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# Exhibit 2

**PARTNERSHIP AGREEMENT**

**OF**

**HOFFMAN PROPERTIES**

**BY AND BETWEEN**

**JUDITH J. HOFFMAN**

**AND**

**ROBERT D. HOFFMAN**

**DATED: FEBRUARY 16, 1989**

**PREPARED BY:**

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OF  
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**PARTNERSHIP AGREEMENT**

**OF**

**HOFFMAN PROPERTIES**

THIS PARTNERSHIP AGREEMENT is entered into and effective as of January 8, 1988, by and between JUDITH J. HOFFMAN, hereinafter called "SISTER" of San Diego, California and ROBERT D. HOFFMAN, hereinafter called "BROTHER" of Kirwin, Kansas.

The parties hereto, having been in business together as partners during the prior year, having mutual confidence in each other, desire to formalize their arrangement by this written agreement and do hereby become Partners by entering into this Partnership upon the terms and conditions as set forth herein, and therefore agree as follows:

**1. GENERAL PROVISIONS**

1.1 The parties hereto do hereby form a Partnership for investment purposes and more specifically to purchase, lease, sell and refinance real property.

1.2 The parties hereto have previously purchased certain real property located at 4032 Alabama Street, San Diego, California 92104. Title to said property was taken by the parties as tenants-in-common. Notwithstanding the form of said title, the parties intend and desire that such real property shall be considered and be treated as the property of and as an asset of the Partnership.

1.3 The name of the Partnership shall be HOFFMAN PROPERTIES.

1.4 The principal place of business of the Partnership shall be 2918 Marquette Street, San Diego, California 92106, or at such other place or places as the Partners shall hereafter determine.

1.5 The Partnership commenced on January 8, 1988, and shall continue until dissolved in accordance with the terms of this Agreement.

**2. CAPITAL CONTRIBUTIONS**

2.1 The Partners made equal initial and are to make equal additional capital contributions to the Partnership.

2.2 Subsequent capital contributions, as such are needed by the Partnership, shall be made by each Partner in equal shares. In the event either Partner fails to make such subsequent capital contribution, the Partner who has contributed his or her share may consider the sums so advanced as loans to the Partnership.

2.3 Neither Partner shall receive, or be entitled to receive, interest on his or her initial or subsequent capital contributions to the Partnership.

2.4 No Partner shall withdraw any of the Partnership capital without the written consent of the other Partner.

**3. ACCOUNTING MATTERS**

3.1 Books of account shall be kept by SISTER for the Partners, and proper entries made therein of all the sales, purchases, receipts,

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payments, engagements, transactions, and property of the Partnership.

3.2 The Partnership books shall be maintained at the principal office of the Partnership and each Partner shall at all times have access thereto. The books shall be kept on a cash basis.

3.3 The accounting period of the Partnership shall be from January 1 through December 31 of each year. A yearly accounting shall be made by SISTER as soon as is practical after the close of the year and such accounting shall be made available to the Partners.

4. PROFITS, LOSSES AND EXPENSES

4.1 The Partners shall be entitled to the net profits arising from the operation of the Partnership business that remain after the payment of the expenses of conducting the business of the Partnership. Each Partner shall be entitled to the distributive share of the profits specified below:

NAME	PERCENTAGE
SISTER	Fifty (50%) percent
BROTHER	Fifty (50%) percent

The distributive share of the profits shall be determined and paid to the Partners on the last day of December of each year.

4.2 All losses that occur in the operation of the Partnership business shall be paid out of the profits of the business, or, if such sources are deficient in funds to cover such losses, by the Partners as loans to the Partnership in the following shares:

NAME	PERCENTAGE
SISTER	Fifty (50%) percent
BROTHER	Fifty (50%) percent

4.3 All the costs to bring about the formation of the Partnership and all of the expenses and costs required to operate the Partnership business and affairs shall be paid by the Partnership.

4.4 The distribution of any net profits shall be determined from a joint review of the Partnership accounting records. At no time shall the distribution of profits exceed an amount which would render the Partnership insolvent, jeopardize the Partnership credit rating or otherwise create an unreasonable or undesirable financial situation. The Partners shall determine an amount, if any, which shall be retained in the Partnership account as a reserve for expenses.

4.5 The term "net profits" as used herein shall mean the net profits of the Partnership as determined by generally accepted accounting principles for each accounting period.

5. RIGHTS, DUTIES, SALARIES AND LIABILITIES OF PARTNERS

5.1 Neither Partner, during the continuance of the Partnership, shall pursue, or become directly or indirectly interested in, any business or occupation which is in conflict with the business of the Partnership or with the duties and

responsibilities of such Partner to the Partnership.

5.2 Each Partner shall devote to the business of the Partnership as much of his or her time, attention and influence to Partnership affairs as may be reasonable or necessary for the furtherance of such business and affairs.

5.3 Each Partner, for his or her time devoted to the business of the Partnership, shall receive, in addition to his or her share of any profits, the following compensation:

NAME	SALARY
SISTER	\$ _____ per month
BROTHER	\$ _____ per month

5.4 The Partners covenant that they presently are not, and agree that they shall not become during the existence of the Partnership, without written consent of the other Partner, obligated under any bond, suretyship or security agreement, bail contract, or as co-signer for any individual, partnership, or corporation, and shall not knowingly cause or allow to be done anything whereby the Partnership property may be attached or taken in execution.

5.5 Each Partner shall pay his or her separate debts punctually and shall indemnify the other Partner and the capital and property of the Partnership against the same and all expenses on account thereof.

#### 6. MANAGEMENT OF BUSINESS

6.1 Except as otherwise provided in this agreement, both Partners shall have equal rights in the management and conduct of the Partnership. Decisions regarding the day-to-day operations of the Partnership business shall be the responsibility of SISTER. In the case of illness, vacation or other absence from the Partnership business and affairs of either Partner, the other Partner shall have full authority to administer the Partnership affairs during such period of absence.

6.2 For purposes of the Partnership business, but subject to any limitations and restrictions imposed by this agreement, each Partner shall have equal power and authority in using the Partnership name and in binding the Partnership, in making contracts and purchasing goods, and in otherwise trading, buying, selling, or managing on behalf of the Partnership. Such authority of either Partner shall be limited to an amount not to exceed the sum of Five Thousand Dollars (\$5,000.00) per contract or purchase per month, per vendor. Expenditures in excess of Five Thousand Dollars (\$5,000.00) per contract or purchase per month, per vendor, shall require the written consent of both Partners. Except for emergency situations, expenditures in excess of said Five Thousand Dollar (\$5,000.00) amount without the consent of the other Partner shall be the sole responsibility of the Partner making such expenditure.

6.3 With respect to administrative decisions, major business decisions, business policy, and purchases or expenditures in excess of Five Thousand Dollars (\$5,000.00) that cannot be resolved or agreed upon between the Partners, such matters shall be resolved by a mutually agreed upon arbitrator. If such an arbitrator cannot be mutually agreed upon, it shall be decided by a majority vote of three (3) arbitrators with one named by SISTER, one named by BROTHER, and one

name by FRANK E. DE NOEWER, attorney for the Partnership.

6.4 Withdrawals from the Partnership accounts (except payments of Partnership debts and expenses) for the benefit of the Partners shall be on the signatures of both Partners acting together.

6.5 The terms and conditions under which new Partners may be admitted to the Partnership shall be subject to the approval of both Partners.

6.6 No Partner shall hire any person for employment by the Partnership or dismiss, except in case of gross misconduct, any person in the employment of the Partnership without the consent of the other Partner.

6.7 The Partnership will indemnify each Partner in respect of payments made and personal liabilities reasonably incurred by either Partner and consented to by the other Partner, in the ordinary and proper conduct of the Partnership business, or for the preservation of the business or property of the Partnership.

6.8 Without call or notice, the Partners shall hold annual meetings at times and places to be selected by the Partners. In addition, special meetings may be called by either Partner at any time after the giving of ten (10) days' notice to the other Partner. Notice of special meetings shall be by actual notice in person or by telephone to the other Partner. Either Partner may waive notice of any meeting, and attendance of a Partner at a meeting constitutes a waiver of notice of such meeting, except in the event that the other Partner attends a meeting and protests the lack of notice to her.

6.9 All Partnership funds shall be deposited in the Partnership name in an account at Point Loma Federal Credit Union, San Diego, California. All checks, drafts, or other withdrawal slips drawn on such Partnership accounts for payment of normal day to day Partnership business expenses may be signed by either Partner.

6.10 A capital account shall be maintained on the Partnership books on behalf of each Partner. Such account shall be credited with that Partner's contributions to the capital of the Partnership and shall be debited and credited in the manner prescribed in subpart 6.11 of this Article.

6.11 An income account shall be maintained on the Partnership books on behalf of each Partner. Such account shall be closed to the capital account of the Partner at the close of the fiscal year. As soon as practical after the close of each fiscal year, and at such other times as the Partners may decide, the income account of each Partner shall be credited with that Partner's distributive share of profits or debited with his or her share of the losses. Any losses to be debited to a Partner's income account that exceed the credit balance of such account shall be debited to that Partner's individual capital account. If, as a result of debiting a Partner's individual capital account with the excess losses, his or her capital account is depleted, future profits of that Partner shall be credited to his or her capital account until such depletion has been eliminated.

7. RESTRICTIONS ON TRANSFER

7.1 Except as otherwise provided in this agreement, no Partner may sell, assign, transfer, encumber, or otherwise dispose of any interest in the Partnership without the prior written consent of the other Partner.

## 8. WITHDRAWAL OR RETIREMENT OF PARTNER

8.1 In the event either Partner shall desire to withdraw or retire from the Partnership, or becomes disabled so that he or she is unable to fulfill his or her obligations to the Partnership as specified in this agreement, such Partner shall serve upon the other Partner written notice of his or her intention to withdraw. Such notice shall be served thirty (30) days prior to the effective date of such Partner's withdrawal. If either Partner is adjudged incompetent or insane, then his or her conservator shall give notice thereof to the other Partner in the same manner as provided herein.

8.2 The remaining Partner shall have the option, which may be exercised by delivery to such withdrawing Partner of a written notice of exercise at any time within thirty (30) days after the delivery of the notice of withdrawal, to purchase such withdrawing Partner's interest at an agreed upon price. If no agreement can be reached as to said price, then the price shall be conclusively determined by an independent business appraiser.

8.3 If the remaining Partner fails to exercise his or her option to purchase the withdrawing Partner's interest, such withdrawing Partner shall have the right to sell his or her interest in the Partnership to a buyer approved of by the remaining Partner. If the remaining Partner fails to approve of the proposed Partner, he or she shall then attempt to obtain a buyer acceptable to him or her.

8.4 If the remaining Partner fails to obtain an acceptable buyer within thirty (30) days, the withdrawing Partner shall be free to sell his or her interest to the originally proposed buyer of his or her Partnership interest.

## 9. INSURING LIVES OF PARTNERS

9.1 The parties further agree that within a reasonable time after the execution of this Partnership Agreement they will investigate the feasibility of entering into an insurance funded agreement which would provide for the continuance of the Partnership business on the death of a Partner, and for the purchase of his or her interest in the Partnership by the surviving Partner.

## 10. EXPULSION OF PARTNER

10.1 Either Partner may be expelled from the Partnership on the following grounds:

(a) Failure of a Partner to make, when due, any contribution required to be made under the terms of this agreement, when such failure has continued for a period of thirty (30) days after written notice thereof.

(b) Failure to fulfill any other obligation to the Partnership as specified in this agreement, when such failure has continued for a period of thirty (30) days after written notice thereof.

(c) Adjudication of the Partner as insane or incompetent.

(d) Disability of the Partner to the extent that he or she is unable for a period of three (3) months to fulfill his or her obligations to the Partnership as specified in this agreement.

(e) The making of an assignment for the benefit of creditors, the filing of a petition under the Bankruptcy Act or under any similar law or statute of the United States or any state thereof, or the adjudication of the Partner as a bankrupt or insolvent in proceedings filed against such Partner under any such act or statute.

10.2 On the occurrence of any event listed in subpart 10.1 of this Article, the defaulting Partner may be expelled from the Partnership by the other Partner on giving the defaulting Partner thirty (30) days' notice of expulsion. Such notice shall briefly state the grounds for the expulsion.

11. DISSOLUTION; WINDING UP; LIQUIDATION

11.1 The Partnership shall be dissolved on the happening of the following events:

- (a) Withdrawal, retirement, or expulsion of either Partner;
- or
- (b) Death, disability, or bankruptcy of either Partner;
- or
- (c) Agreement of both parties.

11.2 On dissolution of the Partnership, the remaining Partner shall have the right to elect to continue the business of the Partnership under the same name, by himself or herself, or with any additional persons he or she may choose.

11.3 If, on dissolution, the remaining Partner elects to continue the Partnership business under subpart (11.2) of this Article, he or she shall pay to the retiring, withdrawing, or expelled Partner, or to the estate of the deceased Partner, the value of such Partner's interest, as determined by subpart (11.4) of this Article, as of the date of dissolution. Such payment shall be made within six (6) months of dissolution.

11.4 The value of a Partner's interest in the Partnership shall be computed by (1) adding the totals of (a) his or her capital account, (b) his or her accrued but unpaid income account and (c) any other amounts owed to him or her by the Partnership; and (2) subtracting from the sum of the above totals the sum of the totals of any amount owed by him or her to the Partnership or by the Partnership to its creditors.

11.5 On dissolution of the Partnership, if the Partnership business is not continued pursuant to subpart (11.2) of this Article, it shall be wound up and liquidated as quickly as circumstances will allow. The assets of the Partnership shall be applied to Partnership liabilities in the following order:

- (a) Amounts owing to creditors other than Partners;
- (b) Amounts owing to Partners other than for capital and profits;
- (c) Amounts owing to Partners in respect to capital; and
- (d) Amounts owing to Partners in respect to Profits.

## 12. LIMITATIONS ON PARTNERSHIP AUTHORITY

12.1 Neither Partner shall engage in any of the following acts without the written consent of the other Partner:

(a) Assign, pledge, hypothecate, or mortgage any asset belonging to the Partnership, or execute any bond in the Partnership name;

(b) Pledge the credit of the Partnership in any way except in the ordinary course of business;

(c) Make an assignment for the benefit of creditors;

(d) Release, assign, or transfer a Partnership claim, security, commodity, or any asset belonging to the Partnership;

(e) Make, draw, or accept any note, bill of exchange, or any obligation for the payment of money;

(f) Become a surety, guarantor, endorser, or accommodation endorser for any other person or firm;

(g) Borrow any money in the name of the Partnership or lend any money belonging to the Partnership;

(h) Submit a Partnership claim or liability to arbitration or reference, or confess a judgment against the Partnership; or

(i) Sell, mortgage, hypothecate, or assign his or her share in the Partnership or any profits or capital.

## 13. AMENDMENT OF PARTNERSHIP ARTICLES

13.1 These Articles may be amended by an agreement of both Partners at any time during the continuance of the Partnership. The Agreement may be amended or modified in whole or in part, but any amendment or modification shall be in writing and signed by both of the Partners.

13.2 Any amendment or modification of this Agreement shall be dated, and where any conflict arises between the provisions of said amendment or recent provisions incorporated in earlier documents, the most recent provisions shall be controlling.

13.3 It shall not be necessary to revise the entire Partnership Agreement where only minor changes are effected, and alterations shall be permitted either on the face of this instrument, by way of addendum, or in an entirely new document, providing, however, that such alteration shall be dated and the signatures of both Partners shall appear in reasonable proximity to such alteration.

## 14. METHOD OF NOTICE TO PARTNERS

14.1 All notice under this Agreement shall be in writing and shall be effective upon personal delivery, or if sent by the United States mail upon seventy-two (72) hours after deposit in the United States mail.

## 15. ARBITRATION OF DISPUTES

15.1 In the event any controversy or claim arising out of this

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Partnership Agreement cannot be settled by the Partners or their legal representatives, such controversy or claim shall be settled by arbitration in accordance with the then current rules of the American Arbitration Association and the rules of discovery as set forth in the California Code of Civil Procedure and the California Civil Code, and judgment upon the award may be entered in any court having jurisdiction thereof.

16. ATTORNEY FEES

16.1 In the event that either party hereto shall commence an arbitration proceeding or any legal or equitable action or proceeding including an action for declaratory relief, against the other by reason of the alleged failure of the other to perform or keep any term, covenant, or condition of this Agreement by him or her to be performed or kept, the party prevailing in said arbitration, action or proceeding shall be entitled to recover, in addition to his or her arbitration and court costs, reasonable attorney's fees to be fixed by the arbitrator and/or the court, and such recovery shall include the arbitration costs, court costs and attorney's fees on appeal if any. As used herein, "the party prevailing" means the party in whose favor final judgment is rendered.

IN WITNESS WHEREOF, the Partners have executed this Agreement on the date opposite their respective signatures and make it effective on the date first set forth above.

DATED: 2-16-89

  
JUDITH J. HOFFMAN

DATED: 2-16-89

  
ROBERT D. HOFFMAN