

ABILITIES FINANCE

Internal Governance & Operational Control

GOVERNANCE DOCUMENT 3 OF 9

PROFIT-SHARE CALCULATION POLICY

Policy Objective: Establishes the exact mathematical procedures and timing for calculating the $80/20$ profit split to ensure absolute accuracy and transparency.

1. Definition of Realized Profit

Profit is defined strictly as realized gains from closed trading positions.

Unrealized gains (paper profits on open positions) are never distributed or included in the $80/20$ calculation.

2. Calculation Methodology

Step 1: Determine Total Pool Realized Profit for the period.

Step 2: Determine Lender's Proportional Share (Lender Principal / Total Pool Capital).

Step 3: Calculate Gross Profit Share (Total Profit \times Proportional Share).

Step 4: Apply $80/20$ Split (80% to Lender, 20% retained by Abilities Finance).

3. High-Water Mark / Drawdown Recovery

If the pool experiences a realized loss, no profit share is taken by Abilities Finance until the principal high-water mark is recovered.

All subsequent realized gains go 100% to recovering the principal before the $80/20$ split resumes.

4. Reporting

Every distribution or reinvestment must be accompanied by a Profit Share Calculation Statement showing the exact math.

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