



Partnership Agreement of the Southeastern Michigan NAIC Model Club

This agreement of partnership, made as of February 21st 2004, by and between the undersigned,

WITNESSETH:

1. **Formation of Partnership:** The undersigned hereby form a General Partnership, in and in accordance with the laws of the State of Michigan.
2. **Name of Partnership:** The name of the partnership shall be SOUTHEASTERN MICHIGAN NAIC MODEL CLUB.
3. **Term:** The partnership shall begin on February 21st 2004 and continue until December 31, 2004, and thereafter from year to year unless earlier terminated as hereinafter provided.
4. **Purpose:** The only purpose of the partnership is to invest the assets of the partnership solely in stocks, bonds and securities ("securities"), for the education and benefit of the partners.
5. **Tax Status:** The partnership shall notify the Internal Revenue Service that it elects to be treated as a qualified investment club partnership, and that all of the members of the partnership elect to be excluded from the partnership provisions of the Internal Revenue Code. Each partner acknowledges that he is thereby responsible for reporting and paying taxes on his individual share of the partnership's investment activity.
6. **Partnership Categories:**
 - a. Full Partnership is open to all active Directors and Associate Directors of the Southeastern Michigan Council of the National Association of Investors Corporation (NAIC), and such other persons as may be invited by the Full Partners in recognition of their experience as NAIC investment club officers, or proven ability to teach NAIC investment principles. There is no time limit on the membership of Full Partners.
 - b. Associate Partnership is open to all other interested parties, for a period of time defined by the Operating Procedures. At the end of this period, an Associate Partner will be deemed to have withdrawn and any shares in the partnership will be valued as of the nearest preceding valuation date, and liquidated in accordance with paragraphs 22 and 24. Associate Partners are encouraged and expected to become familiar enough with NAIC tools that they can withdraw for the purpose of forming a new investment club sometime within the period of their membership eligibility.
7. **Meetings:** Periodic meetings shall be held as determined by the partnership.
8. **Contributions:** The partners shall make contributions to the partnership on the date of each periodic meeting, in such amount as the partnership shall determine, provided, however, that no partner's capital account (as defined in paragraph 10 of this agreement) shall exceed twenty (20%) of the capital accounts of all partners.

9. **Valuation:** The current value of the assets and property of the partnership, less the current value of the debts and liabilities of the partnership, (hereinafter referred to as "value of the partnership") shall be determined as of the close of business on the last business day of the week preceding the week in which each periodic meeting is held. The aforementioned date of valuation shall hereinafter be referred to as "valuation date".
10. **Capital Accounts:** There shall be maintained in the name of each partner, a capital account. Any increase or decrease in the value of the partnership on any valuation date shall be credited or debited, respectively, to each partner' s capital account in proportion to the value of each partner' s capital account on said date. Any other method of valuing each partner' s capital account may be substituted for this method provided that said substituted method results in exactly the same valuation as provided herein. Each partner' s contribution to, or withdrawals from, the partnership shall be credited, or debited, respectively, to that partner' s capital account.
11. **Management:** Each partner shall participate in the management and conduct of the affairs of the partnership in proportion to his capital account. Except as otherwise provided herein or in the Operating Procedures, all decisions shall be made by the partners whose capital accounts total a majority in amount of the capital accounts of all the partners.
12. **Sharing of Profits and Losses:** Net profits and losses of the partnership shall inure to, and be borne by, the partners in proportion to the valuation adjusted credit balances in their capital accounts or in proportion to valuation unit balances.
13. **Performance:** All partners acknowledge the risks of investment, and further acknowledge that no discussions or statements made as part of the club' s activities should be construed as individual investment advice. No representations or guarantees have been made regarding investment performance of the partnership, or of any individual stocks or securities that have been or may be studied and/or purchased by the partnership.
14. **Books of Account:** Books of account of the transactions of the partnership shall be kept and will be available and open to inspection and examination by any partner, by appointment, within a reasonable time after receipt of a written request.
15. **Annual Accounting:** Each calendar year, a full and complete account of the condition of the partnership shall be made to the partners, for each partner to use in determining his tax liability.
16. **Bank Account:** The partnership may select a bank for the purpose of opening a partnership bank account. Funds deposited in said partnership bank account shall be withdrawn by checks signed by any partner designated by the partnership.
17. **Broker Account:** The partnership may select a broker and enter into such agreements with the broker as required, for the purchase or sale of stocks, bonds, and securities. Stocks, bonds and securities owned by the partnership shall be registered in the partnership name unless another name shall be designated by the partnership. None of the partners of this partnership may serve as a broker or dealer for the partnership.

- a. Any corporation or transfer agent called upon to transfer any stocks, bonds and securities to or from the name of the partnership shall be entitled to rely on instructions or assignments signed or purporting to be signed by any partner without inquiry as to the authority of the persons signing or purporting to sign such instructions or assignments or as to the validity of any transfer to or from the name of the partnership.
 - b. At the time of transfer, the corporation or transfer agent is entitled to assume (1) that the partnership is still in existence and (2) that this agreement is in full force and effect and has not been amended unless the corporation has received written notice to the contrary.
18. **No Compensation:** No partner shall be compensated for services rendered to the partnership, except reimbursement for expenses.
19. **Additional Partners:** Additional partners may be admitted at any time, upon a vote of the partners in writing or at a meeting, in accordance with the Operating Procedures.
20. **Removal of a Partner:** Any partner may be removed by agreement of the partners whose capital accounts total a majority of the value of all partners' capital accounts. Written notice of a meeting where removal of a partner is to be considered shall include a specific reference to the matter. The removal shall become effective upon payment of the value of the removed partners capital account, which shall be in accordance with the provisions on full withdrawal of a partner in paragraphs 22 and 24. The vote action shall be treated as receipt of request for withdrawal.
21. **Termination of Partnership:** The partnership may be terminated by either of the following. In both cases, written notice of the meeting where termination of the partnership is to be considered shall include a specific reference to this matter. Written notice of the decision to terminate the partnership shall be given to all the partners. Payment shall then be made of all the liabilities of the partnership and a final distribution of the remaining assets either in cash or in kind, shall promptly be made to the partners or their personal representatives in proportion to each partner' s capital account.
 - a. The partnership may be terminated by agreement of the partners whose capital accounts total a majority in value of the capital accounts of all the partners. The partnership shall terminate upon a majority vote of all partners' capital accounts.
 - b. The partnership may be terminated by agreement of the Board of Directors of the Southeastern Michigan Chapter NAIC. The partnership shall be terminated upon a majority vote of all the chapter directors.
22. **Withdrawal of a Partner:** Any partner may withdraw a part or all of his interest. He shall give notice in writing to the recording partner. His notice shall be deemed to be received as of the first meeting of the club at which it is presented. If notice is received between meetings, it will be treated as received at the first following meeting. In making payment the valuation statement prepared for the first meeting following the meeting at which notice is received will be used to determine the value of the partner' s account. The partnership shall pay the withdrawing partner the value of his interest in the partnership as shown by the

- valuation statement in accordance with paragraph 24 of this partnership agreement.
23. **Death or Incapacity of a Partner:** In the event of the death or incapacity of a partner, receipt of such notice shall be treated as a notice of withdrawal. Liquidation and payment of the partner's account shall proceed in accordance with paragraphs 22 and 24. In the event of the death of a partner, liquidation will be set as of the date of death, thereafter in accord with paragraphs 22 and 24. Payment shall be made by check written to the estate of the deceased partner.
24. **Terms of Payment:** In the case of a withdrawal (either partial or full), payment may be made in cash or securities of the partnership or a mix of each at the discretion of the remaining partners. Where securities are to be distributed, the remaining partners select the securities.
- a. The partnership shall transfer to the withdrawing partner an amount no less than the lesser of (1) ninety-seven percent (97%) of the value of the capital account in the partnership being withdrawn or (2) the value of the capital account being withdrawn, less the actual cost to the partnership processing the withdrawal. The amount being withdrawn shall be paid within 15 business days after the valuation date used in determining the withdrawal amount.
25. **Forbidden Acts:** No partner shall:
- a. Have the right or authority to bind the partnership to any extent whatsoever with regard to any matter outside the scope of the partnership agreement.
 - b. Assign, transfer, pledge, mortgage or sell all or part of his interest in the partnership to any other partner or other person whomsoever, or enter into any agreement as the result of which any person or persons not a partner shall become interested with him in the partnership.
 - c. Purchase an investment for the partnership where less than the full purchase price is paid for same.
 - d. Use the partnership name, credit or property for other than partnership purposes.
 - e. Do any act detrimental to the interests of the partnership or which would make it impossible to carry on the business or affairs of the partnership.
26. **Amendments:** Amendments may be made to this agreement upon approval of the partners whose capital accounts total two-thirds in value of the capital accounts of all the partners. Written notice of the meeting where an amendment of the partnership agreement is to be considered shall include a specific reference to this matter.
27. **Additional Provisions:** This partnership agreement incorporates the Southeastern Michigan NAIC Model Club Operating Procedures, a copy of which is attached hereto, and which the partner acknowledges having received and understood.

This Agreement of Partnership is hereby declared and shall be binding upon the respective heirs, executors, administrators and personal representatives of the parties.

This agreement does not take effect until countersigned by a duly-designated officer of the partnership. The partners have caused the Agreement of Partnership to be executed on the dates indicated below, effective as of the date indicated above.

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