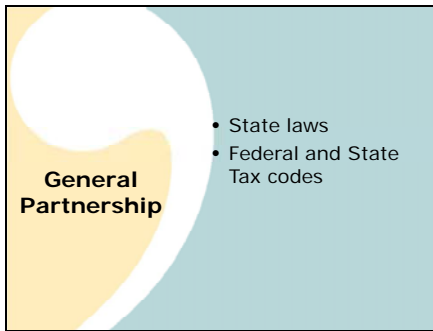


Tonight we're going to talk about your club partnership agreement. What is it? What should it cover? When should it be changed? Etc.

We're going to talk tonight about a sample partnership agreement that a typical investment club using bivio might find adequate to adapt for their needs.

The topics we're going to cover represent commonly recommended best practices for operating an investment club.

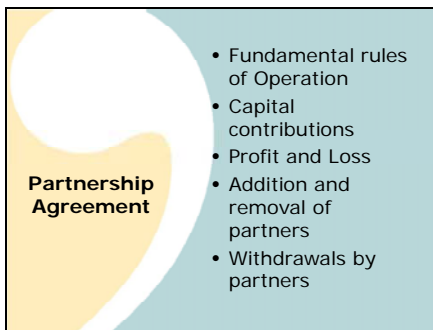
If you have any doubts about whether any of these conditions is appropriate for your club, follow the advice of a lawyer and/or accountant who is familiar with your particular circumstances and the laws of your state.



Investment clubs are considered a business and are usually organized as a type of business entity called a General Partnership. A general partnership is very easy to establish. Basically whenever two or more people agree together to operate some sort of business, they are operating a general partnership.

General Partnerships are governed by state laws. However, most states have adopted something called the Uniform Partnership Act so that laws between states will be similar.

General partnerships do have to comply with Federal tax requirements. There are also state tax requirements in some states.



Partnership agreements are legal documents used in the formation or modification of a partnership. There is no existing requirement for the content or structure, although you will find most are similar because everyone wants protection. You are not required to have a partnership agreement to form your club, but having one helps to limit potential legal issues. If you take in new members, it helps to communicate properly to them what they are getting into. The agreement binds partners to procedures and practices in addition to legal obligations mutually agreed upon by all partners.

Your agreement should cover issues such as:

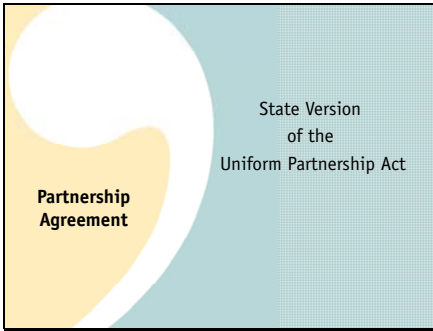
Your fundamental rules of operation

Your capital contributions

How you're going to share profits and losses

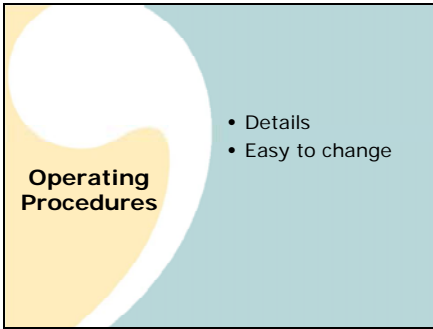
Information about adding and removing partners

and how you're going to make distributions to partners.



In the absence of a partnership agreement,

the rules of your operations will be governed by the default rules provided by your state requirements.



We recommend that your partnership agreement cover the fundamental aspects about how your club will be run. They should be difficult to amend and there should not be a need to change them very often.

In conjunction with your Partnership agreement, we'd recommend you establish a list of operating procedures. For example, your partnership agreement might establish that you agree to meet regularly.

Your operating procedures might establish more specifics, like whether you will meet monthly and the exact date and time of your meetings. You might need to change those things more frequently and

usually groups make it much easier to change Operating procedures than partnership agreements. We will mention them as we go through tonight's discussion but we will leave a more thorough presentation about them for next month.



Just a little bit of advice. We'd recommend that if you are starting a new club, that you not get too bogged down trying to adjust details of your partnership agreement before you jump in and start investing. The topics covered in the sample agreement have worked well for thousands of investment clubs for many years and you shouldn't have a lot of money at risk at the beginning.

Spending too much time on administrative items when you're just starting a new group can bleed some of the enthusiasm for the group before you even get started. You might consider either having a small group get your club organized and established before you bring in new members or just adopting the sample agreement as is and then amending it if necessary in the future.



Tonight I am going to discuss an annotated copy of a sample partnership agreement which you will find on our help page. We will be providing a Word version of this document soon also.

You can get to the help page by clicking on the Help link you will see in the upper right corner of your screen when you login to bivio or by going to this link:

<https://www.bivio.com/site-help/bp/StartPage>

Scroll down to section P and look for the link to the Partnership Agreement.

Each topic which will be discussed on the following slides, is also available as a link from each section of the Sample agreement so it will not be reproduced here. Just click on the "things to consider" link you will find next to each section in the Sample to get more insight into the topic it covers.

**Partnership Agreement**  
**[PARTNERSHIP OR ASSET]**

This AGREEMENT OF PARTNERSHIP is between AA or (OFFICIAL USE), by and between the undersigned to wit:  
[Name] or partner

1. **Purpose of the Partnership.** The underlying entity shall be General Partnership in accordance with and subject to the laws of the State of [STATE], [State] or similar.

2. **Name.** The name of the partnership shall be [REGISTERED CLUB NAME], [State] or similar.

3. **Form.** The partnership shall be an [a limited liability] and shall consist of [a] or [a] member(s) as hereinafter provided.

4. **Purpose.** The only purpose of the partnership is to invest the assets of the partnership solely in publicly traded individual corporate stocks and bonds, and mutual funds and ETF's (Exchange Traded Funds) made up of broad marketplaces for the advantage and benefit of the partner(s), [Name] or similar.

5. **Meetings.** Details meetings shall be held as determined by the partnership and described in the partnership Operating Procedures. A quorum of 40% of the active partners must be in attendance at a meeting in order to conduct any business, unless otherwise stated.

6. **Capital Contributions.** This partner shall make regular capital contributions to the partnership on the date and in such amounts as the partnership shall determine and specify in the Operating Procedures. However, the partner may, upon written notice, terminate its obligation to make such contributions if the partnership has not made any capital contributions to the partner for a period of 90 days. For instance, in a club of 20 members, no member may own more than 20% (i.e. 1/5) or 20% of the capital accounts of all the partners, through its ownership.

7. **Accounting.** The club shall account for its financial and personal assets of each partner in the club based partnership accounting procedures set forth in the Operating Procedures. The club shall maintain a separate accounting system for each partner. The amount of each partner's contribution shall be based on the Net Asset Value (NAV) of the partnership (see Paragraph 10) on the date the capital is made in the partnership brokerage account. Income and expenses will be allocated to each partner on the date that occur, based on the number of units of ownership each member holds that date.

Members of a club shall be bound by the partnership club for itself, and all fees, for available and open for application and submission by any partner, through its ownership.

8. **Club Fee Contributions.** The club shall collect fees from the partnership, as set forth in the Operating Procedures in such or such amounts, such that any contributions will be considered amounts when such amounts have been received and such fees have been applied to fees. The number of units of ownership received for a member's payment will be determined by the club's based on the date of the contribution in the club brokerage account (Payment Vacation Fee). Member all his assets will be valued based on the date NAV has been determined prior to the club meeting following the meeting at which a withdrawal is requested, received and accepted, (determined valuation later), unless otherwise stated.

9. **Capital Accounts.** A capital account shall be maintained in the name of each partner. Each partner's contribution to, and capital withdrawn from, the partnership shall be credited, or debited, respectively, to that partner's capital account, unless otherwise stated.



14. **Non-Attendance.** No person shall be compensated for services rendered to the partnership, except reimbursement for expenses, except to consider.

15. **Additional Partners.** Additional partners may be admitted upon the consent of the existing partners. The maximum allowable number of partners at any time shall be specified in the Operating Procedures. Prior to adding the status of active membership, a proposed non-partner must meet all the criteria outlined in the current version of the club's Operating Procedure and Criteria for Prospective New Members, except to consider.

16. **Active Membership.** The initial date of a partner's active membership shall be set as the date of the meeting when the non-partner signs the Partnership Agreement and makes their initial contribution to the club. This meeting shall be no earlier than the meeting immediately following the date when all existing active members made their first time partner. An individual's active membership may be used to determine the partner's range of active membership. For instance, on the first anniversary date, the date that all the other active members made their date, the partner will have an anniversary date of their membership date. (except to consider)

17. **Reserves for a Fund.** A portion of the club's gross revenue shall be set aside for the club's reserves for a fund. The partnership shall have a reasonable range of funds for the general use of the reserve. (except to consider)

18. **Removal of a Partner.** Any partner may be removed by agreement of the partner whose useful assets total a majority of the value of all partner's useful assets. Consideration for the removal of a partner may include but not be limited to: failure to meet attendance requirements in Operating Procedures; failure to meet required regular contributions (specified in Operating Procedures) and unexcused absence indicated by a partner in the notice of the partner's absence (except to consider).  
Whether or not the date of a meeting where removal of a partner shall be considered shall include a useful reference to this section. Following a vote to remove, the removal shall become effective upon payment of the value of the removed partner's useful assets. This shall be done in accordance with the guidelines for full reimbursement of a partner (the paragraphs 22 and 23). The removed partner shall be subject to the range of support for removal, except to consider.





