

***The Passive Club***  
***Operating Procedures***

(Original: July 16, 2008  
Last Update: July 16, 2008)

**Article 1:** The officers of this Partnership shall consist of a President, Vice President, Secretary and Treasurer. The term of office shall be one (1) year, from August of one year through July of the next.

**Article 2:** Partners will hold office in the order they are added to the club. Office will be held in the order of Secretary, Treasurer, Vice President, and then President. The change in officers will occur in the interim between the July and August meetings.

**Article 3:** After the August meeting, if any office becomes vacant, the holders of the office below shall assume the next higher office and the first person next-in-line shall assume the office of Secretary. If the replacement(s) assume their position in April, May, June or July, then ALL officers shall maintain their positions for the year starting in August.

**Article 3:** The duties of the President shall be as follows:

- Preside over the monthly meetings.
- Notify new partners of their active status.
- See that resolutions passed by the partnership are carried out.
- Create the Audit Committee according to section 12A of the Partnership Agreement.

**Article 4:** The duties of the Vice President shall be as follows:

- Conduct that portion of the monthly meeting dealing with investments, including counting of votes.
- Initiate termination procedures against a partner as necessary according to section 18A of the Partnership Agreement.

**Article 5:** The duties of the Secretary shall be as follows:

- Take minutes of each meeting and maintain a permanent record of all meetings.
- Maintain a list of the contact information of each partner.
- Maintain the waiting list for new partners.
- Email a copy of the minutes of each meeting to each partner no later than one (1) week after the meeting.
- Maintain and update the Partnership Agreement and the Operating Procedures.
- Store the original Partnership Agreement, Operating Procedures, bank and broker agreements

**Article 6:** The duties of the Treasurer shall be as follows:

- Keep a record of the Club's receipts and disbursements and partners' individual interests in the Club.
- Prepare monthly valuation reports and annual club-performance report.
- Receive and deposit partners' investments within 24 hours of a meeting.
- Perform the buying and selling of securities in accordance with the partnership's directions.
- Affect partner withdrawals and/or terminations.
- Prepare annual tax returns and related partner K-1's.
- Store bank and broker statements and tax filings from previous years.

**Article 7:** The Partnership Agreement and Operating Procedures may be modified at any time by a super-majority vote of the partners, and evidence of acceptance will be recorded in the club minutes. Each modification to the Partnership Agreement will be written in the form of an addendum, separate from the original Partnership Agreement.

**Article 8:** The name of prospective partners shall be placed on the waiting list in the order in which they have been presented. As vacancies in the Club occur, new partners shall be accepted in the order they appear on the waiting list.

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**Article 9:** Each partner is expected to make every effort to participate (in person or via phone) in every regularly scheduled meeting. Absences are posted in the club minutes and become part of the official record of the club. The absent partner is responsible for making arrangements with another partner to cover his or her responsibilities at the meeting.

**Article 10:** The partnership shall set percentage-ownership targets for each asset owned. Any asset that exceeds its target by 35% or more shall have its value reduced until it is only 15% over its target. All assets will be ordered by percentage under target. Additional funds will be added to assets in order, starting with the asset furthest below its target, until it meets its target.

**Article 11:** If a sale of securities is required, sales will begin with those assets furthest over their target, but not to be reduced below 15% over target. If additional funds are still required, sales will begin with those assets furthest over their target, but not to be reduced below their target.

**Article 12:** The January meeting will include a presentation by the audit committee and a review of the portfolio towards determining if any adjustment to asset targets is required. This is the only time during the year in which asset targets can be adjusted.

**Article 13:** All decisions affecting the club and its assets will be decided by a vote. Each partner, 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 where noted elsewhere within the Partnership Agreement or the Operating Procedures.

**Article 14:** Any regularly scheduled monthly meeting only requires two partners be in attendance to be valid.

**Article 15:** Any partner who has not presented his monthly investment prior to the official adjournment of the monthly meeting shall be assessed a \$15 late fee, which is not applied to purchasing units in the club. This late fee and regular monthly investment must be made prior to the end of the month or the late fee will be withdrawn from the partner's account on the first of the following month using the last-business-day of the current month for the valuation. If the late fee and monthly investment are made prior to the end of the month, then the partner's investment will be treated as if it was made on time.

**Article 16:** Any partner who causes the club to incur a fee outside of normal business expenses (i.e. a bounced check) is responsible for paying, or reimbursing the club, for said expense within 15 days of notification.

**Article 17:** For any unforeseen banking charges (e.g. overdraft) under \$25, the Treasurer has discretion on how to correct. For example the Treasurer can deposit additional personal funds to correct overdraft situation. The Treasurer will then record transactions and any follow-up action for review at the next club meeting.

For any unforeseen banking charges over \$25, the Treasurer must coordinate any corrective action with all partnership officers. The Treasurer will then record transactions and any follow-up action for review at the next club meeting.