disclosure requirements around contract assignment; compliance should be confirmed with a licensed Texas real estate attorney before operations begin.

- Despite the risk of the initial $10,000 capital contribution, the structure is designed so the investor retains 90% ownership of the LLC after the six-month term — including its established marketing systems, CRM and lead pipeline, vendor relationships, and operating processes — at no further required capital outlay, with Jose Velez continuing only in a reduced, 10%-compensated consulting capacity.
- The 5-deals-per-month, steady-state assumption is not currently backed by an independently verified historical track record. Actual performance may be materially lower.
- This document is for discussion purposes only and does not constitute a binding agreement, legal advice, or a securities offering document. All terms should be finalized in a formal LLC Operating Agreement reviewed by independent legal counsel for each party.