

Profit Watch Investment Group, Inc.

Purpose:

Provide an investment vehicle with a twenty (20) percent annually compounded return on investment.

Strategy

Invest in [high yield equity instruments](#)¹ and [high risk stocks or ETFs](#)².

Target:

Twenty (20) percent annual compounded return on investment. Trading activity will be [minimal](#)³. Equity positions will be held for long term growth and income. Profit Watch Investment Group (PWIG) should only be considered by [long term investors](#)⁴. Invest only money you can [afford to lose](#)⁵.

Organization:

A [Michigan](#)⁶ Sub-S Corporation (IEN # available upon request) with three Stock Holders designated as [Authorized Traders](#)⁷ with rotating three year ([calendar year](#)⁸) terms. As the term of an Authorized Traders is about to expire, the Stock Holders will fill the soon to be vacated position in September of each year. The Authorized Traders will be responsible for executing all trades, maintaining accurate membership records including membership accounting, getting tax preparation completed in a timely manner, and any other administrative and executive tasks. They are also responsible for all expenditures including legal, accounting and all operating expenses. The corporation will not have any employees. No salaries will be paid to any officer, director or Authorized Trader.

Voting Rights:

All matters requiring a vote of the Stock Holders will be based on the number of shares each Stock Holder owns.

Share Value:

The share value will be determined daily by dividing the total account value (as determined by Fidelity) by the total number of shares owned by all Stock Holders. New Stock Holders that are invited and accepted will have their shares (computed to 4 decimal places) determined by dividing their [total investment](#)⁹ by the Share Value at the close of the trading day that their funds are available for investment in the Fidelity account.

Account Type:

PWIG will maintain a margined brokerage account at [Fidelity](#)¹⁰ (margin to be used [rarely and conservatively](#)¹¹ – if at all)

Distributions:

No distributions are anticipated until PWIG is terminated. However, there will be an option for all shareholders to take a [Tax Stock Buy-back](#)¹² to pay their taxes. The Authorized Traders will establish an estimated [Profit/Loss](#)¹³ each December and notify the Stock Holders by December 31st. If a Stock Holder wants a Tax Stock Buy-back of his/her shares, they must notify the Authorized Traders before February 28th each year. The Tax Stock Buy-back will be paid on or before April 1st. A Tax Stock Buy-back will be treated as a Voluntary Withdrawal.

Stock Restrictions

Once purchased, stock can only be sold to an existing stock holder (as long as the purchasing stock holder's resulting total shares do not exceed 20% of the total stock in PWIG) or redeemed as a Voluntary Withdrawal.

Term:

PWIG will terminate on [December 31, 2022](#)¹⁴ unless terminated earlier by vote of 75% of the shares.

Participation Guidelines

- Participation will be restricted to individuals with a net worth of no less than [\\$500,000](#)¹⁵.
- **Participation is by invitation only.** An invited Stock Holder **MUST** complete the Stock Holder Information Form which can be found at the end of this document.
- Potential Stock Holders must be sponsored by no less than 10% of the total Stock Holders (minimum of two sponsors). Potential Stock Holders must be approved by 51% of the total Stock Holders.
- An individual will become a Stock Holder when their deposit has [cleared the Fidelity](#)¹⁶ account and is available to be invested.

Termination Guidelines

Voluntary withdrawals:

Any Stock Holder can request full or partial withdrawal of shares from his/her account by submitting written notice to the Authorized Traders. The [withdrawal amount](#)¹⁷ will be determined by computing [95% of the Share Value](#)¹⁸ at the market close on the first trading day after the next option's expiration day (normally the Monday after the third Friday of the month) times the number of shares required to meet the withdrawal request. PWIG will have up to 60 days after the option's expiration day to pay the withdrawing Stock Holder; however, every effort will be made to pay as soon as reasonably possible.

Involuntary Withdrawals:

Involuntary Withdrawals may be caused by death of a Stock Holder, bankruptcy of a Stock Holder, a court order against a Stock Holder, or any legal requirement that causes a Stock Holder to terminate his/her membership in PWIG. Involuntary withdrawals will be for all the shares owned by the Stock Holder. The withdrawal amount will be determined by the computing 100% of the Share Value at the market close on the first trading day after the next option's expiration day times the number of shares owned. PWIG will have up to 60 days after the option's expiration day to pay the withdrawing Stock Holder; however, every effort will be made to pay as soon as reasonably possible.

Termination of PWIG:

Upon Termination of PWIG the Authorized Traders will liquidate all assets and distribute the proceeds to all Stock Holders based upon their respective shares held. Two thousand dollars or one (1) percent of the total liquidated assets, whichever is greater, will be held to pay any [corporation closing expenses](#)¹⁹. All remaining funds will be distributed to all Stock Holders within 30 days of the final liquidation of all assets. Once all corporation closing expenses have been paid, the remaining funds will be distributed within 30 days.

Investment Guidelines

Investments:

The initial funds will be invested by the Authorized Traders based upon the following guidelines:

1. Execute one or more buy-writes (buy the stock and sell covered CALLs as a single transaction) for ERX with a "Net Debit" using approximately 25% of the available funds.
2. Sell one or more out-of-the-money cash covered PUTs for ERX with a strike price approximately \$5 or more below the current price using approximately 25% of the funds to cover any potential PUTs.
3. Purchase as many shares of AGNC as possible using all remaining available funds (this may be accomplished using nearest term in-the-money cash covered PUTs). Once AGNC shares have been purchased, covered CALLs may be sold if deemed advisable by the Authorized Traders.

Although the Authorized Traders may sell LEAPs, they may decide to sell PUTs and CALLs with shorter expiration dates if they feel they may be more profitable. For example, it may be more desirable (and profitable) to sell covered CALLs with out-of-the-money strike prices and shorter expiration dates to take advantage of increasing prices in the underlying security. This would work best in an expected up market where it is most desirable to keep the underlying security and sell covered CALLs with ever increasing strike prices.

If the 20% target return is met every year, a \$10,000 investment on September 30, 2012 will be worth \$65,013.23 at termination on December 31, 2022 if Tax Stock Buy-backs are not taken each year. If 25% of each year's profits are taken as Tax Stock Buy-backs each year, a \$10,000 investment on September 30, 2012 will be worth \$41,972.66 on December 31, 2022.

Footnotes

- 1 We are looking for relatively safe annual dividend of 15% or more
- 2 Securities with a historical track record that will generate 20+% option premiums
- 3 Once a year is most desirable but more realistically once a quarter or even once a month for option trades
- 4 PWIG is an S-Corp with a life of 10 years - you should consider this investment as a 10 year commitment. There are provisions to withdraw funds before the 10 year termination but that should not be part of your investment plan in PWIG
- 5 If losing your investment in PWIG would affect your life style, you should NOT invest in PWIG!
- 6 Articles of Incorporation approved July 11, 2012 and assigned number 04457J. A copy of the approved articles is available upon request.
- 7 Authorized Traders (ATs) are the only Stock Holders that are authorized to trade securities.
- 8 Each Authorized Trader's (AT) term will expire on December 31st. No two AT's terms will expire the same year.
- 9 The minimum and maximum investment is \$10,000 and \$25,000. After the Initial Investment Period (which ended 9/30/2012), the number of shares the investment amount will purchase will probably never be an even number of shares.
- 10 Account number XXX-XX4111 (available to shareholders only)
- 11 Margin use will not be a practice of PWIG, however, it may be used in certain cases for purchasing equity positions before the ex-dividend date for the number of shares the dividend will yield (the cost of the shares will be covered when the dividend is actually paid), etc.
- 12 A Tax Stock Buy-back is a special case of a Voluntary Withdrawal.
- 13 The AT will use their best judgment concerning the potential profit or loss for the current year.
- 14 PWIG is scheduled to terminate in 10 years; however, the Share Holders may extend the life of PWIG or terminate the corporation earlier if 75% of the shares approve the change.
- 15 The method to determine if a prospective member meets this requirement is left strictly up to the prospective member.
- 16 At the end of the trading day that the new money is available to be invested in the Fidelity account will determine the number of shares to be purchased with the new money.
- 17 The requested withdrawal can be either for a fixed dollar amount or a specific number of shares.
- 18 This is a five percent early withdrawal penalty.
- 19 Such as legal, accounting and office expenses, etc.

Profit Watch Investment Group, Inc. Stock Holder Information Form

Name to be used on your stock certificate: _____

Mailing Address:

Street line 1 _____

Street line 2 _____

City, State, Zip _____

Telephone Number: _____

Cell Phone Number: _____

Social Security Number: _____

Email Address: _____

Amount of initial investment: _____

Please make check payable to: "Fidelity Brokerage Services LLC" and in the memo line, write "**for account # Z69-334111**".

I hereby certify that my net worth is greater than \$500,000.00.

I understand that this is a high risk investment and certify that any loss from this investment will not materially affect my standard of living.

I also hereby affirm that I have read and agree with the provisions in the document titled "Profit Watch Investment Group Information".

Signed: _____ Date: _____

Please attach check to this form and send to:

Jerry Henderson
840 The Esplanade N Unit 404
Venice, FL 34285

Names of sponsors:

For PWIG use only: Check Number: _____ Date Received: _____ Date Deposited: _____ Date Funds Avail: _____ Stock Certificate Number: _____
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