



White Paper 4.0

Top management at Digital Stuff Corporation (DSC) hired MacLinsky to help them solve the “big problem”.

MacLinsky did the old “bait and switch” trick, with a senior, reputable, supposedly very knowledgeable partner showing up on the first day... never to be seen again. He was followed by hordes of fresh MBAs, who attended dozens of meetings, conducted countless interviews, and overall looked very serious. The process took a good three months, and cost DSC over \$2 million. The result was an inch-thick report, full of obscure diagrams. It analyzed the “big problem” and proposed a very complex (and decidedly unrealistic) solution. Then, MacLinsky left, as they had come, with the “big problem” still to solve, and DSC short \$2 million.

The über-boss called me to his office and asked for my earnest opinion. Forgetting my manners, I dared to say: «The MacLinsky report has perhaps some 40 convoluted diagrams in it. Since it cost us about \$2 million, that’s some \$50 thousand per diagram. May I suggest that, next time, we use the money to buy abstract art? Because it’d be equally useful, and then at least we’d have something of value to sell, before we go out of business.»

A true story¹.

Many believe that all professional services firms are, after all, consultancies like MacLinsky.

We very much disagree.

¹ It all happened in the early 1990s, thus perhaps things have changed since then... and perhaps they haven’t. The names of client and consultancy have slightly altered, of course. Over twenty years later, one of the two firms is still an industry leader; the other did, in fact, go out of business. Brownie points for figuring out which is which, and who they are.

TABLE OF CONTENTS

1. INTRODUCTION	4
2. CONCEPT AND BRAND.....	5
3. ORGANIZATION.....	7
3.1. ADVISERS	8
3.2. ASSOCIATES	10
3.3. PARTNERS	11
3.4. FEDERATION DEVELOPMENT	13
3.5. ALLIANCES.....	14
4. OPERATING AND COMPENSATION MODEL	15
4.1. BUSINESS DEVELOPMENT.....	15
4.2. ASSIGNMENTS.....	17
4.3. PAYMENT METHODOLOGY	19
5. GOVERNANCE	20
5.1. PARTNERSHIP COUNCIL.....	20
5.2. MANAGING PARTNER.....	21
5.3. TREASURER.....	22
5.4. PARTNERS	22
APPENDIX A. COMPENSATION FORMULAE	23

1. 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"

In the 21st century, organizations of all sizes are increasingly unwilling to pay exorbitant fees to receive generic advice from occasionally well-dressed, yet almost always very inexperienced consultants. Textbook cases and abstract frameworks are, frankly, useless in today's fast-paced, networked business environment. The world (of business) has evolved into the age of information; most consultancies have not.

At the same time, expert advice is more important than ever in times of economic limited growth, market uncertainty, intense global competition, expanding regulation, and unrelenting consumer appetite for innovation. Even the smallest firms are increasingly often quite international, and thus face significant organizational complexity. As a result, today's clients seek the help of trusted advisors who possess relevant domain experience, who can provide the right answer, who and will commit to deliver at the right price. Of course, big consulting brands do still matter, and in some scenarios they always will. There will always be a "Digital Stuff Corporation" with a "big problem" and with inept and lazy management. Yet for most clients, what is worth paying for is results, not prestige.

Many independent professionals – solo freelancers and tiny "boutique" firms with relevant track records in specific domains – have always 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 the patrician overhead and mental conformity of old-school consultancies, independent advisors can offer great service at honest prices. We salute their courage, and rejoice their achievements.

However, we also clearly see the limitations inherent in the so-called "freelance model". Today's business problems are often transnational and interdisciplinary. As such, they cannot be addressed by single individuals or by small, very local firms who necessarily can only possess "specialized" knowledge.

The global reach, fast pace, and interconnected nature of the 21st century business world demands a radically new model for the provisioning of professional services: a model which is inherently multi-local and multi-disciplinary, as well as capable of engaging and deploying expert advisors across the boundaries of geography, industry, and function.

This white paper is the foundational document of Motu Novu.

It presents a radically new approach to professional services.

2. CONCEPT AND BRAND

«A human being should be able to change a diaper, plan an invasion, butcher a hog, conn a ship, design a building, write a sonnet, balance accounts, build a wall, set a bone, comfort the dying, take orders, give orders, cooperate, act alone, solve equations, analyze a new problem, pitch manure, program a computer, cook a tasty meal, fight efficiently, die gallantly. Specialization is for insects.»

Robert A. Heinlein, "Time Enough for Love"

Motu Novu is an international federation of independent professionals: entrepreneurs, executives, strategists, marketers, attorneys, and other business minds. Motu Novu acts as a business catalyst: we work with our clients to conceptualize, evaluate, refine, execute, and monetize new business ideas.

Our federation serves dynamic, ambitious, and innovative entrepreneurs, companies, and institutions who wish to ensure the success of their products, services, or initiatives. We work with clients who want results, not slide decks. We are not for everyone: we favor clients who seek and value domain experience, demand prompt and precise execution, and are strong enough to accept candid earnestness.

VALUES	EXPERIENCE
	EXECUTION
	EARNESTNESS

COSMOPOLITAN	PERSONALITY
VISIONARY	
INDEPENDENT	
CONTRARIAN	
PRAGMATIC	

Motu Novu has three core values, the cornerstones of our promise to clients:

- **Execution.** We value creativity, sound research, and well-tested frameworks. However, we are driven by the entrepreneur's zeal for getting things done: our constant focus is on execution: pretty models and "insight" are irrelevant unless they can deliver material results.
- **Earnestness.** Consulting practices favor playing politics and pleasing egos. Instead, we will tell you the truth, as we see it, no matter how bad it hurts. And while our documents are concise and polished, we tend to impress with our candor and our competence, not our slides.
- **Experience.** Claims of earnestness and execution ring hollow unless they have experience as their prerequisite. That is why most of our professionals are very senior. In any (business) conversation, there simply is no substitute for knowing what you are talking about.

Our federation welcomes extraordinary business minds from any origin and walk of life. We do not believe in standardization² as tool to command and control an army of like-minded drones. Instead, we celebrate intellectual diversity and contrarian viewpoints. At the same time, we are not idealistic and impractical in our pursuit of originality. We readily acknowledge that shared core values are necessary to work well together and to build something greater than ourselves.

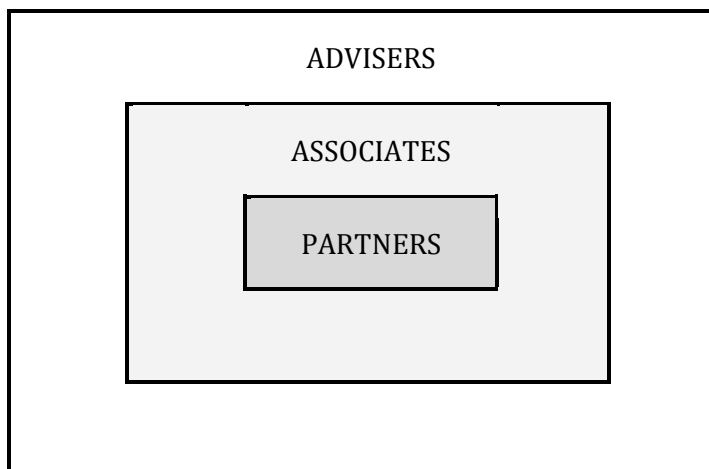
As a result, while we do not burden our affiliation process with any preconceptions, we tend to attract professionals who are characterized by some common (and yet very uncommon) personality traits:

- **Visionary.** We favor professionals who are keen to discover systems where others see chaos, and to find solutions while others struggle with problems. And as we believe that true vision is equal part sight, equal part attention, we favor professionals who are mindful of details.
- **Pragmatic.** Seeing the path and walking the path are altogether different actions. We believe that strategy and analysis do matters, but they are only means to an end. Therefore, we favor professionals who will get things done no matter what it takes.
- **Contrarian.** We believe that “common wisdom” is, in fact, quite uncommon, and often quite unwise. Thus we favor professionals who do choose the pursuit truth over the acceptance of consensus, and who will intelligently speak out against the status quo when necessary.
- **Independent.** The pursuit of freedom and greatness cannot be realized without a measure of independence, of the mind and wallet. We favor professionals who hold self-reliance as one of their guiding principles, and whose practices allow for unconcerned intellectual honesty.
- **Cosmopolitan.** While we are not mindless globalists, we believe in a tightly interconnected world. Borders do exist, but they are often meant to be crossed. We favor professionals who are inherently cosmopolitan, with the curiosity of explorers and the nuance of ambassadors.

² Additional brownie points if you can guess the name of a certain celebrated consulting firm which, to all new hires, imposes a “format” rulebook – a set of very strict rules on how a consultant must dress, walk, and talk, and ultimately think... to be followed always and precisely, under penalty of an abrupt end to an otherwise promising career. Yes, you probably guessed it right.

3. ORGANIZATION

Motu Novu is an international federation of independent professionals. We use the terms “member” and “professional” to refer to any individual who is part of our federation. Therefore, either term may refer to very different people, who have very different roles within our federation: from more casually connected members (“Advisers”), to professionals who regularly work together to serve our clients (“Associates”), to those few who have an established vested interest in the long-term success of Motu Novu (“Partners”).



Most of our professionals are not employees, but independent agents who work with, not for, Motu Novu. Such arrangement imposes very limited cash flow obligations on Motu Novu, and demands equally limited availability commitments from our professionals. We all stay very flexible. We are all very different. Yet when we engage, we are all equally bound by a small, standard set of rules valid for every assignment. As a result, and to the joy of our clients, we do what traditional consultancies cannot do: we staff small and experienced teams, we selectively accept contingent compensation, and we stubbornly refuse to undertake any assignment for which we are not qualified. When we do engage, we know what we are doing, we like to take a stake in the outcome, and we will deliver.

Partners are at the core of our federation: dedicated professionals with a long-term, vested interest in the lasting success of Motu Novu. Compared to other professionals, Partners enjoy some special benefits but are also burdened with additional responsibilities (see “Partners”, *infra*). Any Associate who has been with Motu Novu for at least 3 (three) years, and who has generated positive marginality for Motu Novu, is eligible to become a Partner: we do not believe in partnership as an exclusive, privileged club of “good old boys” who get rich by exploiting the work of others; instead, partners form a circle of trust, which is committed to building everyone’s success, and is open to everyone who earns the right to be part of it.

Associates are a larger, and perhaps the most defining group within Motu Novu. Together with Partners, Associates are most active in sourcing and delivering assignments. Before joining our federation, all new Associates undergo a careful screening and background verification process, and must underwrite a small but clear set of rules about their collaboration with Motu Novu and their engagement with clients. In addition to compensation for their work on assignments, Associates are rewarded for procuring new clients and new engagements. They also receive numerous services from Motu Novu. Most Associates are contractors: Motu Novu does not require specific time commitments, but conversely we do not have salary obligations or warrant to automatically award assignments or leads. Ours is a culture of collaboration, but also one of self-reliance. Our Associates are the perfect example: they work together to achieve what otherwise they cannot achieve individually, and together they build something greater than themselves; at the same time, all of them are expert practitioners who can stand freely on their own, and thus do not need, nor seek, dependency from Motu Novu.

Advisers are another very important, yet in general much less active, class of members of our federation. Advisers are usually very senior practitioners and/or recognized expert in their industry and knowledge domains and/or key persons at one of the firms which have formed a business alliance with Motu Novu (see “Alliances” *infra*.) Advisers choose to participate in Motu Novu to extend the reach of their practice, to cross-promote their firms, or simply to build on the prestige and recognition granted by declaring a mutual business friendship. Advisers usually do not take an active role in client assignments, but may on occasion provide their expert knowledge or work on specific problems. Advisers are not bound by most rules which bind other professionals, but in turn Advisers are generally not eligible to receive most commissions and services otherwise available to Associates and Partners. In other words, Advisers are business friends of Motu Novu who choose a very light commitment, yet declare their support and help us grow and who, in turn, see their reputation and network develop thanks to being part of our federation.

3.1. ADVISERS

The role of Adviser within Motu Novu has been designed to be compatible with the rules of conduct, standards, and membership limitations imposed by most professional and industry associations (e.g. bar associations, CPA associations, etc.) in the United States and many countries abroad, as well as with most restrictive covenants imposed by employment or other types of collaboration agreements. In particular, Motu Novu clearly characterizes Advisers (both internally and externally) as members of the federation who are affiliated with Motu Novu predominantly for reputational purposes. Advisers cannot take active roles on assignments; may be engaged only as domain experts, as compatible with the Adviser’s practice(s) and/or certification(s); may preemptively opt out from the right to receive any commission for sourcing new assignments and new clients.

3.1.1. *Federation of New Advisers*

New Advisers may be invited to join our federation by a Partner, or may self-petition the federation for admittance. They undergo a simple review process (see “Growing the Federation”, *infra*). Formalities

are kept to a minimum: Advisers are required to underwrite only basic rules on confidentiality and fair play. However, all Advisers are required to openly declare their connection with Motu Novu. In other words, “shadow” Advisers are neither allowed nor welcome.

3.1.2. Recess of Advisers

Advisers may recede from the federation at any time, with or without cause, by giving 30 (thirty) days notice. Advisers may also be reasonably asked, by the Partnership Council (see “Governance”, *infra*), to discontinue their relationship with Motu Novu. As with all other professionals, Advisers who have receded from the federation will not be allowed to join again at a later time.

3.1.3. Services to Advisers

Motu Novu offers a variety of tools and services to all its professionals, in an effort to empower them to focus on the most interesting (and lucrative) sides of their practice, instead of spending time on support and administrative tasks. Services to Advisers are either complimentary or available at competitive rates.

TABLE A. SERVICES TO ADVISERS

Complimentary Services	Competitive Rate Services
Business cards (*) Directory listing (Motu Novu website and LinkedIn) Professional photography (for directory profile) Standard PR Services (via direct distribution and SMM) IT systems (secure email, CRM, collaboration platform) (*)	Branded supplies Premium PR Services (via PRWeb) Access to offices worldwide (via Regus Network) Document and contract templates Staff (research, drafting, copywriting, graphic design, translation services, administrative support, etc.) IT helpdesk Assignment (GBL and E&O) insurance Advisory on contracts and tax matters

Table A is for illustration purposes only. Service offering is subject to change at any time and without notice. (*) Services may be offered directly by Motu Novu or by third-parties, including business alliance members. Use of services such as Motu Novu business cards, the @motunovu.com email address, and other IT systems, is entirely optional for Advisers.

3.2. ASSOCIATES

All Associates of Motu Novu have relevant prior business experience and many are senior professionals. “Experience” is one of the cornerstones of our model and an essential component of our promise to clients. We do not pursue fresh graduates, and we do not “hire young and train on the job”. We strongly believe that in any (business) conversation, there simply is no substitute for knowing what you are talking about.

Most of our Associates are not employees but independent contractors, who work with, not for, Motu Novu, and who follow predetermined rules valid for every assignment. Based on their areas of expertise and personal preferences, Associates are encouraged to collaborate with Partners and with each other to develop their practice, their client base, and the overall federation.

In fact, Motu Novu routinely invites its Associates to participate in business development activities and other company improvement initiatives. All Associates, regardless of their seniority, are encouraged to leverage these, and any other opportunities, to develop new business, and are properly rewarded for doing so (see “New Client Commissions” and “Sales Commissions”, *infra*).

When a new assignment opportunity is sourced, Associates who are available and qualified are expected to actively collaborate with a Partner to close the deal and to facilitate staffing. Once staffed, Associates must follow the directions of the Account Manager (see “Assignment Management”, *infra*) responsible for the assignment, must adhere to Motu Novu’s guidelines on project management and project administration, and must use Motu Novu’s standard formats for all official assignment documents and deliverables.

3.2.1. Federation of New Associates

Associates may be invited to join the federation by a Partner, or may self-petition the federation for admittance. They undergo a very straightforward yet strict review process (see “Growing the Federation”, *infra*). While formalities are kept to a minimum, Associates must underwrite a small but precise set of rules of conduct, confidentiality, intellectual property attribution, and fair play. Furthermore, all Associates must openly declare their connection with Motu Novu; “shadow” Associates are neither allowed nor welcome.

3.2.2. Recess of Associates

Associates may recede from the federation at any time, with or without cause, by giving 30 (thirty) days notice. Associates may also be asked, by the Partnership Council (see “Governance”, *infra*) and with cause, to discontinue their relationship with Motu Novu. Associates who have receded from the federation will not be allowed to join again at a later time. Any compensation accrued to a receded Associate remains payable in accordance to Motu Novu’s standard rules on compensation.

3.2.3. Services to Associates

Motu Novu offers a variety of tools and services to its Associates, who are therefore free to focus on the most interesting (and lucrative) sides of their practice instead of spending time on back-office tasks. Many services are offered directly by Motu Novu and are complimentary, while other services are offered via partnerships and at very competitive rates. Paid services can either be expensed on an assignment or paid directly by the Associate who benefits from them.

TABLE B. SERVICES TO ASSOCIATES

Complimentary Services	Negotiated Rate Services
Business cards Branded supplies Directory listing (Motu Novu website and LinkedIn) Professional photography (for directory profile) Standard PR Services (via direct distribution and SMM) Document and contract templates Assignment (GBL) insurance IT systems (secure email, CRM, collaboration platform) IT helpdesk	Premium PR Services (via PRWeb) Access to offices worldwide (via Regus Network) Staff (research, drafting, copywriting, graphic design, translation services, administrative support, etc.) Assignment (E&O) insurance Advisory on contracts and tax matters

Table B is for illustration purposes only. Service offering is subject to change at any time and without notice. Services may be offered directly by Motu Novu or by third-parties, including business alliance members. Associates are encouraged to use Motu Novu business cards and the @motunovu.com email address whenever engaging with prospects, clients, and third-parties.

3.3. PARTNERS

Partners are a dedicated group of professionals with the most significant interest in the lasting success of Motu Novu. Compared to other professionals, Partners do enjoy some benefits, but they are also burdened with additional responsibilities. At Motu Novu, “Partnership” is not an exclusive, privileged club of “good old boys” who get rich by exploiting the work of others, but a circle of trust committed to building everyone’s success, and open to everyone who earns the right to be part of it.

Partners are expected to build the firm’s brand and gravitas by publicly endorsing Motu Novu and by actively promoting it with existing clients, with new prospects, with the media, etc. Partners are also expected to materially contribute to the development of the federation, by actively seeking and co-opting talented and reputed individuals, and by keeping existing professionals engaged and motivated.

While every professional is empowered and encouraged to develop new business, Partners play an essential role in sales and account management. Only a Partner may approve new contracts, and only a Partner may serve as Assignment Manager: a role that gives full responsibility (through each Partner's own capital accounts) on client development, account management, assignment planning and staffing, service delivery, and ultimately collections.

In exchange for their additional efforts and responsibility, Partners receive a commission on every assignment they manage, and may receive dividends if Motu Novu is profitable (see "Compensation Model" and "Appendix A. Compensation Formulae", *infra*.) Partners also hold a capital account and participate in the firm's governance (see "Governance" *infra*).

3.3.1. Becoming a Partner

Any professional who has been with Motu Novu (either as an Associate or as an Adviser) for at least 3 (three) years, and who has generated positive marginality for the firm, is eligible to become a Partner. Professionals who are eligible and interested must petition the Partnership Council, which may approve the request with a simple majority resolution (see "Governance", *infra*.) Newly elected Partners must fund their capital account with at least \$5,000 (five thousand dollars.)

3.3.2. Capital Accounts

Each Partner holds a capital account, which determines the Partner's fractional ownership of the firm and relative weight in the partnership council (see "Partnership Council", *infra*.) Each Partner's capital account is established when the Partner is newly elected. New Partners must fund their initial capital accounts with at least \$5,000 (five thousand dollars.)

Capital account balances are updated at the end of every fiscal year, based on each Partner's contribution to Motu Novu's performance for the year, as well as each Partner's capital account balance at the beginning of the year (see "Appendix A. Compensation Formulae", *infra*.) Capital accounts may also be updated upon certain events (e.g. liquidity opportunity) or as a result of insufficient marginality of an assignment (again see "Appendix A. Compensation Formulae", *infra*.)

3.3.3. Recess of Partners

A Partner may, at any time and with 90 (ninety) days notice, step down to become again an Associate or Adviser, or leave the federation altogether. A Partner may also be expelled from the federation, for cause, with a qualified majority resolution of the Partnership Council (see "Governance", *infra*.) Finally, a Partner automatically recedes from the federation in the event of death or legal incapacitation.

Recess. A Partner who unilaterally decides to step down or leave the federation is entitled to receive the balance of his/her capital account as lastly computed. The Managing Partner, upon recommendation of the Treasurer and in the best interest of the firm, may choose to repay the obligation in up to 5 (five) yearly

installments³. Partners are not allowed to sell their interests in the firm, not even to other Partners, unless the firm is sold as a whole (see “Liquidity”, infra.) If a Partner wants to exit, s/he must recede. Recess does not automatically free the Partner from his/her ongoing obligations, if any, as an Assignment Manager.

Death or Incapacitation. The successors-in-interest of a Partner who dies or is declared legally incapacitated are entitled to receive the balance of the Partner’s capital account as lastly computed. The Managing Partner, upon recommendation of the Treasurer and in the best interest of the firm, may choose to pay the obligation in up to 10 (ten) yearly installments⁴.

Expulsion. A Partner who is expelled from the firm for cause is not entitled to any reimbursement of his/her capital account, which is instead charged against the losses generated by / the costs associated with the expulsion of the former Partner; any residual balance is then pro-rated among the surviving Partners, based on the value of their capital accounts as lastly computed.

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 computed as of the closing date of closing of the liquidity event.

3.4. FEDERATION DEVELOPMENT

3.4.1. Growing the Federation

Motu Novu does not seek to aggressively expand in a mindless pursuit of size. We do not believe that “larger” necessarily equals “better”: growth can be deliberate or opportunistic, but it must always be a mean, never an end. At the same time, we do not impose artificial limits to our growth, and we are always happy to welcome new talented professionals into our federation.

New professionals are screened based on their character, experience, and technical knowledge, as well as their determination to develop our federation. Our affiliation process is linear, yet stringent: every applicant undergoes three interviews, with three different Motu Novu professionals (of which at least one is a Partner). The interviewers assess the candidate’s business acumen, technical skills, and cultural fit with Motu Novu’s core values (see “Concept and Brand”, supra.) If the applicant excels in all three interviews, and performs wells in standard background and references checks, s/he may be offered to join our federation. In any case, affiliation of any candidate may be vetoed by a simple majority resolution of the Partnership Council (see “Governance”, infra.) Read: we don’t aggressively push for membership, and we accept only the very best. If we are not quite sure... sorry, see you around.

Joining Motu Novu, either as an Associate or Adviser, is free of charge. However, as a prerequisite for becoming part of Motu Novu, new Advisers are required to execute our standard “Affiliation Agreement” (“AA”), a very light document which establishes confidentiality obligations and the basic “fair play” rules of our federation. New Associates are instead required to execute our standard “Professional Services and Confidentiality Agreement” (“PSCA”), a more articulate document which establishes the basic legal

³ Equal payments due every year at the end of the year; interest equal to LIBOR + 200bp.

⁴ Equal payments due every year at the end of the year; interest equal to LIBOR + 200bp.

framework for collaboration with Motu Novu, turns the provisions of this White Paper into a binding contract, and covers such topics as confidentiality, intellectual property rights, and unfair competition. Both MA and PSCA are standard documents on which we have invested a lot of time, energy, and money. They are not open for individual negotiation. If a prospective professional does not wish to sign either of these two documents, the solution is very simple: s/he will not join Motu Novu. Prospective professionals can request a copy of the MA and PSCA, and are expected to have reviewed them with their counsel, and agreed to their stipulations, prior to applying.

Joining Motu Novu directly as a Partner is not permitted (see “Becoming a Partner”, supra).

3.4.2. Training

Motu Novu does not regularly offer any “standard” training programs. By design, all our members have significant business experience and do not require “standard” training. However, all professionals are encouraged to condense their knowledge and technical skills in short presentations and/or webinars which can then be disseminated throughout the federation. This helps both sides: the teacher gets recognition and exposure, the learners acquire knowledge.

3.5. ALLIANCES

Wisdom starts with knowing what you do not know. Focus is about achieving your goals by doing less, not more. While Motu Novu is inherently multi-disciplinary and multi-local, our knowledge footprint is and always will be limited. We cannot be great at everything. There are many things we do not know, and we are well aware (and not at all ashamed) of the fact. Furthermore, there are many things we do not want to do, because we know others who can do them better, faster, and/or cheaper.

Therefore, Motu Novu recognizes the opportunity for close collaboration (in business development, service delivery, promotion, and more) with selected organizations which offer complementary services, have compatible brands, and employ attuned management styles. Collaboration between Motu Novu and such organizations may be occasional, or develop into a the structured form of an “Alliance”: a standardized cooperation agreement whereby Motu Novu and its Alliance Partner declare a preferential, non-exclusive “business friendship” and agree to jointly pursue the development and delivery of business opportunities. Our Alliances are predicated on mutual benefit, clarity, and reciprocal trust.

4. OPERATING AND COMPENSATION MODEL

From an operating standpoint, every professional at Motu Novu is encouraged to contribute at all levels to the success of the firm, and is properly rewarded for doing so. There are no artificial barriers which limit what professionals can do. Professionals enjoy ample freedom in how to design, price, and deliver their assignments. Motu Novu's oversight is limited to basic rules of engagement whose purpose is to safeguard the firm's brand equity and to guarantee the quality and timeliness of its delivery.

From a compensation standpoint, Motu Novu adopts a transparent "pass-through" system: up to 85% of the proceeds collected on any regular assignment (and up to 96% for interim management assignments) are transferred to the professionals who sold, managed, and/or delivered the assignment. 85% to 96% may or may not seem impressive to the uninitiated, but when put in perspective, these figures show the inherent difference (and, we believe, superiority) of Motu Novu versus traditional consultancies: an 85% to 96% payout ratio is up to four times higher than the payout ratios of some brand name consultancies⁵.

However, there is of course a catch. We do believe in independence (see "Concept and Brand", *infra*) and independence is either of both mind and wallet, or is not at all. In particular, Motu Novu does not underwrite credit risk: professionals face the same collection cycle and risk at Motu Novu as they would face if they acted independently... because they do. If an assignment is not successful, or a client is not solvent, both Motu Novu and the professionals on the assignment will face the problem, together, and live with the consequences, together. Motu Novu may be a great concept, but even here, freedom isn't free.

Please refer to "Appendix A. Formulae" for the analytic definition of marginality and other formulae on compensation accretion and distribution.

4.1. BUSINESS DEVELOPMENT

All Motu Novu professionals, regardless of their role and seniority, are encouraged to develop new business, and are rewarded with commissions for doing so (see "New Client Commissions" and "Sales Commissions", *infra*). To ensure consistency and excellence in delivery, every assignment is approved and managed by a Partner, who takes personal responsibility (through his/her capital account) for Motu Novu's performance on the assignment and with the client.

Solo practitioners who join Motu Novu and already have a portfolio of clients are not required to transfer their existing business to Motu Novu. They can choose which clients or individual assignments, if any, to transfer to Motu Novu, and which ones to continue to serve independently. At the same time, Motu Novu adopts simple yet very strict rules to ensure fair play among professionals and towards the firm (see

⁵ Of course, partners at brand name consultancies are treated a tad better. If you are a lucky member of the "good old boys" club at a top tier consulting firm, you will make buckets of money – at the expense of your clients and fellow consultants. But even the most exploitative consultancy cannot afford to pay out 85%+ even to partners: their overhead is simply too high.

“Fair Play Rules”, *infra*.) Read: Motu Novu does not (directly or unfairly) compete with its members; in turn, we request that our professionals do not (directly or unfairly) compete with us.

4.1.1. New Client Commissions

Professionals, alliance partners, or other unaffiliated third-parties (including existing clients) who materially contribute to the acquisition of new clients⁶ are awarded a “new client commission”. Such commission is computed on all amounts collected from the new client during the two years following its acquisition, and is equal to 10% (ten percent) of collections for most advisory assignments and 1% (one percent) of collections for interim management assignments. If multiple professionals were materially involved in the acquisition of a new assignment, the commission is divided among them – equally, unless they unanimously agree otherwise. The “new client commission” stacks with the “sales commission”, if any (see “Sales Commissions”, *infra*), and is computed and disbursed at least twice yearly, usually during March and September. Any dispute is resolved by the Managing Partner.

4.1.2. Sales Commissions

Professionals who materially contribute to the development of new business are awarded a “sales commission”: 10% (ten percent) of collections for most advisory assignments, and half of the net marginality in excess of 5% (five percent) for interim management assignments. If multiple professionals were materially involved in the development of a new assignment, the commission is divided among them – equally, unless they unanimously agree otherwise. The “sales commission” stacks with the “new client commission”, if any (see “New Client Commission”, *supra*), and is computed and disbursed at least twice yearly, usually during March and September. Any dispute is resolved by the Managing Partner.

4.1.3. New Client and Sales Commissions Opt-Out for Advisers

Advisers, upon joining Motu Novu, may opt-out from the right to receive commissions for new clients and new sales. This is usually done to comply with professional associations (e.g. bar associations) rules and/or restrictive covenants in other engagement agreements to which the Adviser may be bound. The choice to opt-out is irreversible as long as the professional remains an Adviser of Motu Novu.

4.1.3. Business Development Expenses

Expenses incurred by Advisers and Associates to develop new business are fully reimbursable provided that: 1a) the expenses were pre-approved by the Managing Partner or 1b) the assignment is sold and the expenses are then accepted by the Assignment Manager, and deducted from the assignment’s marginality; and 2) the expenses are incurred and reported in accordance with Motu Novu’s guidelines.

⁶ For the purposes of determining whether a new client commission is warranted, a client is defined “new” if Motu Novu has not concluded any paid business engagement with such client, its parents, subsidiaries, or affiliates, during the prior 10 (ten) years.

4.1.4. Fair Play Rules

Our federation brings together many, very diverse, and very talented individuals. We celebrate our differences in styles and opinions. At the same time, we value unity and reciprocal trust. That's why Motu Novu strictly upholds a (small) set of behavioral rules, meant to ensure "fair play" among our professional and towards the firm.

Rule 1. Any new business developed by Motu Novu's professionals thanks to the use of Motu Novu's resources⁷ must involve Motu Novu. In most cases, Motu Novu should be the main contractor, unless the Assignment Manager, with the consent of the Managing Partner, determines otherwise given the nature of the task and/or of the client. If Motu Novu is the main contractor, then the entire assignment is bound by the firm's operating and compensation model. If Motu Novu is the subcontractor, then the firm's model applies only on Motu Novu's portion of the work.

Rule 2. Professionals who recede from the federation are required to immediately return all properties of Motu Novu, and of Motu Novu's clients, which may be in their possession, as well as to immediately discontinue the use of all Motu Novu's resources⁸. Upon exiting the federation and for the following 2 (two) years, former professionals are also forbidden from: 1) engaging in any activity that may result in direct competition⁹ with Motu Novu; 2) induce or attempt to induce any current professionals, clients, suppliers, contractors, or business alliance members of Motu Novu to discontinue their relationship with Motu Novu; 3) dissuade or attempt to dissuade any prospective professionals, clients, suppliers, contractors, or business alliance members from establishing a relationship with Motu Novu.

4.2. ASSIGNMENTS

All contractual engagements between Motu Novu and its clients are called "assignments." The term "assignment" is preferred over the similar term "project" because "assignment" encompasses both projects – unique, non-repeated engagements – and processes – repeated engagements. Both types of assignments can be sold and delivered by Motu Novu.

New assignments can be sold by any professional (see "Business Development", supra), but each assignment must be approved and managed by a Partner who takes personal responsibility (through his/her capital account) for client management, planning, staffing, delivery, and collections. Assignment Managers are rewarded with a commission (see "Assignment Management", infra.)

⁷ Motu Novu's resources include, but are not limited to: Motu Novu's brand, network of professionals, alliance partners (and their own resources), contacts and leads, IT and operational tools, case studies, references, administrative support, research staff, earlier work products, and so on, with an extensive interpretation.

⁸ "Motu Novu's resources" is to be defined extensively, as per the previous footnote.

⁹ Services rendered by a former professional acting as an independent solo practitioner are not considered direct competition and therefore not subject to this covenant. Association (in any legal or de facto form) of two or more former professionals to provide professional services offered or sold to the same or substantially similar clients as Motu Novu's is considered direct competition, and is therefore in violation of Fair Play Rule 2.

Assignments are delivered by professionals, who can work either independently or in (small) teams, depending on the nature of the assignment. While Motu Novu has no strong bias for team size, we actively discourage overstaffing – while some assignments require (large) teams, some simply do not.

Up to 70% of the net proceeds of each assignment (up to 95% for interim management projects) may be paid out to the professionals who delivered the work¹⁰. Actual payout rates are negotiated, prior to the beginning of an assignment, between the assignment manager and all the professionals involved, and are contractualized using Motu Novu’s standard Statement of Work (“SOW”) addendum to the PSCA. Motu Novu encourages maximum payout for non-recurring assignments (i.e. “projects”).

4.2.1. Assignment Expenses

Expenses (e.g. travel, meals, postage, document management services, etc.) incurred by professionals while working on assignments are fully reimbursable provided that: 1) they are within the limits of the contractual arrangement with the client; 2) they are incurred and reported in accordance with Motu Novu’s guidelines; 3) they are approved by the client (on assignments which require client approval of expenses) and by the Assignment Manager (always.)

4.2.2. Assignment Management

Each assignment is overseen by an Assignment Manager. The Assignment Manager is a Partner who takes complete responsibility for client management, assignment planning, assignment staffing, work delivery, and collections. The Assignment Manager for each assignment is usually appointed by the Managing Partner, based on the firm’s relationship with the client and the nature of the assignment, and usually manages the assignment until completion.

If the assignment’s marginality does not meet Motu Novu’s required minimum, the Assignment Manager is directly liable via his/her capital account (see “Appendix A. Compensation Formulae”, *infra*). When it comes to promoting good behavior, we believe that complex rules and regulations are very poor substitutes for direct and individual responsibility.

Account managers are compensated with a commission equal to 5% (five percent) of collections for most advisory assignments and 1% (one percent) of collections for interim management projects.

¹⁰ These figures stack with the new client, sales, and account management commissions; together, they add up to the well-known 85%-96% payout ratio awarded by Motu Novu to its professionals.

4.3. PAYMENT METHODOLOGY

4.3.1. *Pass-Through Payments*

Motu Novu adopts a strict “pass-through” payment system: compensation for each assignment (for new clients, new sales, work performed on the assignment, account management, and all other) is paid out to professionals subject to Motu Novu’s receipt of the corresponding payment from its client. Contingent compensation¹¹ is paid out only upon its cash monetization.

Should an assignment fail, should a client prove insolvent, or should contingent compensation not monetize as expected, Motu Novu will reduce or withhold the corresponding disbursement to the affected professionals. This system may seem “unfair” to those accustomed to surrender freedom and wealth (by accepting a subordinate job with a much lower payout ratio) in exchange for perceived income security. In truth, the “pass-through” system is essential to foster individual responsibility and to minimize credit risk. Without the “pass-through” system, Motu Novu would become just another consultancy, and would be unable to award its exceptionally high (85%-96%) payout ratio¹² to professionals.

4.3.2. *Payment Beneficiary*

Professionals may be paid directly as individuals (if permitted by the labor and tax laws they are subject to) or may designate an entity to receive payments on their behalf individuals (if permitted by the labor and tax laws they are subject to). The latter option is particularly useful for members who already use a legal entity to consolidate their earnings. For each assignment, the payment beneficiary must be clearly specified in the SOW.

Motu Novu is a Delaware LLC headquartered in Boston, Massachusetts. As such, Motu Novu complies with all applicable U.S. federal tax laws, as well as all applicable Delaware and Massachusetts state tax laws. While Motu Novu can provide tax specialists (at very competitive rates) to its members, professionals are solely responsible for their own compliance with any labor and/or tax laws they may be subject to based.

¹¹ In general, Motu Movu allows all form of contingent compensation, such as result-based commissions, success fees, royalties, equity, and derivatives on equity such as options and warrants. In fact, the acceptance of (partially) contingent compensation is often used as a tool to substantiate Motu Novu’s confidence in its ability to deliver when others just consult. However, acceptance of contingent compensation for an assignment is always subject to the written approval of the account manager.

¹² Those who are terrified by the prospect of underwriting their own fair share of (credit) risk should question their commitment to be independent professionals. They should perhaps join one of the many traditional “consulting sweat-shop” so that, in exchange for 100-hours work-weeks, unrewarding tasks, perhaps arrogant and often inexperienced bosses, and low payouts, they may perhaps purchase a certain perception of “security”. Until the next wave of layoffs hits, of course.

5. 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.

5.1. PARTNERSHIP COUNCIL

The Partnership Council is highest governance body of Motu Novu. It comprises all current Partners. It meets compulsorily in ordinary session once a year (usually during February), but may 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 most matters, the Partnership Council deliberates with a per-dollar simple majority computed based on the Partners in attendance to the Partnership Council. Each Partner attending a council session is awarded one vote for each dollar in his/her capital account balance, as lastly computed (usually as of the end of the prior fiscal year.) A simple majority resolution is passed if it receives a number of favorable votes equal to or greater than the total number of votes awarded for the council session, divided by two, rounded up, plus one.

The matters requiring a simple majority resolution include, but are not limited to:

- Determine the strategy of Motu Novu.
- Approve or modify overhead budgets;
- Veto prospective members seeking admission to the federation;
- Elect new Partners and approve changes in rank;
- Approve the consolidated annual report for the previous fiscal year;
- Compute dividends and determine the dividend distribution ratio (if any);
- Any other matter not explicitly mentioned to require a qualified majority resolution.

On some critical matters, the Partnership Council deliberates with a per-dollar qualified majority computed based on the Partners in attendance to the Partnership Council. Each Partner attending a council session is awarded one vote for each dollar in his/her capital account balance, as lastly computed (usually as of the end of the prior fiscal year.) A qualified majority resolution is passed if it receives a number of favorable votes equal to or greater than the total number of votes awarded for the council session, divided by 1.5 (one point five), rounded up, plus one.

- Elect or remove the Managing Partner;
- Elect or remove the Treasurer;

- Adopt disciplinary actions (for grave motives), including expulsion;
- Approve single overhead expenses or capital investments of face value greater than 10% of the combined value of all capital accounts (as lastly computed) or \$100,000 (one hundred thousand dollars) whichever is greater;
- Amend the White Paper.
- Accept liquidity opportunities (e.g. sale of the firm);

Partners who are the object of the vote (e.g. pending disciplinary action for grave motives) cannot vote. In case of a tie vote on the same topic for three times in a row, a final decision is made by the current Managing Partner. Partners are generally required to attend in person when the Partnership Council meets in ordinary session, but may participate via teleconference if necessary. Partners may also delegate other Partners, in writing, to attend the Partnership Council and to vote on their behalf. All Partners, including absent ones, are bound by all resolution validly passed by the Partnership Council.

5.2. MANAGING PARTNER

The Managing Partner is elected by the Partnership Council. The Managing Partner remains in office until the following Partnership Council meeting in ordinary session, and may be re-elected every year indefinitely. A Partner may not serve as Managing Partner if s/he currently serves as Treasurer. The Managing Partner must always act in the best interest of the firm, its clients, and its professionals. The Managing Partner's duties include:

- Legally represent Motu Novu's juridical person without limitation other than those imposed by the White Paper;
- Enact Motu Novu's strategy as set by the Partnership Council;
- Attempt to resolve any controversy arising between Partners and professionals;
- Defer a Partner or professional to the Partnership Council for disciplinary actions for grave motives;
- Call extraordinary sessions of the Partnership;
- Attend to any day-by-day management duties as required.

The Managing Partner may receive a salary upon discretion of the Partnership Council. If Motu Novu is profitable, the Managing Partner is always entitled to a bonus equal to 2% (two percent) of the firm's pre-tax margin.

5.3. TREASURER

The Treasurer is elected by the Partnership Council. The Treasurer remains in office until the following Partnership Council meeting in ordinary session, and may be re-elected every year indefinitely. A Partner may not serve as Treasurer if s/he currently serves as Managing Partner. The Treasurer must always act in the best interest of the firm, its clients, and its professionals. The Treasurer's duties include:

- Manage Motu Novu's treasury, billing, collections, and disbursements;
- Prepare, present, and manage the overhead budget;
- Approve single overhead expenses or capital investments of face value greater than 2% (two percent) of the combined value of all capital accounts (as lastly computed) or \$10,000 (ten thousand dollars) whichever is greater; smaller overhead expenses may be approved by individual Partners under their responsibility;

The Treasurer may receive a salary upon discretion of the Partnership Council. If Motu Novu is profitable, the Treasurer is always entitled to a bonus equal to 2% (two percent) of the firm's pre-tax margin.

5.4. PARTNERS

Partners legally represent Motu Novu versus clients, professionals, and suppliers on the assignments where they serve as account managers. Every member who has been Partner of the firm for at least 2 (two) year may be elected to serve as Managing Partner or Treasurer.

APPENDIX A. COMPENSATION FORMULAE

«When you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind.»

William Thompson, a.k.a. Lord Kelvin, Lecture on “Units of Measurement”

For each formula, a layman’s explanation is provided using plain English. However, since algebra doesn’t lie as much as other languages do, in case of any discrepancy or difference in interpretation between the formulaic expression and its English explanation, the formula has precedence and validity.

ASSIGNMENT MARGINALITY

The following formula is used to compute the marginality of an advisory assignment. It applies to all advisory assignments run by Motu Novu, with the exceptions of “Interim Management” projects (see *infra*.)

$$\mu_i = R_i - C_i^S - C_i^M - W_i^P - W_i^E + E_i^B - E_i^R \pm O_i \quad (M1)$$

Where is defined:

μ_i	Marginality of assignment i
R_i	Net collections of assignment i (inclusive of all realized contingent proceeds)
C_i^S	Sales commission for assignment i
C_i^M	Account management commission for assignment i
W_i^P	Payout all Motu Novu’s professionals staffed on assignment i
W_i^E	Payout to all external resources (not part of Motu Novu) employed on assignment i
E_i^B	Expenses billed to and collected from the client for assignment i
E_i^R	Expenses (excluding business development expenses) reimbursed on assignment i
O_i	Other itemized collections or disbursement for assignment i . Examples: new client commission; business development expenses, profit/loss on foreign exchange.

Layman’s Explanation. The net marginality of a assignment is computed on cash basis and equals the net collections from the Client (R_i), inclusive of all realized contingent proceeds when applicable, minus the sales commissions (C_i^S) due to the professional(s) responsible for selling the assignment, minus the account management commissions (C_i^M) due to the Partner taking legal and P&L responsibility for the assignment, minus the payout (W_i^P) to all Motu Novu’s professionals staffed on the assignment, minus the payout (W_i^E) to all external resources (not part of Motu Novu) employed on the assignment, plus all expenses (E_i^B) billed and collected from the client, minus all expenses (E_i^R) reimbursed to professionals and external resources on the assignment, plus or minus any other itemized collections or disbursements (O_i) such as new client commissions, business development expenses, forex gain/loss, etc.

ASSIGNMENT MARGINALITY: ADVISORY

For all advisory projects, with the exception of interim management projects (see “Interim Management Projects”, infra) the formula (M1) is subject to the following general constraints:

$$\mu_i \geq 0.15 \cdot R_i \quad (\text{M2a})$$

Layman’s Explanation: Net marginality for a generic advisory assignment must be at least 15% of collections. Conversely, up to 85% of the net proceeds of an assignment are paid out to the professionals who sold, managed, and delivered such assignment.

Assignment Manager’s Responsibility for Minimum Marginality. If the net marginality of an advisory assignment is less than 15% (including negative, i.e. the assignment as generated a net loss for Motu Novu), then the Partner who served as assignment manager is directly responsible through his/her capital account. The Partner’s capital account is debited with the amount necessary to restore the assignment’s marginality to 15%. Should the capital account’s balance be insufficient, the Partner is personally liable for the difference, which is immediately due to Motu Novu.

$$C_i^S = 0.10 \cdot R_i \quad (\text{M3a})$$

Layman’s Explanation: Sales commissions equal 10% of collections.

$$C_i^M = \frac{1}{4} \cdot (\mu_i + C_i^M) \quad (\text{M4a})$$

Layman’s Explanation: Assignment management commission equals one-fourth of the gross marginality of the assignment, i.e. the net marginality (μ_i) plus the assignment management commissions (C_i^M) itself. Read: after all other disbursements are made, the assignment manager receives one-fourth of whatever is left. Clearly, the greater is the marginality (μ_i), the greater the assignment management commissions (C_i^M). Therefore, assignment managers have an incentive to negotiate competitive rates with professionals and external resources, and to keep billable and reimbursable expenses in balance.

ASSIGNMENT MARGINALITY: INTERIM MANAGEMENT PROJECTS

An assignment is deemed an “interim management” project if it meets all the following criteria: a) all Motu Novu professionals involved in the assignment devote at least 60% (sixty percent) of their FTE (full-time equivalent) to the assignment while they are engaged in it; b) the assignment elapses (with 60% deployment of each professional involved) for at least 6 (six) consecutive calendar months.

For interim management projects the formula (M1) is subject to the following special constraints:

$$\mu_i \geq 0.04 \cdot R_i \quad (\text{M2im})$$

Layman’s Explanation: Net marginality for an interim management project must be at least 4% of collections. Conversely, up to 96% of the net proceeds of a project are paid out to the professionals who sold, managed, and delivered such project.

Assignment Manager’s Responsibility for Minimum Marginality. If the net marginality of an advisory assignment is less than 4% (including negative, i.e. the assignment as generated a net loss for Motu Novu), then the Partner who served as assignment manager is directly responsible through his/her capital account. The Partner’s capital account is debited with the amount necessary to restore the assignment’s marginality to 4%. Should the capital account’s balance be insufficient, the Partner is personally liable for the difference, which is immediately due to Motu Novu.

$$C_i^S = \frac{1}{2} \cdot (\mu_i - 0.05 \cdot R_i) \quad (\text{M3im})$$

Layman’s Explanation: Sales commissions equal one-half of the net marginality of the project in excess of 5% of collections. Read: after all other disbursements are made and at least 5% has been accrued to satisfy (M2im) and (M4im), the professional(s) responsible for selling an interim management project will receive one-half of whatever is left.

$$C_i^M = 0.01 \cdot R_i \quad (\text{M4im})$$

Layman’s Explanation: Assignment management commissions for interim management projects equal 1% of collections.

CONTRIBUTION OF A PROFESSIONAL TO AN ASSIGNMENT

This formula is used to compute the economic contribution of a professional to an assignment.

$$\pi_{i,p} = \left[\frac{1}{8} \frac{C_{i,p}^S}{C_i^S} + \frac{1}{8} \frac{C_{i,p}^M}{C_i^M} + \frac{3}{4} \frac{W_{i,p}^P}{W_i^P + W_i^E} \right] \cdot \mu_i \quad (\text{P1})$$

Where is defined:

$\pi_{i,p}$	Contribution indicator for professional p on assignment i
$C_{i,p}^S$	Sales commissions, if any, to professional p on assignment i
C_i^S	Overall sales commissions awarded on assignment i
$C_{i,p}^M$	Assignment management commissions, if any, to professional p on assignment i
C_i^M	Overall account management commissions awarded on assignment i
$W_{i,p}^P$	Payout to professional p on assignment i
$W_i^P + W_i^E$	Overall payout to all professionals and external resources on assignment i .
μ_i	Marginality of assignment i as in (M1)

Layman's Explanation. The performance indicator for a professional on an assignment is computed by allotting the assignment's net marginality based on the professional's relative contribution to sales, to account management, and delivery. One-eighth of the total allotment is due to the relative contribution to sales, computed by dividing the sales commissions awarded to the professional by the total sales commissions awarded on the assignment. Another one-eighth of the total allotment is due to the relative contribution to account management, computed by dividing the account management commissions awarded to the professional by the total account management commissions awarded on the assignment. The remaining three-fourths of the total allotment is due to the relative contribution to delivery, computed by dividing the payout to the professional by the total payouts to both professionals and external resources on the assignment.

YEARLY CONTRIBUTION OF A PROFESSIONAL

The following formula is used to compute an indicative measure of economic contribution to Motu Novu's marginality by each professional, across all assignments performed in a given fiscal year¹³. Such contribution indicator is one of the key factors considered to evaluate the overall performance of professionals and determine their eligibility to become Partners.

$$\pi_p = \sum_i \pi_{p,i} \quad (P2)$$

Where is defined, for the period being considered:

π_p Performance indicator for Professional p across assignments $i = 1, \dots, n$

$\pi_{p,i}$ Performance indicator for Professional p on assignment i as in (P1)

Layman's Explanation. The overall performance indicator for a professional during a given fiscal year equals the summation the performance indicators for all assignments partaken by that professional during that given fiscal year

¹³ Projects spanning across two years or more years must be broken into yearly phases or units; pro-rating of the overall performance indicator for a multi-year project based on calendar time, FTE, or other arbitrary metrics is not allowed.

YEARLY PROFIT (OR LOSS) OF THE FIRM

The following formula is used to calculate the total profits (or losses) accrued during a given fiscal year. Profits are available for reinvestment or distribution, whereas losses must be immediately covered by the Partners.

$$\Pi = \sum_i \mu_i - H \pm O - T \quad (M6)$$

Where is defined, for the period being considered:

Π	Profit available for reinvestment or distribution / loss to be covered
$\sum_i \mu_i$	Overall marginality for all assignments
H	Operating and overhead costs
O	Other (extraordinary) revenue/cost
T	Estimated corporate taxes paid / to be paid

Layman's Explanation. The total profits (or losses) accrued by the firm during a fiscal year equal the overall marginality for all assignments run by Motu Novu during that fiscal year, minus all operating and overhead costs incurred by Motu Novu during that fiscal year, plus (or minus) any other extraordinary revenue (or cost) generated (or incurred) by Motu Novu during that fiscal year, minus the estimated corporate income taxes already paid and/or expected to be paid for that fiscal year. If the total summation is positive, the firm posts a profit; if the total summation is negative, the firm reports a loss.

PROFIT/LOSS ACCRUAL TO EACH PARTNER

Total profits (or losses) accrued by Motu Novu during a given fiscal year are pro-rated to all Partners with the firm during the fiscal year using the following formula. Pro-rated profits may be reinvested or distributed (D2), whereas pro-rated losses are charged against the capital accounts held by Partners.

$$\Delta_k = \left[\frac{1}{2} \frac{K_k^{t-1}}{\sum_k K_k^{t-1}} + \frac{1}{2} \frac{\pi_k}{\sum_k \pi_k} \right] \cdot \Pi \quad (D1)$$

Where is defined, for the period being considered:

Δ_k	Portion of the profit/loss accrued to Partner k
K_k^{t-1}	Capital account held by Partner k at the beginning of the period
$\sum_k K_k^{t-1}$	Total capital accounts held by all Partners at the beginning of the period
π_k	Contribution indicator for Partner k as in (P2)
$\sum_k \pi_k$	Total contribution indicators for all Partners
Π	Profit available for reinvestment or distribution / loss to be covered

Partners' qualification for profit/loss accrual. If Motu Novu posts a profit for a given fiscal year, only Partners who have been with the firm for at least 183 days during that fiscal year do qualify for dividend distribution. However, if the firm reports a loss for a given fiscal year, all Partner accrued a pro-rated share of the loss as per (D1), with the exception of new Partners who were not with the firm during the previous fiscal year and who have been with the firm for less than 183 days during the fiscal year considered. Partners who do not qualify for profit or loss accrual are not considered in the ratios of (D1).

Layman's Explanation. Partners who qualify for profit/loss accrual accrue a pro-rated share of the profit/loss posted by Motu Novu during a given period. The pro-rated share accrued by a Partner is determined by both the relative importance of the capital account held by the Partner at the beginning of the period and by the relative importance of the Partner's contribution to the marginality of the period. The first factor (capital account) is weights 50% (fifty percent); the second factor (contribution) weights 50% (fifty percent.)

PROFIT/LOSS ACCRUAL TO EACH PARTNER

Pro-rated profits accrued by Partners are reinvested or distributed according to this formula.

$$\delta_k = d \cdot \Delta_k \quad \text{Subject to: } \Pi > 0 \quad (D2)$$

Where is defined, for the period being considered:

δ_k Dividend distributed to Partner k

d Dividend distribution ratio set by the Partnership Council and equal for all Partners
Subject to: $d \in [0,1]$

Δ_k Profit accrued to Partner k

Layman's Explanation. Each Partner who qualifies for profit accrual will receive a dividend equal to the profit he/she accrued multiplied by a dividend distribution ratio. The dividend distribution ratio is set by the Partnership Council and is applied identically to all Partners who accrued a profit. The dividend distribution ratio must be greater than or equal to 0 (zero) and smaller than or equal to 1 (one.) This formula is applied only if the firm posts a profit.

CAPITAL ACCOUNT ACCRETION

The capital account for a Partner of Partner k at the end of a fiscal year is computed using the following formula.

$$K_k = K_k^{t-1} \pm F_k + \begin{cases} (1-d)\Delta_k & \Pi \geq 0 \\ \Delta_k & \Pi < 0 \end{cases} \quad (\text{D3})$$

Where is defined, for the period being considered:

K_k	Capital account held by Partner k at the end of the period
F_k	Capital contributions (withdrawals) made by Partner k during the period
K_k^{t-1}	Capital account held by Partner k at the beginning of the period
d	Dividend distribution ratio set by the Partnership Council and equal for all Partners
Δ_k	Profit/loss accrued to Partner k
Π	Overall profit/loss posted by Motu Novu

Layman’s Explanation. The capital account held by Partner at the end of a fiscal year has a balance equal to the Partner’s capital account balance at the beginning of the fiscal year, plus (minus) the capital contributions (withdrawals) made by the Partner during the fiscal year, plus an additional factor based on the performance of Motu Novu. If Motu Novu posted a profit, such additional factor equals the reinvested portion of the profits accrued by the Partner. If Motu Novu posted a loss, such additional factor equals the portion of the losses accrued by the Partner. If the Partner does not qualify for any profit/loss accrual, such additional factor is disregarded.

Capital Reimbursement. If the balance of a Partner’s capital account become negative because of the capital withdrawals or attributed losses, then the Partner is required to immediately replenish the account with a capital contribution sufficient to restore the capital account’s balance to at least 0. Should the Partner fail to reimburse a negative capital account, s/he may be expelled from the firm (see “Governance”, supra.) Expulsion does not relieve the Partner from his/her obligation to reimburse to the firm the negative capital account balance.