MOTU NOVU™

new ideas in motion

White Paper v2.0

REVISIONS

Revision	By	Date	Changes
1.0	Filippo Beretta Fabio La Porta Francesco Leone Thomas Neal	11 JAN 09	Baseline.
1.01	Filippo Beretta	03 MAR 09	Updated naming of roles; Error correction.
2.00	Filippo Beretta Jose D'Alessandro	01 SEP 09	Material changes to all sections; Added sections on brand, treatment of capital accounts, governance.
2.01	Jose D'Alessandro	28 AUG 09	Updated treatment of overhead; Error correction.
2.02	Filippo Beretta	30 AUG 09	Error correction.
2.03	Filippo Beretta	31 AUG 09	Added footnote under Organization.

Top management at Digital Stuff Corporation hired MacLinsky to help them solve the problem.

MacLinsky did the old "bait and switch" trick, with hordes of fresh MBAs attending dozens of meetings, conducting interviews, etc. The process took a good six months and cost over $2 million. The result was an inch-thick report, full of obscure diagrams supposedly describing the problem (incorrectly) and proposing a complex (and wrong) solution.

I was asked my opinion of the report. My comment was:

«The report from MacLinsky has some 40 diagrams in it. Since the report cost $2 million, that's roughly $50,000 per diagram. Might I suggest that, next time, we consider using that money to buy abstract art, because then at least we'd have something of value to sell when we go out of business.»

A true story[1].

Some believe that all professional services firms are just consultancies like MacLinsky.

We beg to differ.

[1] It all happened in the early 1990s, thus perhaps things have changed since then… or perhaps they haven't. Names have been altered to protect the identity of the two companies, client and consultancy. One of the two is, in fact, no longer in business.

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INTRODUCTION

«At most firms, consultants are expected to win their stripes on the job, so clients end up paying top dollars for consultants who don't know much about anything yet.»

J. O'Shea and C. Madigan, "Dangerous Company"

Clients have become increasingly tired of paying exorbitant fees to receive poor advice from young and bright, yet utterly inexperienced consultants. Carbon copies of a textbook cases, obvious common sense, or just plain inapplicable answers are of no use when facing tough real business questions.

Yet expert advice is of more importance than ever for companies that wish survive and thrive in times of economic crisis, intense global competition, growing regulation, market uncertainty, and unrelenting consumer appetite for innovation. Clients all over the world seek trusted advisors who possess relevant domain experience, who can provide the right answer, and who will commit to deliver flawless execution, all at the right price.

Over the last decade, many independent professionals – freelancers with relevant track records in management or entrepreneurship – have answered the call and put their experience, knowledge, and demonstrated ability to deliver at the service of their Clients. Daring to sail under their own flag, and unburdened by purposeless overhead[2], freelancers can offer great service at honest prices and often win business away from big firms, even in the face of their ruthless competition. We salute their courage, and rejoice their achievements.

However, we also see the inherent limitations of their model. The growing complexity and speed of modern transnational businesses (read: any business) are not easily addressed by dispersed individual freelancers or by small local networks. The global reach and fast pace of the twenty-first century economy demand a disruptive new model for professional services: a model that is inherently multi-local, fast, and multi-disciplinary, as superior to models born in the 1970s as mobile broadband networks are superior to then-indispensable fax machine.

This white paper is the foundational document of Motu Novu, a fundamentally new and radically different approach to professional services. They consult, we deliver. Read on.

[2] Exercise: estimate the cost to clients of the "mandatory" day of golf – pardon: occasion to engage clients in conversations that may lead to studies on their behalf – required at least twice a week for all senior partners serving in one very large consulting firm.

CONCEPT AND BRAND

Motu Novu is an international federation of entrepreneurs, executives, strategists, and business minds. We are the ultimate business catalyst: we work with our clients to conceptualize, evaluate, refine, and execute new business ideas. We are visionary, independent, contrarian, and pragmatic.

Motu Novu serves dynamic, ambitious, and innovative companies, institutions, and entrepreneurs who wish to ensure the success of their initiatives, products, and services. We offer business genius, but we are not for everyone: we only work with clients who value domain experience, require prompt and precise execution, and are strong enough to take candid earnestness.

Our federation caters to business minds from all walks of life, ethnicities, and cultures. Instead of using standardization as a ready tool to easily control an army of like-minded drones, we celebrate intellectual diversity and the creativity it brings. In a world without borders, we are inherently cosmopolitan: business may take us anywhere, for us it will be home.

Motu Novu delivers results unlike any consulting firm thanks to its people: we have global and multidisciplinary resumes and have collectively accumulated a wealth of experience in starting and managing businesses across every major industry and geography. When it comes to business issues, we have been there and have done it, and we a have a track record to prove it.

Our brand has three fundamental values, the cornerstones of our promise to Clients:

- **Experience.** As a Federation, Motu Novu makes the same contribution margin across all seniority levels, has no incentive to staff juniors, and has access to a vast portfolio of talent. As a result, our teams are very experienced and custom-tailored for each assignment.
- **Execution.** Motu Novu approaches every problem with a strategic mindset, creativity, sound research, and well-tested frameworks. However, our constant focus is not on theory, but on execution: even the best insight is irrelevant unless it is transformed into actual results.
- **Earnestness**. Motu Novu replaces the traditional consulting practices of pleasing egos and selling vaporware with an entrepreneurial zeal for getting things do. While our presentations tend to be very clear and effective, we strive to impress with our results, not our slides.

BENEFITS TO PROFESSIONALS

Affiliation to the Motu Novu Federation offers many benefits over being an individual freelancer.

Motu Novu is a growing organization with a recognizable and valuable brand. Affiliation to Motu Novu grants a positive halo that enhances the Professional's reputation and credibility, opening new sales opportunities and boosting rates. In addition, while Clients may be reluctant to award large assignments to a lone wolf, they can more easily trust Motu Novu: its talent pool can successfully undertake even the most complex and lengthy projects.

Motu Novu provides all necessary business tools, standard contracts, templates, methodologies, and systems, the Professional will need. Affiliates can therefore focus on doing their best work instead of wasting time on reinventing the wheel and doing back-office. Finally, Motu Novu offers a wide range of services either bundled or at a negotiated low rate (see table). By reaching the minimum efficient scale, we can also offer some services which would not be economical for individual freelancers.

MOTU NOVU'S SERVICES

	For Professionals	For Partners
Standard	Starter's Kit Business Cards Managed Website Secure Email Secure Web Repository Secure CRM System Secure Knowledge Base Document Templates	All Standard Services for Professionals, plus: Business Liability Insurance Directors & Officers Insurance Curricula Database Projects Database Market & Company Data Shared Full-Time Secretary Key Person Life Insurance Public Relations Agency
Premium	American Express Green Card Payment Advances	All Premium Services for Professionals, plus: American Express Corporate Platinum Card Worldwide Time-shared Offices Company Discounts Administrative Support Tax Specialist Pension Plan Health Plan

Services will be made available gradually during the ramp-up phase of 2009-2010. The list of services hereby provided is indicative and subject to revision without notice. Premium services are offered based on the Partnership's profitability and may be subject to additional individual fees.

ORGANIZATION

MOTU NOVU is organized as a federation of independent Professionals. The term “Professional” is used both generally to define all members of the Federation and specifically to define members who have the rank of Professional (see “Professionals” infra). By virtue of operating as a federation as opposed to a hierarchical company, MOTU NOVU has significant flexibility, quality of service, and cost advantages over a traditional consulting firm.

Some key attributes of the organization and operating model of MOTU NOVU are:

- Professionals are independent agents and work with MOTU NOVU on a project-by-project contract basis. This arrangement imposes a very limited burden on both the Partnership and the Professionals and it allows MOTU NOVU to stay flexible and to economically staff small, very experienced, very relevant project teams.
- Professionals, regardless of seniority, are empowered and encouraged to seek new clients and rewarded with a 5% commission on the projects they sell. At the same time, every MOTU NOVU project must be accepted and approved by a Partner, who then serves as Account Manager and ensure consistent excellence.
- Freelancers who join MOTU NOVU are not required to transfer their clients to MOTU NOVU. The can choose which clients to transfer and which to continue to serve independently[3]. MOTU NOVU adopts an “opt-in, two year lock-in” system: if a client is served predominantly by leveraging MOTU NOVU’s brand and/or resources, any follow-on work for the following two years[4] must also be funneled through MOTU NOVU[5].

PARTNERS

MOVU NOVU’s Partners have a long-term commitment to the lasting success of the firm and have a material stake in its success. All Partners of MOTU NOVU are expected to:

- Contribute a yearly Partnership Fee, which covers MOTU NOVU’s baseline overhead, provides a hedge against operational risks, and safeguards the Partnership against free-riding. The Partnership Fee is set at $5,000[6] and is due on January 1st each year.

[3] Professionals are forbidden to use the MOTU NOVU’s brand and/or resources when serving clients independently.

[4] Elapsing from the day when the first assignment is officially concluded.

[5] A freelancer who decides to transition (some) existing client relationships over to Motu Novu may be further protected, upon his/her request, with a “grandfather” provision attached to the Professional Services and Confidentiality Agreement (PSCA): explicitly listed business relationships will be excluded from the “opt-in, two year lock-in” rule. The “grandfather” provision is, however, considered an exception and will be limited solely to the practice areas previously or currently offered by the freelancer.

[6] Reduced to $3,000 for 2009.

- Build the firm's brand and gravitas**:** publicly endorse the firm and actively promote it with existing clients, new prospects, the media, and any other relevant party they are connected to or may reach out to; share summary information on the clients served and the projects performed prior to joining MOTU NOVU and exert the best effort to obtain permission from them to use their brand when promoting the firm.
- Develop the federation: actively seek and propose affiliation to talented and reputed individuals; keep federated Professionals motivated and actively participating; leverage the competence base of all Professionals for the overall benefit of the partnership.
- Grow the business: develop new offerings and by acquire new clients; sell new and follow-on projects; funnel existing clients and assignments through MOTU NOVU; establish new offices.
- Take an active role: actively participate in the Partnership's governance (see "Governance" infra); develop the Partnership internally by contributing time and effort to setup, organize, expand, and manage the Partnership's operations.

Partners also serve as Account Managers on projects. As such, they understand the needs of MOTU NOVU's prospects and clients, muster the Partnership's resources, staff projects, and deliver them. Account Managers are required to always fully respect MOTU NOVU's project management guidelines[7]. By making Account Managers part salespeople, part project managers, MOTU NOVU overcomes one of the major limitations of traditional consulting firms: incentives to sell with no responsibility whatsoever for actual delivery.

Compared to traditional consulting firms, Account Managers at MOTU NOVU have much broader duties: they not only sell, but also manage the assignment until completion, and are responsible for collecting payment. Most importantly, Account Managers are directly and objectively responsible for the marginality of their assignment (see "Compensation Model" infra). However, a Partner might choose to delegate part of the Account Manager's duties to another Professional, who may be either a Partner or not. This is often the case on larger projects, for which the Partner may focus on client management while the other person focuses on day-to-day project management.

PROFESSIONALS

A Professional is a member of the MOTU NOVU federation. The term "Professional" is used both generally to define all members of the Federation and specifically to define members who have the rank of Professional (see infra). Professionals are staffed on projects under the MOTU NOVU brand, are thereby managed by partners, and are rewarded for the work they sell, manage, and/or perform.

Professionals are assigned a level of seniority, out of three possible ones. The level of seniority captures both the depth of the Professional's experience and breadth of his/her connections. It is assigned by the Partners meeting and revised annually. It loosely determines both the degree of responsibility and autonomy awarded to the Professional and is one of the main factors taken into considerations by Account

[7] Available on the MOTU NOVU's Wiki.

Managers when negotiating the Professional's rate billed to the client (i.e. the "notional rate") and the rate paid out to him/her (i.e. the "payout rate").

The three levels of seniority are:

1. **Associate.** Typically have 3-7 years of experience. Associates perform most entry-level project activities, including desk and field research, analyses, writing of meeting memos and reports, preparation of portions of deliverables, etc. They may coordinate the work of interns and always work under the supervision of a Professional, Specialist, or Partner.
2. **Professional.** Typically have 7-10 or more years of experience. Professionals are the core of Motu Novu's teams and perform most value-added tasks such as client interviews, complex analyses and modeling, drafting of complete deliverables, etc. They may coordinate the work of Associates, and can work independently or under supervision.
3. **Specialist.** Typically have 20+ years of experiences and are recognized practice leaders in their knowledge domains. Specialists are deployed sparingly on projects to address very complex issues, answer difficult questions, or provide critical reviews.

Each Professional, regardless of the level of senority, is expected to:

- Contribute a yearly Membership Fee, set at $75/year for the Associate level and $475/year for the Professional and Specialist level. The Membership Fee covers the administrative costs of managing the relationship with the Professional and entitles to receive compensation for the work sold, managed, and/or performed (see "Compensation Model", infra).
- Facilitate project staffing: publish his/her availability for the upcoming quarter; work with the Account Managers to determine staffing options and rates; promptly prepare and submit a statement of work prior to the beginning of each project; keep commitments on staffing.
- Deliver great results: work with Account Managers and other Professionals for the success of projects and the award of follow-on work; closely follow MOTU NOVU's guidelines on PMO, deliverables, expense reports, knowledge management; always abide the MOTU NOVU Code of Conduct; whenever possible, sell or contribute to the sale of additional assignments.

FEDERATION DEVELOPMENT

Affiliation

MOTU NOVU does not actively recruit; instead, it grows through a process of accretive affiliation: current members of the federation are encouraged to scout and engage worthy potential new members.

Affiliation at the Associate level is based on the unilateral approval of (1) one Partner. Affiliation at the Professional or Specialist level requires the joint approval of at least (2) two Partners. Affiliation at the Partner level requires sponsorship of at least 3 (three) Partners and approval by Partnership Council (see "Governance", infra).

Affiliation, at all levels, is always subject to background investigation and to timely payment of the Membership Fee or Partnership Fee. Finally, affiliation requires no contrary vote from any of the Partners – if even a single Partner vetoes the affiliation of an individual, such individual will not be allowed to join MOTU NOVU. This criterion is of paramount importance as it preserves the circle of trust of the Partnership and therefore its integrity.

Changes in Seniority Level

Upward changes in the level of seniority – i.e. promotion from Associate to Professional to Specialist, election to Partner – must be requested by as many Partners as would have been necessary to award the Seniority level during initial affiliation (see "Affiliation", supra). Downward changes in the level of seniority – i.e. demotions – are intended to be a rare occurrence. They must be requested by a Partner for grave motives. Promotions and demotions are reviewed and approved or rejected by the Partnership Council.

Training

This section will be added in version 2.1.

BUSINESS ALLIANCES

This section will be added in version 2.1.

COMPENSATION MODEL

MOTU NOVU's compensation model is unique and materially different from the type employed by traditional consulting firms. MOTU NOVU is largely flow-through: it awards the greater part of the proceeds from projects to the Professionals who have sold, managed, and delivered them. Please refer to "Appendix A. Formulae" for the analytic definition of marginality and other formulae on compensation.

PROJECT WORK

Up to 75% of a project's net proceeds are paid out to the Professionals who work on the project tasks and deliver the project's results. Compensation for project work is negotiated by the Account Manager with each Professional staffed, before the beginning of the project, and is stipulated in the Professionals' Statement of Work ("SOW") for the project.

Closed Bid

For closed bid projects, MOTU NOVU encourages the itemization of efforts: Account Managers should clearly state the "notional rate" (i.e. the rate gross of discounts, if any) for each Professional staffed. MOTU NOVU does not encourage for individual rate discounts: discounts should be applied to the overall proposal and then pro-rated to calculate the "actual rate".

Time & Material

For time & material projects, MOTU NOVU recommends that the same percentage discount, if any, is applied to the "notional rate" of all Professionals staffed to calculate the "actual rate". MOTU NOVU does not encourage different percentage discounts for various Professionals staffed on the same project.

Contingent Compensation

MOTU NOVU allows contingent compensation in the form of commissions[8], success fees, royalties, equity, and derivatives on equity (e.g. options, warrants). However, under all circumstances, payout to Professionals cannot exceed 75% of the cash proceeds actually realized at the time of the payout. Should a project's compensation include a fixed portion and a contingent portion, any fixed obligations to Professionals, as stated in their SOWs, cannot exceed 75% of the fixed compensation portion.

[8] Commission is hereby defined as the award of a fraction of the tangible value created for the client as a result of MOTU NOVU's performance during the project. Success fee is hereby defined as the award of a fixed amount contingent upon verification of certain positive conditions resulting from MOTU NOVU's performance during the project and/or external events upon which MOTU NOVU has some degree of influence. Royalty is hereby defined as the award of a fraction of the tangible value created as a result of the client's performance after completion of the project, under the assumption that such value was enhanced by MOTU NOVU's performance during the project.

In-Kind Compensation

MOTU NOVU also allows consideration in-kind. However, compensation in-kind must be approved by the Managing Partner, who also provides a fair value estimate of the consideration to be received.

Project Expenses

Expenses incurred by a Professional on a project are reimbursable, within the limits of the agreement with the client on the specific project, and as long as they fall within MOTU NOVU's expense guidelines and are promptly reported at the end of each month using MOTU NOVU's standard expense report template.

SALES

A commission equal to 5% (five percent) of the revenue proceeds generated by a project[9] is awarded to the Partner or Professional (of any seniority level) who mostly contributed to sourcing and closing the deal. Sales commissions are awarded by the Account Manager. Sales commissions are paid as soon as the first payment, covering at least the amount of the sales commission, is received from the client. Sales commissions are part of the project cost and therefore are deducted from they project's marginality (M1). Any controversy is resolved by the Managing Partner.

Business Development Expenses

Expenses incurred by a Partner in order to develop new business are reimbursable as long as they are in accordance with MOTU NOVU's expense guidelines[10] and must be promptly reported (see "Payment Terms for Expenses" under "Payment Philosophy and Terms", infra).

Each Partner has a personal "Business Development Account" (BDA) where to allocate business development expenses. There is no limit to the balance of a BDA. However, at any given time, no more than $2,000 (two thousand dollars) or 20% (twenty percent) of the Partnership's marginality (M5) for the prior year divided by the number of Partners during the current year, whichever is greater, can be reimbursed from a BDA. Business development expenses incurred in excess of such limit are not reimbursable until the BDA balance is lowered by transferring (part of) it, including previously reimbursed amounts, to a project account. Reimbursed amounts which are not transferred to project account are considered part of the Partnership's overhead. BDAs are reset ever year on January 1st.

Business development expenses incurred by non-Partners are also reimbursable, but only upon successful sale of the project and subject to approval of the project's Account Manager.

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[9] For projects with (partial) contingent and/or in-kind compensation, sales commissions are computed, multiple times if necessary, on the actual realized cash proceeds.

[10] Available on MOTU NOVU's Wiki.

ACCOUNT MANAGEMENT

Account Managers receive a commission (M3) equal to 1/3 (one third) of the project marginality (M1) in exchange for the activities performed (see "Partners") above. If the Account Manager transfers part of the duties, part of the account management commission can also be transferred (M4).

DIVIDENDS

Decisions on dividends distributions are made during the Partnership Council in ordinary session and are based on each Partner's actual contributions to the firm. Undistributed dividends accrue into each Partner's capital account and determine the Partner's fractional ownership of the firm and his/her voting rights under certain circumstances (see "Governance" infra).

During the Partners meeting, the performance of each Partner and of the overall firm is examined. If the firm is profitable, dividends may be available for distribution. If the firm is not profitable, the Partners must cover the losses. The total profitability (M6) of the firm is calculated by adding all Partnership fees received to the overall marginality (M5) and by subtracting all the operating costs incurred in the period.

Profit (or loss) is attributed to each Partner as follows:

1. The contribution of non-Partners is allotted to Partners based on the relative importance of each Partner's contributions. The resulting indicator is called notional dividend (D1).
2. For each Partner, the notional dividend is summated to the Partnership Fee paid at the beginning of the year. Then, a per-head portion of the overhead expenses for the year is subtracted. The resulting indicator is called the theoretical dividend (D3).
3. If the theoretical dividend is positive, the Partner has generated a profit for the Partnership and therefore has accrued the right to a dividend. If the theoretical dividend is negative, the Partner has generated a loss for the Partnership; such loss must immediately be reimbursed even if the Partner's capital account is positive.

The Partnership Council determines a dividend distribution ratio between 30% (the minimum required to cover the pass-through fiscal obligation of Partners) and 100%. The ratio is applied to all positive theoretical dividends to compute the actual dividend payout (D4) to each Partner.

PAYMENT PHILOSOPHY AND TERMS

MOTU NOVU adopts a pass-through, "get paid then pay" philosophy for its payments: compensation for project work, sales and account management commissions, and compensation for external resources and services are generally paid only after MOTU NOVU has received payment from the client. Contingent compensation is captured and paid out only upon actual realization. Dividends are paid out only after the end of the year and only to Partners who have generated a profit for the firm.

This general rule has two specific exceptions: 1) project expenses can be advanced, and are normally reimbursed to professionals before receiving the corresponding payment from the client; however, the Account Manager take personal responsibility, with their own capital accounts, for such advances; 2) business development expenses, up to a given limit, can be advanced and are later computed as part of the firm's overhead if not allocated to a project actually sold (see "Business Development Expenses" under "Sales", supra).

Payment Terms for Project Work

Compensation to Professionals for their work on a project is paid out every month during the projects and after its completion, based on the compensation milestones mutually agreed to in the project's SOWs. Payment is usually processed within 5 (five) business days from the date when MOTU NOVU has received payment from the client. If only partial payment is received from the client, or if the project contested, the Professional may also receive partial or delayed payment.

Payment Terms for External Resources

External resources are people or firms who may on occasion contribute a specific skill set to a project (e.g. an attorney, a university professor, a CPA, a credit rating agency etc.) but who are not routinely engaged in MOTU NOVU projects are not federated by MOTU NOVU. Account Managers must ensure that payment terms for external resources are clearly specified in all SOWs or contracts stipulated. Advanced payments in excess of 10% of the project's net expected value must be approved by the Managing Partner. However, the Account Manager is always solely responsible for the overall project marginality (M1).

Payment Terms for Sales Commissions

Sales Commissions are usually paid within 5 (five) business days after the first payment from the client, covering at least the amount of the sales commissions, is received. For projects with (partial) contingent and/or in-kind compensation, sales commissions are usually computed and paid out within 5 (five) business days of the actual realization of cash proceeds.

Payment Terms for Commissions to Account Managers

Commissions to Account Managers are paid at the end of the project, after the client has paid (in full), and thus only when the actual project marginality (M1) can be calculated. Payment is usually processed within 5 (five) business days from the date when MOTU NOVU has received full payment for the services rendered. If only partial payment is received from the client, or if the project contested, the Account Manager may receive partial or no commissions.

Payment Terms for Expenses

Reimbursable expenses are normally advanced, i.e. reimbursed to Professionals prior actual billing to and payment by the client. Expenses incurred in a given month must be reported (using MOTU NOVU's standard expense report format and procedures) by the 5th calendar day of the following month. Once approved by the Account Manager, expenses are normally reimbursed within by the 15th calendar day of the month. Expenses submitted late or improperly will not be reimbursed, no excuses, no exceptions.

Payment Terms for Dividends

Dividends deliberated by the Partnership Council held in February are normally paid out in March.

Payment Beneficiary

Professionals and Partners may be paid directly as individuals (if permitted by the local regulations they are subject to) or may designate an entity to receive payments on their behalf individuals (if permitted by the local regulations they are subject to). The latter option is particularly useful for members who already use an entity to consolidate professional services earnings. For each project, the payment beneficiary must be clearly specified in the SOW. Dividends can only be paid to Partners as natural persons. No other payment beneficiary is allowed.

While MOTU NOVU is responsible for complying with U.S. tax laws and will provide taxation specialists at negotiated rates upon request, Professionals and Partners are solely responsible for their individual compliance with any labor and/or fiscal law they are subject to.

CAPITAL ACCOUNTS

Each Partner has a capital account, which determines the Partner's fractional ownership of the overall Partnership. Capital accounts are established when a new Partner is elected by the Partnership Council and initially have a value of $0 (zero). At the end of each year, the capital account of each Partner is credited with the undistributed portion of the Partner's actual dividend (K1), if positive.

Possible usage/treatments of the capital accounts are as follows:

- **Voting.** See "Governance", infra.
- **Recess.** Partners can recede from the Partnership unilaterally. A receding Partner is entitled to the full value of his/her capital account as lastly computed (K2). However, the Managing Partner may, in the best interest of the Partnership, elect to repay the obligation in up to 5 (five) years, in yearly installments[11].
- **Death or incapacitation.** A Partner may die or be declared incapacitated to the extent of being unfit to perform his/her obligation to the Partnership. In such event, the Partner's successors in interest are entitled to payment of the full value of the Partner's capital as lastly computed (K2). However, the Managing Partner may, in the best interest of the Partnership, elect to repay the obligation in up to 10 (ten) years, in yearly installments[12].
- **Expulsion.** A Partner may be expelled from the Partnership for grave cause (see "Governance", infra). Partners expelled from the Partnership are not entitled to their former capital account, which is pro-rated to the remaining Partners based on the full value of their capital accounts as lastly computed (K2).

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[11] Payments will be due every year at the end of the year. The Partnership will pay a carry interest equal to EURIBOR + 500bp.

[12] Payments will be due every year at the end of the year. The Partnership will pay a carry interest equal to EURIBOR + 200bp.

- **Liquidity**. In case of a liquidity event (i.e. trade/sale, IPO, or unwinding) each Partner is entitled to a portion of the proceeds proportional to the value of his/her capital account (K2) as computed at the date of closing of the liquidity event. Partners are not allowed to sell their Partnership interest, not even to other Partners. If a Partner wants to leave the Partnership, they only way out is to exercise the right of Recess (see supra).

GOVERNANCE

Governance of the MOTU NOVU Partnership is entrusted to the Partnership Council, to the Managing Partner, and to a limited extent to the individual Partners.

PARTNERSHIP COUNCIL

The Partnership Council is the highest governance body of MOTU NOVU. The Council meets in an ordinary session once a year (during February) in Boston. It also meet in extraordinary sessions without limitation, upon request of the Managing Partner or of a number of Partners equal to the total number of Partners divided by two, rounded up, plus one.

On the following matters, the Partnership Council deliberates with per-head simple majority. One vote is cast by each Partner attending the Council. A majority resolution is passed if it receives at number of votes equal to or greater than the number of Partners participating in the council, divided by two, rounded up, plus one.

- General policy for the direction of the Partnership;
- Approval of the Partnership's consolidated annual report for the previous year;
- Approval of the quarterly overhead budget for the current year and of any changes to it;
- Computation and destination of dividends;
- Opening of new offices and closing of existing offices;
- Election of new Partners;
- Adoption of disciplinary actions (including expulsion) against Partners for grave motives;

On the following matters, the Partnership Council deliberates with per-head qualified majority. One vote is cast by each Partner attending the Council. A majority resolution is passed if it receives at number of votes equal to or greater than the number of Partners participating in the council, divided by 1.5, rounded up, plus one.

- Election of the Managing Partner;
- Adoption of disciplinary actions (including removal from office and/or expulsion from the Partnership) against the Managing Partners for grave motives;
- Changes to the White Paper on matters of Strategy, Brand, Benefits to Professionals, and Organization.

On the following matters, the Partnership Council deliberates with per-dollar simple majority. Each Partner who is attending the Council casts one vote for each dollar in his/her capital account as of the last computation (normally the closing of the previous year). A majority resolution is passed if it receives at number of votes equal to or greater than the combined value of the capital accounts of all Partners participating in the council, divided by 2, rounded up, plus one dollar.

- Approval of single overhead expenses or capital investment of face value greater than 10% of the combined value of the capital accounts of all Partners in the Partnership or $100,000 (one hundred thousand dollars), whichever is smaller;
- Acceptance of liquidity opportunities (e.g. trade/sale of the Partnership);
- Amendments to the White Paper on matters of Compensation, Governance, Formulae.

Partners who are the object of the vote (e.g. candidates for the Managing Partner role, subjects of a disciplinary action, etc.) or are in conflict of interest (e.g. approval of their own theoretical dividend) cannot vote. In case of a tie vote on the same topic for 3 (three) times in a row, a final decision is made by the current Managing Partner. Partners must participate in person to the Partnership Council in ordinary session, but may participate via teleconference to the Partnership Council in extraordinary sessions. Partners are always allowed to delegate in writing another Partner to vote on their behalf. Partners who are absent agree to be legally bound by any and all decisions adopted by the Partnership Council.

MANAGING PARTNER

The Managing Partner is elected by the Partnership council and stays in office for one year. It can be re-elected indefinitely for terms of one year each. The Managing Partner is responsible for:

- Legally represent and bind the Partnership as a whole;
- Enact the policy and strategy set by the Partnership Council;
- Resolve any controversy arising between Partners and/or with Professionals;
- Defer a Partner to the Partnership Council for disciplinary actions for grave motives;
- Prepare, present, and manage the overhead budget; use of funds in excess of the approved overhead budget must be approved by the Partnership Council. The Managing Partner takes personal responsibility, through his/her capital account, of any unapproved expense in excess of the overhead budget.
- Call an extraordinary session of the Partnership Council whenever required;

The Managing Partner is compensated with 2% (two percent) of the Partnership margin, or $10,000 (ten thousand dollars) per year, whichever is greater. Such compensation is set to $0 (zero) during 2009 and reduced to half during 2010.

PARTNERS

Individual Partners autonomously legally represent the Partnership vis-à-vis clients and suppliers on projects where they serve as Account Managers. All Partners may be elected to serve as Managing Partner.

APPENDIX A. COMPENSATION FORMULAE

Marginality of a project

The following formula is used to compute the marginality of a generic project i:

$$\text{«}_i \quad = \quad R_i - C_i^S - C_i^M - W_i^P - W_i^E + E_i^B - E_i^R - B_i \pm O_i \qquad \text{(M1)}$$

Where is defined:

«_i	Marginality of project i
R_i	Net realized proceeds from project i (inclusive of all realized proceeds from contingent compensation)
C_i^S	Sales commission for project i
C_i^M	Account management commission for project i
W_i^P	Compensation for the work of all MOTU NOVU's people staffed on project i, as stated in their SOWs
W_i^E	Compensation for the work of all external resources used on project i, as stated in their SOWs and/or contracts
E_i^B	Total of all expenses billed to and paid by the client for project i
E_i^R	Total of all expenses reported by Professionals in accordance to MOTU NOVU's expense guidelines and procedures and actually reimbursed to Professionals or external resources working on project i
B_i	Business development expenses allocated to project i
O_i	Other itemized revenue or cost items for project i. Example: sales commission paid to business alliance Partners; profit/loss on foreign exchange.

The formula (M1) is subject to the following general constraint:

$\text{«}_i \quad \geq \quad 1/5 \cdot R_i$	Marginality for project i should be at least 20%. Alternatively, up to 80% of the net proceeds from project i may be paid out to the Professionals working on the project and to who sold it.

Commissions for sales

The following formula is used to compute the commission awarded to the MOTU NOVU affiliate responsible for selling project i. Commissions are awarded upon receipt of a first payment from the client covering at least the sales commission itself.

$$C_i^S = 1/20 \cdot R_i \qquad \text{Sales commissions equal 5\% of revenue} \tag{M2}$$

Commissions for account management

The following formula is used to compute the commission awarded to the Account Manager of a generic project i. Commissions are awarded upon successful completion of the assignment and after MOTU NOVU has received payment from the client.

$$C_i^M \quad = \quad 1/4 \cdot \left(\text{«}_i + C_i^M\right) \quad = \quad 1/3 \,\text{«}_i \tag{M3}$$

Where is defined:

C_i^M	Commissions awarded to the Account Manager of project i
$\text{«}_i + C_i^M$	Gross marginality of project i computed as in (M1) plus the commission awarded to the Account Manager.

If the Account Manager has delegated some of his/her responsibilities to another person, s/he may agree to split the account management commission accordingly.

$$C_{i,p}^M \quad = \quad r_p \cdot C_i^M \tag{M4}$$

Where is defined:

$C^M_{i,p}$ Commissions awarded to the person p assuming some of the account management responsibilities for project i, subject to $p = 1 \vee 1,2$ i.e. a maximum of two people

r_p Split ratio for the account management commission between the two people undertaking account management responsibilities for project i with $\forall r_p \in (0,1] \wedge \sum_p r_p = 1$

Contribution of a Professional to a project

The following formula is used to compute an indicative measure of economic contribution of generic Professional p to a generic project i. Such contribution indicator ® is one of the key factors considered by the Account Manager(s) of project i at the conclusion of the assignment.

$$\text{®}_{i,p} = \left[\tfrac{1}{8}\frac{C^S_{i,p}}{C^S_i} + \tfrac{1}{8}\frac{C^M_{i,p}}{C^M_i} + \tfrac{3}{4}\frac{W^P_{i,p}}{W_i^P + W_i^E} \right] \cdot \text{«}_i \qquad \text{(P1)}$$

Where is defined:

$\text{®}_{i,p}$ Contribution indicator for Professional p on project i

$C^S_{i,p}$ Sales commissions awarded, if any, to person p on project i

C^S_i Overall sales commissions for project i

$C^M_{i,p}$ Account management commissions awarded, if any, to person p on project i

C^M_i Overall account management commissions for project i

$W^P_{i,p}$ Compensation for the work performed by person p on project i

$W_i^P + W_i^E$ Overall compensation for the work performed (internal people and external resources) on project i.

«_i Marginality of project i as in (M1)

Overall contribution of a Professional

The following formula is used to compute an indicative measure of economic contribution of a generic Professional p to MOTU NOVU, across all projects $i = 1,\ldots,n$ performed in a given period of time (usually one year[13]). Such contribution indicator ® is one of the key factors considered by the Partners of the firm to evaluate the overall performance of Professional p during the Partnership Council.

$$®_p = \sum_i ®_{p,i} \tag{P2}$$

Where is defined, for the period being considered:

$®_p$	Performance indicator for Professional p across projects $i = 1,\ldots,n$
$®_{p,i}$	Performance indicator for Professional p on project i as in (P1)

Notional dividend for a Partner

$$¢_k = \frac{®_k}{\sum_k ®_k} \cdot \sum_i «_i \tag{D1}$$

Where is defined, for the period being considered:

$¢_k$	Notional dividend for Partner k	
$®_k$	Contribution indicator for Partner k as in (P2)	
$\sum_k ®_k$	Summation of the contribution indicators for all Partners $k = 1,\ldots,m$ with MOTU NOVU	
$\sum_i «_i$	Total marginality of MOTU NOVU	(M5)

[13] Projects spanning across two years or more years must be broken into yearly phases, not pro-rated.

Profits available for reinvestment or distribution as dividends

The following formula is used to calculate the total profits available for reinvestment or distribution as dividends after all operating costs for the year have been covered.

$$\Pi \quad = \quad \sum_k F_k + \sum_i «_i - H \qquad \text{(M6)}$$

Where is defined, for the period being considered:

Π	Total profits available for reinvestment or distribution
F_k	Partnership fee paid by Partner $k = 1, \ldots, m$
$\sum_i «_i$	Total marginality of MOTU NOVU
H	Total operating costs and other overhead expenses incurred by the Partnership

Theoretical dividend for a Partner

$$\Delta_k \quad = \quad F_k + ¢_k - H/m \qquad \text{(D3)}$$

Where is defined, for the period being considered:

Δ_k	Dividend available for distribution to Partner k with $\sum_k \Delta_k \cdot 1/d = \Pi$
F_k	Partnership fee paid by Partner k
$¢_k$	Notional dividend for Partner k
H	Total operating costs and other overhead expenses incurred by the Partnership
m	Number of Partners with MOTU NOVU

Actual dividend for a Partner

$$\Delta_k^A = \begin{cases} d \cdot \Delta_k & \Delta_k \geq 0 \\ \Delta_k & \Delta_k < 0 \end{cases} \tag{D4}$$

Where is defined:

Δ_k^A Dividend distributed to Partner k (if $\Delta_k^A \geq 0$, i.e. k has generated profits) or payment immediately due by Partner k to the Partnership (if $\Delta_k^A < 0$, i.e. k has generated losses)

Δ_k Dividend available for distribution to Partner k

d Dividend distribution ratio with $d \in [0,1]$

Capital account accretion

Following every dividend distribution, each Partner's capital account is credited with that Partner's undistributed portion of dividends not set aside for reserve or earmarked for charitable contributions.

$$\partial K_{k,y} = \begin{cases} (1-d_y) \cdot \Delta_{k,y} - \Delta_{k,y}^{R+C} & \Delta_{k,y} \geq 0 \\ 0 & \Delta_{k,y} < 0 \end{cases} \tag{K1}$$

Where is defined:

$\partial K_{k,y}$ Addition in year y to the capital account K of Partner k

d_y Dividend distribution ratio in year y

$\Delta_{k,y}$ Dividend available for distribution to Partner k in year y

$\Delta_{k,y}^{R+C}$ Portion of the undistributed theoretical dividend of Partner k in year y allotted to Partnership reserves or earmarked for charitable contributions

Capital account

The capital account for a Partner of Partner k at time t equals the summation of all previous additions to the Partner's capital account

$$K_{k,t} = \sum_{y}^{t} \partial K_{k,y} \tag{K2}$$