
IN THE MATTER OF
LARRY P. STIDMAN

Case No. S-12-0013

COMPLAINT

The staff of the Arkansas Securities Department (Staff) hereby institutes formal administrative proceedings against Larry P. Stidman, and in pursuance of that complaint states the following:

AUTHORITY

1. This complaint is filed and this proceeding instituted pursuant to the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101 through 509, (Act), the Rules of the Arkansas Securities Commissioner (Rules), and the Arkansas Administrative Procedures Act, Ark. Code Ann. §§ 25-15-201 through 219.

RESPONDENT

2. Larry P. Stidman, CRD No. 5908681, is an Arkansas resident. He is licensed with the Arkansas Insurance Department as a resident producer insurance agent. He does business as an insurance agent through Complete Benefits Solutions, LLC, of Hot Springs, Arkansas (CBS). He was registered as an investment adviser representative with and was employed by Brokers International Financial Services, LLC, (BIFS) from May 16, 2011, until January 27, 2012. He is presently seeking employment and registration with Gradient Securities, LLC, as an investment adviser representative.

FACTUAL ALLEGATIONS

ABACUS INVESTMENT PARTNERSHIP

3. Stidman formed Abacus Investment Partnership (Abacus) by means of a partnership agreement dated October 1, 2010, a copy of which is attached hereto as Exhibit A (Agreement). According to the Agreement, Stidman was to “hold a permanent position as Managing Partner and . . . oversee the partnership operations” and would “have the power and authority to take such action from time to time as may be deemed necessary, appropriate and/or convenient in connection with the management” of the business affairs of Abacus, including specifically performing all “banking transactions,” submitting “purchase, renewal and investment instructions” and taking “any other actions in the Partnerships best interest.” Exhibit A, ¶ 5.

4. Although the Agreement specified in one part that one of three partner duties was to “Participate in deciding what investments to make by voting” in proportion to each partner’s investment, Exhibit A, ¶ 10, the permissible investments were set out in two other places in the agreement. Under the heading, “PURPOSE,” it was stated that “The purpose of the Partnership is to invest the assets of the Partnership in Life Settlements, money market funds and/or other properties.” Exhibit A, ¶ 4. In ¶ 17 of the Agreement under the heading, “INVESTMENT POLICY,” it was stated that:

The Partnership will invest for long-term results, reinvest all net earnings, invest regularly and has a goal of earning a fourteen percent (14%) compounded annual return. . . . The Partnership’s investment strategy involves the purchase of Life Settlement policies, money market funds and interest bearing accounts. The Partnership will only invest in Life Settlement policies showing:

- a. The current insured's age is in the buy zone
- b. Its' [sic] annualized return at life expectancy is 10% or Higher
- c. Expected maturity of five years or less

5. Under the terms of the Agreement, all the partners' investments were to be placed in individual capital accounts, Exhibit A, ¶ 9, and all partners were to share equally in profits and losses "in proportion to the value of each of their capital accounts." Exhibit A, ¶ 12. The Agreement required initial investments to be for a minimum of \$10,000. Exhibit A, ¶ 7. Assuming that the "Partnership's primary investment vehicles has an average maturity of three (3) years," the Agreement provided that the partners' "initial deposits/investments will not be available for withdrawal during the first 29 months." Exhibit A, ¶ 24.
6. Administration expenses were listed in ¶ 17 of the Agreement to include such things as "consulting, educational material, . . . investment advisory services, . . . and other items in the Partnerships best interest," and the funds used to pay for these expenses will be "withheld from all capital contributions in the amount of two percent (2%)." A \$49 fee was authorized in ¶ 24 of the Agreement upon the distribution or withdrawal of a partner's investment. Exhibit A, ¶ 24.
7. The Agreement provided for the payment of no other fees or expenses, and ¶ 19 of the Agreement provided that "No partner shall be compensated for services rendered to the partnership." Nevertheless, as will be detailed under the section of this complaint bearing the heading, ABACUS BANK ACCOUNT, Stidman was compensated for his services. In an email dated several weeks before her investment, Stidman explained his fees to one investor (referred to as P1) as a 2% administrative fee to cover certain expenses and a 3%

“management fee,” on “matured investments,” which he stated “is similar to a broker’s fee,” adding that “we earn our fee only when the partners have gains. We don’t make money until you make money.” Stidman collected fees by writing checks to himself (one noted for “FA [financial advisor] Management Fee,”) and CBS (one check noted for “Admin Fees”) as well as making cash withdrawals for his benefit. Examples of checks written and cash withdrawals made for Stidman’s benefit are checks written to an insurance company to repay a commission that had nothing to do with the investors in Abacus, checks for CBS utility bills and cash withdrawals by Stidman and his wife.

8. Stidman offered and sold investments in Abacus to two investors, one who will be referred to as P1, who invested \$10,000 on February 24, 2011, and another who will be referred to as P2, who invested \$30,000 on March 10, 2011. He told each investor that investments made in Abacus would be used to purchase life settlements, which were life insurance policies of wealthy individuals purchased for an amount less than the death benefit. Profits would be made, Stidman said, when the individuals died, and Abacus collected the death benefit. Stidman never showed the investors the partnership agreement, and they never knew that they had voting rights. From what Stidman told the investors, they believed that they needed to do nothing to obtain a return on their investments and that Stidman would do all that was necessary to realize a return on their investments. Stidman told each investor in Abacus that he was forming a group of investors to invest a total of \$50,000 to \$100,000.
9. Stidman did not tell P1 and P2 that he would use their funds for anything other than the investments in life settlements and the expenses he lined out for P1. Stidman specifically did not tell P1 or P2 that he would use their funds to pay debts incurred in Stidman’s insurance

business, to pay himself fees in excess of those specified in the Agreement or mentioned to P1 or to benefit Stidman and his wife.

10. Stidman returned P2's \$30,000 investment in two payments, the first payment of \$10,000 made on April 7, 2011, and the second payment of \$20,000 made on May 23, 2011. Stidman returned P1's \$10,000 investment in one payment made on January 31, 2012.
11. Stidman never purchased a life settlement contract or made any other investment on behalf of Abacus.

ABACUS INVESTMENT CLUB

12. Stidman formed Abacus Investment Club (Abacus Club) by means of a partnership agreement dated July 1, 2011, (Agreement II), a copy of which is attached hereto as Exhibit B. According to Agreement II, this was to be a general partnership with a three month term, beginning on August 1, 2011, and ending on October 31, 2011. The stated purpose of the partnership was to invest in “stocks, bonds, options, commodities, money market funds and other securities for the financial and educational benefit of the Partners.” Exhibit B, ¶ IV. Stidman was to be the managing partner and was given the same authority as he was given as the managing partner in Abacus in the exact same language, i.e., he would “oversee the partnership operations” and would “have the power and authority to take such action from time to time as may be deemed necessary, appropriate and/or convenient in connection with the management” of the business affairs of Abacus Club, including specifically performing all “banking transactions,” submitting “purchase, renewal and investment instructions” and taking “any other actions in the Partnerships best interest.” Exhibit B, ¶ V.
13. As with Abacus, all the partners’ investments in Abacus Club were to be placed in individual

capital accounts, Exhibit B, ¶ IX, and all partners were to share equally in profits and losses “in proportion to the value of each of their capital accounts.” Exhibit B, ¶ X. Agreement II required initial investments to be for a minimum of \$1,000. Exhibit B, ¶ VII.

14. Stidman sold one partnership in Abacus Club to a person who will be referred to as P3. P3 met Stidman at P3's church where Stidman had conducted a seminar on financial and insurance services offered through CBS. After the seminar, P3 emailed Stidman asking about investing in life settlements. Stidman emailed back on July 25, 2011, that P3 could invest in life settlements for a minimum of \$10,000. As an alternative, Stidman told P3 that he could invest in an investment club “for a short-term partnership actively trading Options, Futures & Commodities during the period 8/1/11 - 10/31/11 with a 4-5% period target return (annualized return of 16% - 20%).” Although the minimum investment was \$1,000, Stidman told P3 that he recommended an initial investment of \$5,000 to \$10,000. Stidman emailed P3 a copy of Agreement II on July 28, 2011, and P3 invested \$5,000 on the same day.

15. There were no provisions in Agreement II for fees or expenses to be paid to Stidman. Nevertheless, Stidman collected compensation by writing checks to himself (one noted for “FA [financial advisor] Management Fee”) and CBS (one check noted for “Admin Fees”) as well as making cash withdrawals for his benefit. Examples of checks written and cash withdrawals made for Stidman's benefit are checks written for CBS utility bills and cash withdrawals by Stidman and his wife. Stidman did not disclose to P3 that he would be collecting compensation and in fact stated in an email to P3 on September 7, 2011, that “There are no fees associated with your participation.”

16. During the three month term of this investment, P3 received several emails from Stidman

setting out in detail how P3's investment was doing, making money "using a wide mixture of options, futures , & commodities." According to Stidman's emails, his investment strategy resulted in a better result than the Dow Jones average, the Standard and Poor 500 and NASDAQ, making 5.18% for the three month period, "which when annualized out equals a 20.72% return on investment." In late February, 2012, Stidman returned P3's \$5,000 investment plus \$259, representing that the \$259 was a return on investment, achieved by Stidman's efforts in trading "options, futures and commodities."

17. In reality, Stidman never opened a trading account with any broker-dealer for Abacus Club and made no trades at all. No account with BIFS, which employed Stidman at the time, was opened in P3's name. All Stidman's emails about investment strategy were untrue.

NONSPECIFIC INVESTMENT

18. An investor who will be referred to as P4 invested \$1,000 with Stidman on January 17, 2012. He was informed that his money would be used to make small investments in increments of hundreds of dollars. P4 was led to believe that Stidman would generate profits in this way. Although he does not remember what he was shown in the way of paperwork, he wrote his check to Abacus. No account with BIFS, which employed Stidman at the time, was opened in P4's name. P4 has yet to make any returns or receive his money back.

19. As will detailed under the section of this complaint bearing the heading, ABACUS BANK ACCOUNT, P4's \$1,000 investment was not used for any investments. It was used only to help pay back P1 for her \$10,000 investment.

ABACUS BANK ACCOUNT

20. On March 16, 2011, Stidman opened a bank account for Abacus (Abacus Account) that he

used for both Abacus and Abacus Club. On that date, Stidman deposited the \$40,000 collectively invested in Abacus by P1 (\$10,000) and P2 (\$30,000).

21. On April 7, 2011, Stidman used \$13,000 of these funds to pay back a commission to an insurance company, a transaction that had nothing to do with P1, P2 or Abacus. On the same date, Stidman paid P2 back \$10,000 of her investment. These transactions left a balance of \$17,000 in the Abacus Account.
22. On May 20, 2011, Stidman deposited \$3,050.00 of unknown origin into this account, which brought the balance up to \$20,050.00. Stidman used \$20,000 of these funds to repay the remainder of P2's investment on May 23, 2011. This payment left the Abacus Account with a balance of \$50. On that date, P1's \$10,000 investment had not been repaid or invested.
23. The next transaction in the Abacus Account occurred on August 2, 2011, when Stidman deposited P3's \$5,000 investment in Abacus Club, resulting in an account balance of \$5,050. Stidman used these funds to pay personal bills and expenses connected with CBS. Stidman wrote checks to himself, one noted to be for "FA [financial advisor] Management Fee" for \$150 and another for \$1,500, noted to be for "Comm." Stidman wrote a check for \$1,150 to CBS noted to be "Admin Fees." Stidman and his wife made cash withdrawals totaling \$2,100. Stidman used the Abacus Account to pay CBS's electricity bills to Entergy totaling \$859.57. By January 12, 2012, the Abacus Account had a balance of \$40.43.
24. On January 30, 2012, Stidman deposited P4's \$1,000 investment and \$9,000 of unknown origin, resulting in a balance of \$10,040.43. On January 31, 2012, Stidman used \$10,000 to return P1's investment, resulting in a balance in the account of \$40.43. On that date, P4's \$1,000 investment had not been repaid or invested in any way.

ADDITIONAL FACTS

25. Stidman paid back P3's \$5,000 investment plus the \$259 Stidman represented to be a return on the investment from another bank account. P3 received that check on February 25, 2011.
26. In regard to investments in Abacus, a search of the records of the Department reflects no registration, no proof of exemption from the registration provisions of the Act and no notice filing filed in the case of a covered security under federal law in accordance with Ark. Code Ann. § 23-42-509.
27. In regard to investments in Abacus Club, a search of the records of the Department reflects no registration, no proof of exemption from the registration provisions of the Act and no notice filing filed in the case of a covered security under federal law in accordance with Ark. Code Ann. § 23-42-509.
28. When Stidman sold P3 an investment in Abacus Club, he was registered as an investment adviser representative of BIFS, but he opened no account with BIFS for P3.
29. When Stidman sold P4 an investment, he was registered as an investment adviser representative of BIFS, but he opened no account with BIFS for P4.

WILLFUL VIOLATIONS OF THE ACT

30. In the offer and sale of investments in Abacus to P1 and P2, Stidman offered and sold unregistered securities in violation of Ark. Code Ann. § 23-42-501.
31. In the offer and sale of an investment in Abacus Club to P3, Stidman offered and sold an unregistered security in violation of Ark. Code Ann. § 23-42-501.
32. In the offer and sale of an investment to P4, Stidman offered and sold an unregistered

security in violation of Ark. Code Ann. § 23-42-501.

33. Stidman's statements to the investors that their funds would be used only to purchase investments when the funds were used for a variety of purposes for the personal benefit of Stidman, his wife and his insurance business were material misstatements of fact in violation of Ark. Code Ann. § 23-42-507(2).

34. In advising P3 during the three month term of his investment that Stidman was engaged in trading securities in such a way as to make profits that bested benchmarks such as the Standard and Poor 500 and in paying P3 a return that Stidman did not in fact make by exercising control over what purchases and sales would be made with P3's investment funds, Stidman engaged in an act, practice or course of business as an investment adviser which was fraudulent, deceptive and manipulative and which operated as a fraud or deceit upon P3, a violation of Ark. Code Ann. § 23-42-307(a)(2) and Rule 308.02(v), Rules of the Arkansas Securities Commissioner.

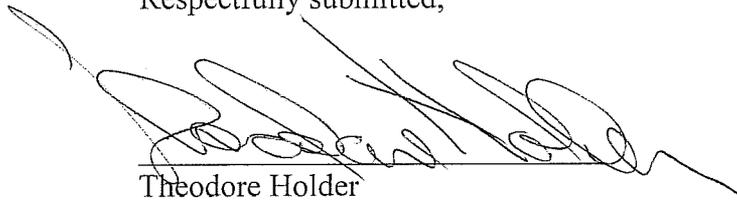
WHEREFORE, the Staff respectfully prays that the Commissioner to assess the following penalties:

- 1) revoke Stidman's registration with BIFS as of the last date on which his registration was effective in Arkansas in accordance with Ark. Code Ann. § 23-42-308(a)(2)(B) for the willful violations of the Act set forth above that occurred while he was registered with BIFS, namely the offer and sales of unregistered securities to P3 and P4 by means of securities fraud and the securities fraud committed by an investment adviser in regard to P3;
- 2) deny Stidman's registration with Gradient Securities, LLC, in accordance with Ark. Code Ann. § 23-42-308(a)(2)(B) for all the willful violations of the Act set forth above;

- 2) fine Stidman in an appropriate amount in accordance with Ark. Code Ann. § 23-42-308(g) up to \$10,000 for each offer or sale of the unregistered investments made to P1, P2, P3 and P4 (one investment offered and sold to each) , each offer or sale of an unregistered security being a violation of Ark. Code Ann. § 23-42-501;
- 3) fine Stidman for securities fraud in the offer or sale of securities in violation of Ark. Code Ann. § 23-42-507(2) by making material misstatements of fact in connection with the offer or sale of a security in an appropriate amount in accordance with Ark. Code Ann. § 23-42-308(g) of up to \$10,000 for each offer or sale of the unregistered securities made to P1, P2, P3 and P4 (one investment offered and sold to each) ; and
- 4) fine Stidman in an appropriate amount in accordance with Ark. Code Ann. § 23-42-308(g) of up to \$10,000 for securities fraud by an investment adviser in connection with his statements to and actions concerning P3, violations of Ark. Code Ann. § 23-42-307(a)(2) and Rule 308.02(v), Rules of the Arkansas Securities Commissioner.

The Staff further requests the Commissioner to set a date for a hearing and for all other just and proper relief as the Commissioner deems just and proper.

Respectfully submitted,



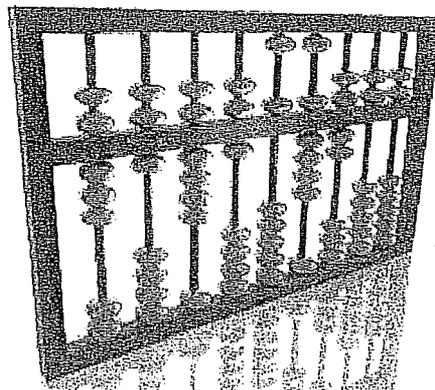
Theodore Holder
ARKANSAS SECURITIES DEPARTMENT
Heritage West Building, Suite 300
201 East Markham Street
Little Rock, Arkansas 72201

Counsel for the Staff

Abacus Investment Partnership

Partnership Agreement

October 1, 2010



EXHIBIT

 A

ABACUS INVESTMENT PARTNERSHIP AGREEMENT

THIS AGREEMENT OF GENERAL PARTNERSHIP, effective October 1, 2010, by and between the undersigned, and others who make capital contributions to a Partnership capital account, as General Partners, agrees to be bound by this Agreement and amendments thereto.

NOW, THEREFORE IT IS AGREED:

1. **FORMATION:** The undersigned and others who make capital contributions to a Partnership capital account hereby form a General Partnership (the "Partnership"), in, and in accordance with the laws of the state of Arkansas.
2. **NAME:** The name of the partnership shall be **Abacus Investment Partnership**, hereinafter known as "Partnership".
3. **TERM:** The partnership shall begin on October 1, 2010, and continue until terminated as hereinafter provided.
4. **PURPOSE:** The purpose of the Partnership is to invest the assets of the Partnership in Life Settlements, money market funds and/or other properties for the partners' educational benefit.
5. **OFFICERS:** The Partnership's founder, Larry P. Stidman, will hold a permanent position as Managing Partner and will oversee the partnership operations. The Managing Partner shall have the power and authority to take such action from time to time as may be deemed necessary, appropriate and/or convenient in connection with the management and conduct of the business and affairs of the Partnership, including but not limited to:
 - a. Acting as liaison between the Partnership and outside contacts
 - b. Complete banking transactions for the Partnership
 - c. Submit voting topics to the Partnership members
 - d. Validate voting results
 - e. Submit purchase, renewal and investment instructions
 - f. Take any other actions in the Partnerships best interest
6. **MEETINGS:** Meetings, conference calls, and/or webinars shall be held as determined by the Partnership. ALL CLUB INVESTMENTS REQUIRE A VOTE.
7. **CAPITAL CONTRIBUTIONS:** Each Partner shall make an initial capital contribution of at least \$10,000 with no maximum capital contribution. Additional capital contributions in \$5,000 increments can be made at any future date. All capital contributions will be held in safe keeping in a FDIC insured account until the capital pool meets the minimum desired amount of \$100,000 and used for purchases.
8. **VALUE OF PARTNERSHIP:** The current value of the assets of the Partnership, less the current value of the liabilities of the Partnership, (hereinafter referred to as "Partnership Value") shall be determined on the last day of each month.
9. **CAPITAL ACCOUNTS:** A capital account shall be maintained in the name of each partner (each person or other entity) contributing capital to the Partnership. When a capital account is established, the partner shall designate in writing the type of capital account desired from the following alternatives:

- a. Individual Account: Solely in the name of an individual partner, who is the only person having the right of withdrawal. At death, withdrawals may be made only on the signature of the legal representative of the estate of the deceased partner.
- b. Joint Account With Right of Survivorship: In the names of two persons, each of whom has the right of withdrawal without the signature of the other. Upon the death of one, the account will convert to an individual account solely in the name of the survivor.
- c. Joint Account Without the Right of Survivorship: In the names of two persons, each of whom has the right to withdrawal without the signature of the other. Upon the death of one, any further withdrawals may be made only on the joint signature of the survivor and the legal representative of the estate of the deceased.
- d. Individual Retirement Account: Solely in the name of the beneficiary of the IRA. At death, withdrawals may be made only on the signature of the custodian of the IRA or legal representative of the estate of the deceased partner.
- e. Revocable Trust Account: A voluntary and revocable trust account in the name of one person as trustee for the benefit of another person as beneficiary. Withdrawals may be made only on the signature of the trustee, and upon the death of the trustee, the account converts to an individual account solely in the name of the beneficiary.
- f. Corporation, Association, Trust & Fiduciary Accounts: Opened in the name of a corporation, unincorporated association, trustee, personal representative or guardian.
- g. Custodial Account: A complete and irrevocable gift in the name of one person as custodian solely for the benefit of a minor beneficiary. Withdrawals may be made only on the signature of the custodian, and upon the death of the custodian, the account converts to an individual account solely in the name of the beneficiary.

10. PARTNER DUTIES: Each partner shall:

- a. Participate in deciding what investments to make by voting in proportion to their respective value of all capital accounts.
- b. Honor the commitments made by signing this Partnership Agreement
- c. Keep their address, phone number and email address current with the President / Managing Partner.

11. BYLAWS: The Partnership may adopt Bylaws that shall govern the conduct of its business in accordance with this Agreement. The Bylaws shall be adopted and amended, from time to time, by a majority vote of partners.

12. SHARING OF PROFITS AND LOSSES: Net profits and losses of the Partnership shall inure to and be borne by the partners, in proportion to the value of each of their capital accounts.

13. BOOKS OF ACCOUNT: Books of account of the transactions of the Partnership shall be kept and be available and open to inspection and examination by any partner anytime. This includes an open review of the bank accounts, money

market accounts, account statements, and financial statements of any kind relating to the operation and flow of member funds.

14. ANNUAL ACCOUNTING: Each year, financial statements and an account of the condition of the Partnership shall be presented to the partners.
15. BANK ACCOUNT: The Partnership may open a FDIC bank account. Funds in said account may be transferred to and from the Partnership's escrow account, if any, or paid out by check signed by the Managing Partner.
16. ESCROW ACCOUNT: Partnership may open one or more government insured escrow account(s) and enter into such agreements as required by the escrow agency. All Partnership investments shall be held in Accounts registered to **Abacus Investment Partnership**.
17. INVESTMENT POLICY: The Partnership will invest for long-term results, reinvest all net earnings, invest regularly and has a goal of earning a fourteen percent (14%) compounded annual return. Total return consists of policy maturities, dividends and interest income. The Partnership's investment strategy involves the purchase of Life Settlement policies, money market funds and interest bearing accounts. The Partnership will only invest in Life Settlement policies showing:
 - a. The current insured's age is in the buy zone
 - b. Its' annualized return at life expectancy is 10% or Higher
 - c. Expected maturity of five years or less
18. ADMINISTRATION EXPENSES: Administration expenses include, but are not limited to: accounting and income tax preparation, computer services, consulting, educational material, fundamental and technical analysis, investment advisory services, legal services, marketing, meeting room rental, partner communications, supplies, third-party research, and other items in the Partnerships best interest. These expenses will be paid with funds withheld from all capital contributions in the amount of two percent (2%).
19. COMPENSATION OF PARTNERS: No partner shall be compensated for services rendered to the partnership, as the partnership is established for the mutual financial and educational benefit of all partners
20. ADDITIONAL PARTNERS: Additional partners may be admitted whenever the number of partners is less than ninety-nine.
21. TERMINATION OF PARTNERSHIP: The Partnership may be terminated by a vote of three-fourths (75%) majority of all partners. Written notice of any decision to dissolve the Partnership shall be given to all partners within thirty (30) days of said decision. The Partnership shall thereupon be terminated by the payment of all debts and liabilities of the Partnership and the distribution of the remaining assets in cash to all the partners in proportion to their capital balances. Should a termination occur, a withdrawal of principal balances from all policies will take place "at principal only" with no interest accrued during the period these policies were held and a complete forfeiture of all policy interest.
22. WITHDRAWAL OF A PARTNER: Any partner may withdraw a part of all of the value of his capital account in the partnership and the partnership shall continue as a taxable entity. The partner withdrawing all or a part of the value of his capital account shall give notice of such intention in writing to the Managing

Partner. Written notice shall be deemed to be received as of the first meeting of the partnership at which it is presented. If written notice is received between meetings it will be treated as received at the first following meeting. Withdrawal may only take place after the first twenty-nine of partnership operation. In making payment, the value of the partnership as set forth in the financial statements prepared for the partners will be used to determine the value of the partner's account. The partnership shall pay the withdrawing partner a portion or all of the value of his capital account in accordance with paragraph 25 of this agreement.

23. **FORCED WITHDRAWAL:** A partner may be asked to withdraw by a majority vote of all partners. Such a vote shall be treated as a notice of complete withdrawal. Liquidation and payment of the partner's capital account shall proceed in accordance with paragraph 25.
24. **PARTNERSHIP DISTRIBUTIONS:** Since the Partnership's primary investment vehicles has an average maturity of three (3) years, initial deposits/investments will not be available for withdrawal during the first 29 months. If a partner wishes to withdraw funds prior to the maturity of any policy, they may offer for sale, "the face amount of their investment only" to other partners, there-by transferring their proportional ownership in partnership shares. As policies mature members will be notified via email and have 8 business days to reply as to reinvestment of their proportional amount. No response will signal full reinvestment of their proportional amount of the policy maturity.
25. **TERMS OF PAYMENT:** Except for Partnership Distributions, upon the partial or complete withdrawal of a partner, the Partnership shall pay a purchase price of one hundred percent (100%) of their capital account, or portion withdrawn, less forty-nine dollars (\$49.00). Partnership distributions shall be withdrawn at one hundred percent (100%) of the portion withdrawn. The Valuation Date shall be the date written notice of withdraw is received. The Partnership Value on the Valuation Date shall determine the value of the partner's capital account, or portion withdrawn. Said purchase price shall be paid to the withdrawing partner within thirty (30) days after the Valuation Date.
26. **FORBIDDEN ACTS:** No partner shall:
 - a. Have the right or authority to bind or obligate the Partnership to any matter outside the scope of the Partnership's purpose.
 - b. Without the unanimous consent of all partners, assign, transfer, pledge, mortgage or sell all or part of their interest in the Partnership.
 - c. Use the Partnership name, credit or property for other than Partnership purposes.
 - d. Do anything detrimental to the interests of the Partnership or which would make it impossible to carry on the Partnership's purpose.
27. **AMENDMENTS:** This agreement may be amended by a two-thirds vote of all partners. All proposals of amendments shall be provided in writing to the partners ninety (90) days prior to any such vote. Written notice of any decision to amend this agreement shall be given to all the partners within thirty (30) days of said decision.

THIS AGREEMENT OF GENERAL PARTNERSHIP and amendments thereto, is hereby declared and shall be binding upon the respective heirs, executors, trustees, administrators and personal representatives of the partners. The partners have caused this Agreement of General Partnership to be executed on October 1, 2010. This agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which, when taken together, constitute one and the same document binding on all parties. By signing below, the Managing Partner declares that he has received a copy of, and read, the **Abacus Investment Partnership Agreement**, understands it and agrees to its terms and conditions, and is in support of it.

MANAGING PARTNER

Signature: Larry P. Stidman

Printed Name: Larry P. Stidman

Dated: October 1, 2010

Partnership Contact Information

Abacus Investment Partnership
Larry P. Stidman, Managing Partner
2233 Albert Pike Road, Suite B
Hot Springs, Arkansas 71913
Tel: 501-617-0360 Fax: 866-708-7768

Abacus Investment Partnership Agreement Signature Page and Capital Transmittal

This agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which, when taken together, constitute one and the same document binding on all the parties. By signing below, the person so signing declares that they have received a copy of, and read, the **Abacus Investment Partnership Agreement**, understands it and agrees to its terms and conditions, as is in support of it.

Signature	
Date	
Partner's Name	
Address	
Social Security #	
Date of Birth	
Telephone #	
Email Address	

Make your check (or cashier's check) payable to Abacus Investment Partnership and return a signed copy of this transmittal with the payment.

Your initial subscription amount will be held in safe keeping in a FDIC insured bank account until the capital pool meets the desired minimum amount of \$100,000. The Managing Partner will send an email confirmation of receipt of your initial subscription amount.

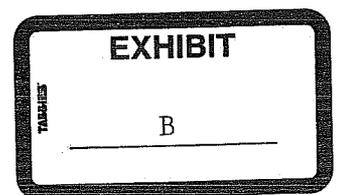
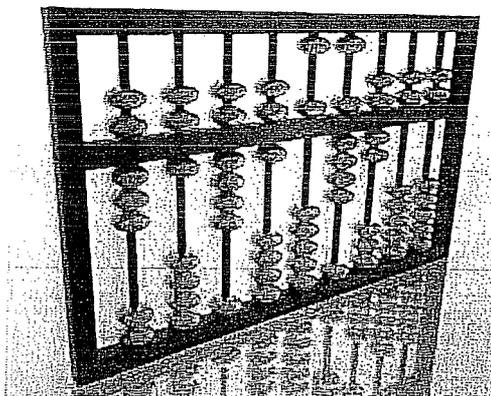
Initial Capital Amount: \$ _____

Our Mailing Address
 Abacus Investment Partnership
 c/o Larry P. Stidman
 2233 Albert Pike Road, Suite B
 Hot Springs, AR 71913

Abacus Investment Club

Partnership Agreement

July 1, 2011



PARTNERSHIP AGREEMENT

of the

Abacus Investment Club

THIS AGREEMENT OF GENERAL PARTNERSHIP is made as of July 1, 2011, by and between the undersigned Partners.

I. FORMATION

The undersigned and others who make capital contributions to a Partnership capital account hereby form a General Partnership (the "Partnership"), in, and in accordance with the laws of the state of Arkansas.

II. NAME

The name of the partnership shall be **Abacus Investment Club**, hereinafter known as "Partnership".

III. TERM

The partnership activity shall begin on August 1, 2011, and continue for a period of three months, ending on October 31, 2011.

IV. PURPOSE

The purpose of the Partnership is to invest the assets of the Partnership in stocks, bonds, options, commodities, money market funds and other securities for the financial and educational benefit of the Partners, while employing fundamental principles and techniques of sound investment practices.

V. MANAGING PARTNER

Larry P. Stidman, will hold the position as Managing Partner and will oversee all partnership operations. The Managing Partner shall have the power and authority to take such action from time to time as may be deemed necessary, appropriate and/or convenient in connection with the management and conduct of the business and affairs of the Partnership, including but not limited to:

- a. Acting as liaison between the Partnership and outside contacts
- b. Complete banking transactions for the Partnership
- c. Submit voting topics to the Partnership members
- d. Validate voting results
- e. Submit purchase, renewal and investment instructions
- f. Take any other actions in the Partnerships best interest

VI. MEETINGS

Periodic meetings, conference calls, and/or webinars shall be held regularly as determined by the Partnership. Weekly activity summaries will be emailed to the Partners.

VII. CAPITAL CONTRIBUTIONS

Each Partner shall make an initial capital contribution of at least \$1,000 with no maximum capital contribution. All capital contributions will be held in safe keeping in a FDIC insured bank account until the capital pool is utilized for investment purchases.

VIII. VALUATION OF PARTNERSHIP

The current value of the assets of the Partnership, less the current value of the liabilities of the Partnership, (hereinafter referred to as "Partnership Value") shall be determined on the last day of each month.

IX. CAPITAL ACCOUNTS

A capital account shall be maintained in the name of each Partner. Any increase or decrease in the value of the Partnership on any valuation date shall be credited or debited, respectively, to each Partner's capital account on that date. Any other method of valuing each Partner's capital account may be substituted for this method, provided the substituted method results in exactly the same valuation as previously provided herein. Each Partner's contribution to, or capital withdrawal from, the Partnership shall be credited or debited, respectively, to that Partner's capital account.

X. SHARING OF PROFITS AND LOSSES

Net profits and losses of the Partnership shall inure to, and be borne by, the Partners, in proportion to the value of each of their capital accounts.

XI. BOOK OF ACCOUNT

The Book of Account shall be a complete set of accounts, consisting of assets, liabilities, individual Partner accounts, and appropriate revenue and expense accounts. It shall use the double-entry accounting system. Books of Account of the transactions of the Partnership shall be kept and at all times be available and open to inspection and examination by any Partner.

XII. BANK ACCOUNT

The Partnership may open a FDIC bank account. Funds in said account shall be withdrawn by checks signed by the Managing Partner.

XIII. NO COMPENSATION

No Partner shall be compensated for services rendered to the Partnership.

XIV. PARTNERSHIP DISTRIBUTIONS AT TERMINATION

After the termination date set forth above, a full and complete account of the condition of the Partnership shall be presented to the Partners. Payment shall then be made of all liabilities of the Partnership, and a final distribution of the remaining assets shall be made promptly to the Partners in proportion to each Partner's capital account.

XV. FORBIDDEN ACTS

No partner shall:

- a. Have the right or authority to bind or obligate the Partnership to any matter outside the scope of the Partnership's purpose.
- b. Without the unanimous consent of all partners, assign, transfer, pledge, mortgage or sell all or part of their interest in the Partnership.
- c. Use the Partnership name, credit or property for other than Partnership purposes.
- d. Do anything detrimental to the interests of the Partnership or which would make it impossible to carry on the Partnership's purpose.
- e. Make any unauthorized withdrawals from any Partnership assets account.

THIS AGREEMENT OF GENERAL PARTNERSHIP shall be binding upon the respective heirs, executors, administrators and personal representatives of the partners.

The partners have caused this Agreement of General Partnership to be executed on July 1, 2011. This agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which, when taken together, constitute one and the same document binding on all parties. By signing below, the Managing Partner declares that he has received a copy of, and read, the **Abacus Investment Partnership Agreement**, understands it and agrees to its terms and conditions, and is in support of it.

MANAGING PARTNER

Signature: Larry P. Stidman

Printed Name: Larry P. Stidman

Dated: July 1, 2011

Partnership Contact Information

Abacus Investment Club
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