

## PACIFIC INVESTORS INVESTMENT PARTNERSHIP AGREEMENT

**THIS AGREEMENT OF PARTNERSHIP**, effective February 11, 2025, and between the undersigned, as General Partners agree to be bound by this Agreement and amendments thereto. This Agreement and all questions concerning interpretation and enforcement of contracts, or the performance of this Agreement shall be interpreted, construed, and enforced in accordance with the laws of the state of Washington.

**NOW, THEREFORE, IT IS AGREED:**

1. **FORMATION:** The undersigned hereby form a General Partnership in accordance with the laws of the state of Washington.
2. **NAME:** The name of the partnership shall be **PACIFIC INVESTORS (but it shall also be known as PACIFIC INVESTORS INVESTMENT PARTNERSHIP)**, hereinafter known as “**PI**.”
3. **TERM:** PI shall begin on June 30, 2003, and continue until it is dissolved as hereinafter provided.
4. **PURPOSE:** PI will strive, via educational programs, to educate its partners about successful investment strategies and tools, and to implement those strategies for the benefit of its partners.
5. **MEETINGS:** Periodic partner meetings shall be set by a vote of PI’s Partners.
6. **OFFICERS:** At the Annual Meeting in March or April, and as vacancies occur, partners shall be elected **Managing Partner, Financial Partner, Trading Partner, Portfolio Partner, Education Partner, and Recording Partner**, who shall take office immediately upon adjournment of the meeting at which they are elected. The officers will manage all PI operations. The Managing Partner shall be the designated Partner Representative (PR) for the purposes of 26 USC Section 6223 and shall be responsible for dealing with the IRS in the event of an audit. Unless otherwise directed by the partners, the Managing Partner shall annually, in connection with filing PI’s Form 1065 tax return, indicate that PI elects to be treated under 26 USC subsection 6221(b)(1)(a), that is, an election out of the audit rules of 26 USC Section 6221. The Managing Partner shall include with such election any required information to make such election effective. In the event of an IRS audit, the Managing Partner will represent PI but is not authorized to make any settlement agreement without the majority consent of the partners.
7. **CAPITAL DEPOSITS:** Capital deposits shall purchase units at the Valuation Date’s PI Value on the day of the capital deposit. Unless a partner has a Capital Account balance which exceeds \$250,000, they shall make one monthly deposit ending in the same number of cents as the partner’s partnership number plus a minimum of \$300.00. We want to adjust our minimum deposit for inflation: \$20 in 1943 is our base, adjusted for inflation to 9/9/2023 it would be \$353.40. The minimum monthly deposit may be lowered for an individual partner by a vote of PI partners on a case-by-case basis, with a motion that states the alternative deposit amount and when it expires.
8. **VALUE OF THE PARTNERSHIP:** The current value of the assets of PI, less the current value of the liabilities of PI, (hereinafter referred to as "PI Value") shall be determined using the unit-based partnership accounting procedures provided by bivio as of the Valuation Date. Whenever the total PI Value exceeds \$25,000,000 on December 1<sup>st</sup> forced distributions shall be made that month, proportionally, to partners whose Capital Account balance that December 1<sup>st</sup> is over \$500,000, enough to reduce the total PI Value to \$24,000,000.
9. **CAPITAL ACCOUNTS:** A tax-based capital account shall be maintained in the name of each partner, each of whom shall be a natural person or the estate of a deceased partner. **Individual Account:** Solely in the name of an individual partner, who is the only person having the right to vote the units and withdraw funds. At a partner’s death, withdrawals may be made only on the signature of the legal representative of the estate of the deceased partner and upon PI receiving an original death certificate.
10. **MANAGEMENT:** Each partner shall participate in the management of PI in proportion to their capital accounts. Each partner shall: A) participate in deciding what investments to make **by voting on all proposed PI Investments**, B) honor the commitments they made on their PI application and Partnership Responsibilities Agreement, C) keep their address, phone, and e-mail addresses/numbers current with the Managing Partner, Financial Partner, and Trading Partner, and D) Voting by proxy is allowed via the proxy forms provided by the Managing Partner. All decisions shall be made by a majority vote of credit balances (units) in PI, except for amending or terminating this partnership agreement. Notwithstanding the above, PI may vote by one vote per Partner, however all such votes are subject to any Partner’s right to have PI vote by credit balances (units) in PI.

10.1: **Managing Partner:** The **Managing Partner** is the firm's executive leader responsible for overall management, strategic direction, and operation efficiency. They oversee day-to-day operations, fiscal management, and regulatory compliance. Our managing partner leads business development efforts, fosters client relationships, and ensures that the firm maintains its competitive edge in the market. They collaborate closely with our **Senior Partners** to execute the firm's vision and objectives for our benefit.

10.2: **Senior Partners:** are seasoned professionals who have wide-ranging experience and a significant ownership stake in the firm. They are leaders in their respective fields, responsible for overseeing investment portfolios, client relationships, and firm-wide operations. They play a pivotal role in setting the firm's investment policies, managing risk, and driving financial performance. They contribute to strategic initiatives, mentor **Junior** and **Associate Partners**, and represent the firm in industry forums. Movement between partner levels shall be proposed by the Senior Partners, to all the partners, and all the partners will decide at the next Annual Meeting.

10.3: **Junior Partners:** have demonstrated proficiency in investment analysis, client relationship management, actively contribute to the firm's investment decisions, are a *Certified Pacific Investor*<sup>®</sup>, mentor **Associate Partners**, have achieved a high level of firm ownership, and strive to become **Senior Partners**.

10.4: **Associate Partners:** are in the initial stages of their investment education and careers, are learning from more senior partners, gaining experience with investment strategies and client management, begin building an ownership stake in the firm, strive to become a *Certified Pacific Investor*<sup>®</sup> within 3 years, and strive to become **Junior Partners**.

11. **SHARING OF PROFITS AND LOSSES:** Net profits and losses of PI shall inure to and be borne by the partners, in proportion to the value of their capital account. Income and expenses will be allocated to each partner on the date they occur, based on the number of units of ownership each partner has on that date.

12. **BOOKS OF ACCOUNT:** Books of account of the transactions of PI shall be kept and always be available and open to inspection and examination by any partner. PI will account for its finances and prepare the required tax forms using the unit-based partnership accounting procedures provided by bivio. Partners will receive units of ownership when they make contributions of capital to PI. The number of units they receive will be based on the PI Value on the date the deposit is made into a PI Capital Account. Under Section 6221 of the tax code, we elect to opt out of the new audit rules.

13. **ANNUAL FINANCIAL REVIEW:** Each calendar year PI partners appointed by the Managing Partner will conduct a Financial Review of the PI books and make a report on the PI books to the partners.

14. **BROKERAGE ACCOUNT(S):** No partner may be a broker. PI may open SIPC (Securities Investors Protection Corporation) insured brokerage account(s) and enter into such agreements as required by the broker(s) for the purchase or sale of securities. All PI securities shall be held in street name in PI's Brokerage Account(s), registered to Pacific Investors. The Managing Partner, Financial Partner, and Trading Partner may move money between, sign checks on, and place trades in PI's SIPC insured brokerage accounts.

15. **INVESTMENT POLICY:** PI's goals: A) Tax-Smart Investing: 60% taxed as Federal long-term Capital Gains, 40% taxed as Federal short-term Capital Gains. PI also seeks: B) to Double Our Money in Five Years, C) a 17.19% compound annual return and D) to outperform the S&P 500 Index. PI may invest in Non-Equity Broad-Based Index Options which qualify under IRC Section 1256. Examples of 1256 Non-Equity Index Options are SPX, XSP, RUT, MRUT, VIX, VX, and VXM. **Every investment involves an element of risk.** By signing this partnership agreement, each partner states that they understand and accept that risk, understands that no returns are guaranteed, understands that any prior investment results of PI do not assure future comparable results, and understands that they could lose all the money they invest in PI. Partners further acknowledge that no statements or discussions made as part of the partnership's activities should be construed as individual investment advice.

16. **EXPENSES:** Expenses may not exceed \$50,000 per calendar year. Expenses are due and payable until paid or the following calendar year's end. Investment Advisory fees and Performance Fees to Partners are prohibited.

17. **ADDITIONAL PARTNERS:** Additional **Partners** may be admitted whenever the number of Partners is less than one hundred, the proposed new partner is sponsored by a current partner, and the Partners vote to accept the proposed new partner. Each partner shall be a natural person or the estate of a deceased partner.

18. **REMOVAL OF A PARTNER:** Any partner may be removed by a majority vote. Such a vote shall be treated as a notice of a complete/full withdrawal. Liquidation and payment of the partner's capital account(s) shall proceed in accordance with paragraph 22.

19. **TERMINATION OF PARTNERSHIP:** PI may be terminated by a two-thirds vote of credit balances (units) in PI, if preceded by a written notice to the partners at least sixty days in advance. Written notice of any decision to dissolve PI shall be given to all the partners within thirty days of said decision. PI shall thereupon be terminated by the payment of all debts and liabilities and the distribution of the remaining assets in cash to all the partners in proportion to their credit balances.

20. **WITHDRAWALS BY A PARTNER:** Partners may withdraw any part, or all, of their capital account(s), with a written or email notice of withdrawal to the Managing Partner, Financial Partner, and Trading Partner.

21. **PARTNER FEES:** All partner units used to pay fees are distributed to all the remaining partners. A) Whenever a partner's actions result in a **direct cost** to PI (such as an NSF charge), it shall be deducted from their partner's capital account. B) For each **Education Conference Class, RoundtableSymposium<sup>®</sup>**, lunch, dinner, or Banquet a Partner misses, Annual Meeting missed, and evaluation they do not submit \$20 shall be deducted from their partner's capital account, for a maximum of \$600 per year. C) Each year a Partner does not **attend at least ten monthly Partner online Meetings** \$20 shall be deducted from their partner's capital account for each meeting missed, for a maximum of \$240 per year. D) Partners buy their first set of PI books, receive additional books from PI without charge, and maintain their copies of the books on PI's current education curriculum. E) Each year a Partner does not **post to their bivio website partner folder at least ten months of acceptable homework** \$20 shall be deducted from their partner's capital account for each set of homework not so posted, for a maximum of \$240 per year. F) Each year if a Partner does not attend **at least two 1<sup>st</sup> Saturday Workshops** \$20 shall be deducted from their partner's capital account for each Workshop missed, for a maximum of \$60 per year. G) Each time a partner: 1) **fails to make their required deposit**, or 2) **deposits less** than their minimum, or 3) **does not make all their deposits on the 10<sup>th</sup> or 20<sup>th</sup> of the month**, or 4) **makes a deposit that does not end in the same number of cents** as their partnership number \$20 shall be deducted from their partner's capital account. H) Notwithstanding paragraph 22 partners may request PI, in writing, to establish, change, or cancel reoccurring monthly transfers from their PI account to the partner's individual Fidelity Account (stating their Fidelity account number and the monthly transfer amount) for a \$20 fee per request, if their PI account balance remains above \$250,000 post transfer. I) The Managing Partner may waive or reduce a Partner's Fee if the Managing Partner deems it to be in PI's best interest.

22. **TERMS OF PAYMENT:** Partner Fees and withdrawals shall be withdrawn at one hundred percent of the partner's capital account value, or portion withdrawn. The Deposit Valuation Date shall be the date funds are received by PI. The Withdrawal Valuation Date, and the date fees are assessed, shall be the Tuesday before the third Friday of the month after the partner's written or email notice of withdrawal is received. The purchase price shall be paid to the withdrawing partner within 10 days after the Withdrawal Valuation Date. The minimum redemption fee is \$20. A partner's first withdrawal each calendar year, which would otherwise be subject to the wording below, shall have a redemption fee of \$20. If a partner's withdrawal results in their new balance being less than \$25,000 their redemption fee is 1.5% of their withdrawal amount. If their withdrawal results in their new balance being between \$25,000 and \$124,999 their redemption fee is 1% of their withdrawal amount. If their withdrawal results in their new balance being between \$125,000 and \$249,999 their redemption fee is 0.5% of their withdrawal amount.

23. **FORBIDDEN ACTS:** No partner shall: A) Have the right or authority to bind or obligate PI to any matter outside the scope of PI's purpose. B) Without the unanimous consent of all partners, assign, transfer, pledge, mortgage, or sell all or part of their interest in PI. C) Purchase an investment for PI outside a PI brokerage account established under the authority of Section 14 of this Partnership Agreement. D) Use PI's name, credit, or property for other than PI's purposes. E) Do anything detrimental to the interests of PI or which would make it impossible to continue PI's purpose. F) PI may NOT invest in Forex, Futures, Commodities, or real estate.

24. **RULES OF ORDER:** For provisions not covered by this partnership agreement, or PI's Operating Procedures, *Robert's Rules of Order Newly Revised* shall govern.

25. **AMENDMENTS:** This agreement of partnership may be amended by a two-thirds vote of the credit balances (units) in PI, if preceded by a written notice to the partners at least thirty days in advance. Written notice of any decision to amend this agreement shall be given to all the partners within thirty days of said decision. All amendments shall be incorporated within this partnership agreement.

**THIS AGREEMENT OF 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 Partnership to be executed effective on June 30, 2003.

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 the same document binding on all the parties. By signing below, the people signing declare they have received a copy of, and read, the Pacific Investors Partnership Agreement, understand it and agrees to its terms and conditions. New Partners may be added by executing a signature page in the form attached, without the requirement that existing Partners execute a written consent to the same.

**PARTNERS:** (Signature of partner) 02/11/2025

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Dated: \_\_\_\_\_

**PACIFIC INVESTORS PARTNERSHIP AGREEMENT SIGNATURE PAGE**

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**PARTNERS:** (Signature of partner)

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Dated: \_\_\_\_\_