

ABUNDANT FAITH INVESTMENT CLUB

OPERATING PROCEDURES MANUAL

Accounting System: Abundant Faith will follow the accounting principals developed by NAIC. The Club will function with computerized, online record keeping which will be available to all partners at www.bivio.com. The accounting is based on valuation units, as fully described on the NAIC website. This will make joining the Club affordable for new partners.

Addendums: The partnership agreement may be modified at any time by a majority vote of the partners. However, the Club prefers to save these changes for the Annual Meeting in February, if possible. Each time partnership agreement additions are made, they will be written in the form of an addendum, separate from the original partnership agreement. New or modified addendums must be accepted by a majority vote, and evidence of acceptance will be recorded in the Club minutes.

Agenda: The agenda for the monthly meeting will be set by the President. Anyone wishing to add to a meeting's agenda should contact the President at least two days prior to the meeting. The agenda plays an important role in the organizational success of the Club, and should be honored as such. All partners are asked to adhere to the agenda.

Annual Accounting: Abundant Faith has accepted a calendar-based tax-reporting year. Therefore, at every December meeting, the President will appoint two partners to work with the Treasurer to complete an audit of the Club books and assist in the completion of the tax year. This process must be completed in a timely manner so the partners have their K-1 forms in time to complete their personal taxes.

Annual Meeting: February is the month of our Annual Meeting. This meeting will have a special agenda, which includes the election of new officers, a review of our portfolio and past goals, goal setting for the year to come, and the scheduling of calendar events.

Arrears: After each meeting, any partner in arrears will be posted in the Secretary's report and will become an official record of the Club. Any partner who is in arrears for more than 61 days will be automatically withdrawn from the Club.

Attendance: Each partner is expected to attend the regularly scheduled meetings, or give notice to the Secretary in case of an absence. Absences will be posted in the minutes and become an official record of the Club. The absent partner will be responsible for contacting one of the attending partners to cover his or her responsibilities at the meeting, and to obtain copies of handouts and future assignments. Any partner who is absent for three consecutive meetings, without the consent of the majority of the partners, will be automatically withdrawn from the Club.

Bank Account: The Club has chosen Chase Bank of Illinois for the Club checking account. Funds shall be withdrawn by check, signed by an authorized partner. Bank statements shall be maintained, and stored by the Treasurer. Current statements will be present for inspection at all meetings.

Board Meetings: From time to time, as agreed upon by the officers, board meetings shall be held by the elected officers of the partnership. A quorum of officers is required for voting purposes. The meetings will be held in person or online, as determined by the officers. Board meetings are open to all partners.

Brokers: Abundant Faith Investment Club prefers to monitor and maintain its own portfolio. Therefore, we will not be using a full-service broker. Any transactions made on the open market will be handled through a discount brokerage firm such as Sharebuilder or Scottrade. The Club will use Sharebuilder as the primary broker. However, the Club will reserve the right to use more than one broker in the future, should the need arise. A broker's account will be maintained at these firms for the purpose of buying and selling stocks on the open market. And, the President and Treasurer will be the only partners to have contact with

these firms, unless this officer is unable to carry out his or her duties; at which time the Vice-President will temporarily handle any transactions.

Capital Accounts: The Treasurer will maintain a record of each partner's ownership in the Club. This will consist of all deposits, disbursements, and valuation units. A breakdown of each capital account will be available for review at every meeting and online at www.bivio.com.

Club Meetings: Meetings will be held in the homes of a Club partners on a rotating basis. These will occur on the 2nd Saturday of each month from 4:00 p.m. to 6:00 p.m., beginning with a social gathering at 3:30 p.m.

Computers: Each partner shall be required to have access to computer hardware and software sufficient to participate fully in the affairs of the Club as determined by the partners.

Contributions: New partners joining the Club will pay a \$20.00 annual fee, which will be disbursed to the club as a whole, and contribute at least \$27 to start their capital account. The \$20.00 fee will bill on the anniversary month each year.

After the initial payment, a monthly contribution of a minimum of \$27.00, or any other amount paid in multiples of \$5.00, is required from each partner at every meeting, whether the partner is attending the meeting or not. If a partner intends on being absent, notification and advance payment should be sent to the Secretary. No partner's capital account may exceed 25% of the total of all accounts without acceptance by a majority vote of the partners.

Criteria for Buying Stocks: Our goal is to create a portfolio that consists of high quality stocks. There will be many criteria used in the final determination of a stock purchase. However, we will strive to meet the NAIC criteria, which is:

- 1) Minimum of five years of financial history;
- 2) Earnings are growing at or better than the rate of sales;
- 3) Total debt – preferably 33% or less of total assets, or less than industry average;
- 4) P/E ratio equal to or less than its five-year average;
- 5) Upside potential of 3:1 or better;
- 6) Past performance and current events indicate the stock will provide an average total annual return of, at least, 14.9% over the next three or five years.

Criteria for Selling Stocks: No single reason shall be a determining factor for selling a stock. However, the following reasons will be used for discussion:

- 1) Adverse change in management;
- 2) Declining profit margin;
- 3) Deteriorating financial condition;
- 4) Competition affecting profits;
- 5) Dependence on a single product;
- 6) To balance the portfolio or to purchase a better stock.

Diversification: In order to lower the risk in our portfolio, it is our intention to diversify by industry and by company size. However, quality of the companies will override diversification. No stock or industry should account for more than 20% of the total value of the portfolio.

Dividends: Since education and portfolio growth are our primary goals, all dividends will be reinvested. If a dividend-paying stock has a reinvestment program, and we elect to use it, the company will be instructed to use the dividend to purchase fractional shares of stock. If a DRIP program does not exist, the dividends will be placed in our checking or brokerage account and used for general purchases.

DRIP Plans: DRIP is short for Dividend Reinvestment Plan. These plans allow us to purchase additional shares of stock directly through a given company without having to pay a broker's commission. DRIP plans will be used when it is deemed appropriate by a majority vote of the partners.

Education: Since education is our primary purpose, we are committed to making every meeting a learning experience. Therefore, at least 30 minutes will be set-aside at each meeting, except the Annual Meeting, to provide an educational program. Partners are encouraged to present their ideas to the Vice President, who is the lead chair of the education program.

Elections: Until this Club grows to a point where the partners feel the need for a more formal arrangement, it is our desire to keep the election process as simple and non-political as possible. Prior to the Annual Meeting, all partners will be given the opportunity to volunteer for any officer's position. This will include the current partner holding an officer's chair. Should more than one partner volunteer for a given position, a secret ballot will be taken and the partner who receives the most votes will assume the chair. This is provided a quorum is present. Absent partners may vote by proxy. All other posts will be appointed by the President.

Goal Setting: Goal setting is an important part of our Annual Meeting. Each year, the partners will discuss, select and plan a course of action for the coming year's goals. This is also a time to review past goals and reflect on our accomplishments.

Guests: Partners are welcome to invite guests to the monthly meetings. However, it is appropriate to inform the host prior to the meeting. This can be handled with a phone call a couple of days before.

Investing-How Often: Unless it would cause an undo hardship on the Club, stocks will be purchased at least once every quarter. This may include new stocks or stocks currently held by the Club.

Implementing Club Resolutions: Any partner responsible for carrying out a Club resolution or duty (i.e. depositing Club dues, buying or selling a stock, etc.) will do so the first business day after the meeting (or whenever stipulated by the resolution), or recruit another partner to assist in the timely completion of the assignment.

How to Present New Stocks or Hot Tips: Searching out stocks for the Club is part of the responsibility of each partner. If you have found a stock that you wish to present at a Club meeting, please follow these procedures:

- 1) Complete a stock selection guide to ensure the stock meets the Club's buying criteria;
- 2) Contact the President to have your Stock Report placed on the agenda;
- 3) Keep the report brief and to the point when making your presentation.
- 4) Provide copies of your stock report, completed SSG, and the Value Line to all in attendance.

Job Descriptions:

PRESIDENT: The President's duty is to preside over meetings, set meeting dates and locations, appoint committees and see that resolutions passed by the partnership are carried out.

VICE PRESIDENT: The Vice President takes the place of the President when he or she is absent or incapacitated. The Vice President shall be responsible for ensuring that the Club's educational program is properly carried out.

SECRETARY: The Secretary's duty is to keep a record of the attendance, late payments and actions authorized by the partners, notify partners of meetings and other activities, and store the original partnership agreement, bank & broker agreements, official book of minutes and all member documentation.

TREASURER: The Treasurer's duty is to keep accurate records of the Club's transactions. This includes receipts and disbursements and partners' interests in the Club, deposits, accounts payable activities and the purchase and sale of securities. The Treasurer will prepare the Club's monthly valuation statements, track individual partners' capital accounts, and see that the needed tax information is compiled and filed with the government. The Treasurer is also responsible for storing the bank & broker statements and the tax filings from past years. (Currently, these documents are stored at Lynn Ostrem's home.)

PORTFOLIO MANAGER: Although not an officer's position, the Portfolio Manager's role is to maintain the PERT Worksheet, and other forms, to keep us apprised of our holdings and watch stocks.

Legalities: Abundant Faith Investment Club was registered with the State of Illinois in April, 2004, under an Assumed Name Certificate. All partners must be at least 18 years of age. We are reporting to the Internal Revenue Service as a general partnership, which will allow the Club to pass on all profits and losses directly to each partner. Partnership tax returns and K-1 Distribution Statements will be filed each calendar year.

Liability: All annual profits and losses will be borne by each partner of the Club, respective of their share of the total profits and losses. Each partner will be liable for disclosing this information on his or her personal tax return.

Further, let it be known that Abundant Faith is not a bonded Club. The founders didn't find it a necessary expense. However, as the Club's assets grow, the partnership is open to changing this situation.

Market Orders: Market orders are restrictions or qualifiers placed on buy and sell orders given to brokers. The Club shall use these market orders, from time to time, upon a majority vote of the partners.

NAIC Membership: The Abundant Faith Investment Club philosophy is based on that of the National Association of Investors Corporation (NAIC). This national organization provides us with tools, ideas, local seminars and other support, as needed. Partners are not required to join NAIC as individual members. Should you decide to join you will gain access to Better Investing Magazine and access to regional seminars--both of which the club utilizes for educational purposes.

New Members: Our goal is to grow our Club with the same care and scrutiny as we grow our portfolio. We will identify prospective partners who will be compatible and able to function as a team. A prospective partner will be sponsored by a current partner in good standing, and that partner must feel comfortable vouching for the prospect's ability to fit in. A willingness to participate and an above average desire to learn will outweigh any previous experience or education in investing.

The prospective partner will be invited to attend one of our meetings. If the individual shows an interest in joining the Club, he or she will be given an application and a copy of our partnership agreement. A pre-entry orientation meeting will be scheduled for the applicant, where additional information will be provided. The completed application will be circulated to all partners for review.

The applicant may attend up to 4 meetings to determine whether or not he or she would care to join. However, every applicant must attend at least 1 meeting before being considered for partnership. The applicant will be interviewed prior to a vote of induction.

An informal (yet valid) vote will occur by an email poll, and the results will be shared with the applicant and confirmed during the New Business segment of the following meeting. The vote will pass by majority rule.

Number of Partners: The Club will not limit the size of the partnership. This may be subject to change by a majority vote of the partners.

Partial Withdrawal: In order to grow the assets of the Club, partial withdrawals of profits will be discouraged. It takes years to build a large portfolio, and small withdrawals are considered a nuisance. However, the needs of our partners will be considered on a case-by-case basis and subject to a majority vote of the partners.

Participation: Every partner of the Club must contribute. Three or four partners shouldn't be doing all the work. There should be no silent partners. Failure to contribute for any length of time may result in a request for resignation.

Portfolio Management: The portfolio will be assessed on an on-going basis. Every new security will be assigned to a partner for monthly follow-up. This partner will request all recent annual and quarterly reports from the company, and follow up on these and other current events, regarding that security. The assigned partner will be responsible for making buy, hold or sell recommendations to the Club. Stock Selection Guides will be updated at least once a year on all securities--a responsibility of the partners assigned to follow them. Also, the partner must work in conjunction with the Portfolio Manager by providing all required information in a timely manner.

Proxy Statement: A written and signed proxy, when assigned to a partner in attendance at a meeting, shall be considered a vote cast by the absent partner. However, no more than one proxy may be accepted or voted by any partner. The club has deemed a email proxy is acceptable, as long as it has a time/date header.

Reimbursement of Expenses: The Club will reimburse necessary expenses incurred by the partners. These expenses should be incurred from activities that are pre-approved by the majority of the partners. Receipts are required for reimbursement.

Removal of a Partner: Any partner may be removed for good cause, as determined by the partners, by a majority vote. However, if a partner misses three consecutive meetings, without consent of the majority of the partners, or falls 61 days behind in his or her capital contribution, the capital account will be automatically closed and the partner will be withdrawn from the club.

Responsibilities of the Partners: Partners shall actively participate in ongoing activities of the Club by agreeing to the following:

- Attend and participate at regularly scheduled meetings;
- Show up at those meetings in a timely manner;
- Make regular payments at or before each meeting;
- Maintain a computer system, internet connection and an email account;
- Learn the stock study tools and software used by the club;
- Come prepared to each meeting;
- Participate in the research and education activities of the club;
- Make occasional stock presentations to the Club;
- Offer help to new partners learning the tools;
- Volunteer for officer positions when needed;
- Serve on committees when needed; and
- Abide by the partnership agreement and operating procedures.

Social Events: We believe that camaraderie and trust are important ingredients for long-term success. Therefore, we are committed to developing the social aspect of our Club. Each year, we will gather our Club and family members for a minimum of one social event, predetermined at the Annual Meeting. Committees will be selected to handle the details, and club funds will be used as determined by the partners. Participation and attendance at these events will play a large role in the development and solidarity of our Club. Please get involved.

Speculating: Speculating is considered any non-fundamental approach to investing in the stock market, along with market timing, short buying or selling, purchasing IPOs, short-term holding of stocks, etc. Since we support a fundamental, long-term approach to investing, we will not engage in these activities.

Stock Certificates: When we purchase stocks that do not have DRIP plans, the stock certificates shall be registered in street name and kept by the brokerage.

Valuation Date: The Valuation Date is a predetermined day each month on which the value of our portfolio will be assessed. The prices of stocks on this date will determine the value of our Club as a whole, and be the basis of our buying and selling decisions, and the determining value for partners entering or leaving the Club. In order to provide the Treasurer and Club Agent with enough time to prepare the necessary documents, the Valuation Date will be the Friday (closing prices) preceding each Club meeting.

Voting Procedures: All decisions that affect the Club and its assets will be decided by a vote. Each partner's vote, regardless of his or her percentage of ownership in the Club, will have an equal say in the voting process. All votes will be performed by an open showing of hands for or against an issue, except the election of officers, which will be performed by secret ballot. All decisions will be based on a majority rule of the partners present and voting, provided there is a quorum*, with the exception of a vote to amend Section 24 of the partnership agreement which will require a unanimous vote of all partners, present or otherwise.

*(A quorum in this context is 2/3 of the entire partnership body, including proxies.)

Revised September 19, 2010 VM