

# **Full Disclosure of Self-Dealing between the Parent Investment Club (PIC) and its Subsidiaries**

## **Objective:**

This document provides full transparency about the nature of self-dealing between The BNIC Network LLC (aka the Parent Investment Club (PIC)) and its subsidiaries (Series Investment Clubs or SICs) within the Closed Private Investment Network (CPIN). The goal is to ensure that all investment club members (investors) are aware of how the PIC operates within the network and to disclose the ways in which this relationship facilitates access to investment opportunities that sophisticated, unaccredited investors might otherwise not have access to.

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## **1. PIC's Role and Ownership in SICs**

- The Parent Investment Club (PIC, The BNIC Network LLC), structured as a **Wyoming Series LLC**, holds **non-voting membership** in each Series Investment Club (SIC).
- The PIC acts as the **Secretary** for each SIC, responsible for administrative and governance duties, ensuring that each SIC operates within the legal framework and follows best practices.
- The PIC holds an equity interest in each SIC (one membership interest unit) and stands to gain from its financial performance. This creates a **self-dealing relationship** where the PIC, as both a manager and an equity holder, may benefit from its decisions on behalf of the SIC.

## **2. Investment Opportunities (IOs) through Special Purpose Vehicles (SPVs)**

- The PIC may present **Investment Opportunities (IOs)** to the SICs through **Special Purpose Vehicles (SPVs)**. These IOs are made available only to qualified SIC members who meet the requirements of accredited or sophisticated investors, as defined by the SEC.
- The PIC's role as both an equity holder and a decision-maker in each SIC means that **self-dealing occurs** when presenting these IOs, as the PIC will benefit financially from the transactions.
- This self-dealing structure provides SIC members with **exclusive access** to high-value investment opportunities that would otherwise be unavailable to unaccredited sophisticated investors.

### 3. Benefits of Self-Dealing for Investors

- **Access to High-Quality Investments:** The self-dealing arrangement gives investors access to exclusive IOs typically only available to accredited angel or venture capital investors.
- **Alignment of Interests:** The PIC's financial interests align with those of the SIC members, ensuring that the PIC is motivated to present lucrative opportunities that benefit all parties.
- **Efficiency:** The PIC's involvement in managing SICs streamlines operations, allowing for quicker decision-making and efficient administration of investment opportunities.

### 4. Risks Associated with Self-Dealing

- **Conflict of Interest:** As both a member and officer of each SIC, the PIC may have conflicts of interest when presenting IOs, particularly in cases where the PIC stands to benefit from transactions at the expense of the SIC or its members.
- **Mitigation:** Full disclosure of self-dealing practices is provided to ensure transparency. All SIC members are made aware of these relationships, and the PIC will take steps to ensure that all IOs are presented fairly and with the best interests of the SICs in mind.

### 5. Your Rights as an Investor

- SIC members have the right to full disclosure regarding the PIC's role in managing investment opportunities.
- Members may choose not to participate in any IO they feel does not align with their goals or where conflicts of interest may arise.
- Members are encouraged to review all IO details thoroughly before committing to an investment.

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### Section 4(a)(2) Exemption Compliance

In accordance with the **Section 4(a)(2) exemption** under the Securities Act, the following procedures and restrictions are in place to ensure compliance:

#### 1. IOs Limited to Investment Club Members

- Investment Opportunities (IOs) are only available to members of the CPIN with whom the PIC has a pre-existing relationship.

- Members may **view** IOs once they have completed the application and intake form but **cannot invest** until all required KYC and AML documents have been submitted and approved.
- Members who are unaccredited investors must also complete the required educational module titled **How to Evaluate an Investment Opportunity** before they are designated as sophisticated investors and eligible to invest.

## 2. Educational Requirements for Sophisticated Investors

- The **How to Evaluate an Investment Opportunity** module covers essential topics such as:
  - **Risk Management:** Understanding and managing various types of risks, including market, liquidity, and geopolitical risks.
  - **Money Management:** Implementing strategies for asset allocation and diversification.
  - **Investment Opportunity Scorecard:** A tool to evaluate and compare IOs based on factors such as potential return, liquidity, tax implications, and probability of success.
- Only members who demonstrate adequate understanding by passing the module's test with a 70% or better, or showing relevant knowledge or experience, are granted access to invest in IOs.

## 3. Pre-existing Relationships Requirement

- All CPIN members are invited by existing members who have a **pre-existing relationship** with them. Invitations are granted on a **referral-only basis**, ensuring compliance with the **Section 4(a)(2)** requirement.
- After being invited, new members must complete an **application process, intake form**, submit documents to comply with our **KYC** (Know Your Customer) and **AML** (Anti-Money Laundering) processes, and be designated as either an **Accredited Investor** or **Sophisticated Investor** before being granted the ability to invest in IOs.
- **No general solicitation is permitted**, and CPIN strictly forbids public advertising or recruitment by members.

## **Invitational Model and Exclusivity**

### **Ensuring Pre-existing Relationships**

To comply with the Section 4(a)(2) exemption, CPIN implements the following procedures to ensure all prospective members have a demonstrable pre-existing relationship with the referring party:

#### **1. Vetting and Application Process**

- Each prospective member must go through a thorough **vetting process**, which includes:
  - Completing an application form that asks specific questions about how they were referred to the network and their relationship with the referring member.
  - Reviewing their background to confirm their suitability for CPIN membership.
  - The application will be reviewed by the PIC to verify the authenticity of the relationship and ensure that it meets the criteria of a pre-existing relationship.

#### **2. Member Accountability and No General Solicitation**

- Referring members will be held accountable for ensuring that their invitations comply with the **no general solicitation** rule. Any violations will result in penalties up to and including removal from the network.
- The CPIN will establish clear guidelines on what constitutes public solicitation, and these guidelines will be communicated to all members.