



**INVESTMENT ADVISORY AGREEMENT**

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between Client(s)

\_\_\_\_\_ & \_\_\_\_\_, Joint Tenants

and

**Sparrow Wealth Management (“SWM”)**

1. **PURPOSE OF THE AGREEMENT.** This agreement is to confirm our understanding of the terms and conditions for asset management services and the nature and limitations of the services SWM will provide. This agreement focuses on describing SWM’s asset management services, the fees to be paid to SWM by the Client, the term of the agreement, and the responsibilities of SWM and the Client.
  
2. **GENERAL SERVICES.** SWM’s process for providing asset management begins with the establishment of the client’s goals, objectives, time horizon, and risk tolerance. SWM works with the client to understand these critical components. Then, SWM assists the client in developing an Investment Policy Statement that clearly shows how the client’s assets will be allocated across the various asset classes or risk factors. In developing the Investment Policy Statement, the first decision that must be made is how much of the client’s assets to invest in fixed income and how much to invest in equity. Then, SWM allocates the equity portion of the client’s portfolio across the following asset classes—U.S. and international, small and large, and value and growth. For the fixed income portion of the portfolio, SWM primarily invests in short-term bonds, intermediate bonds, and inflation-adjusted bonds. **Depending on the Client’s specific needs and goals,** SWM may decide to use additional asset classes (not mentioned above), or SWM may exclude some its standard asset classes.

SWM’s basic investment philosophy is firmly rooted in the conviction that securities markets are generally efficient and that investment returns are primarily determined by asset allocation rather than by market timing or stock picking. Therefore, asset class investments are mostly implemented through the use of no-load, passively structured mutual funds,

conventional index funds, and real estate investment trusts (REITs). Most of the funds that SWM uses are only available to institutional investors and approved investment advisors. In rare cases, SWM will use actively managed funds. With regards to selecting funds, SWM is primarily concerned with the fund's management style, consistency, and expense ratios.

SWM will manage the Client's assets on a discretionary basis, which means that SWM will not be required to consult with the Client prior to making trades. However, SWM promises to invest and reinvest the cash, securities, and other property in accordance with the asset allocation that the Client has agreed to in the Investment Policy Statement. In addition, SWM will have authority to sell securities and other property managed by SWM to meet the Client's cash needs or to pay SWM's quarterly fees if the Client has requested that they be debited from their brokerage account.

SWM will conduct monthly account reviews to determine if client portfolios are significantly out of tolerance as compared to the desired asset allocation in the Client's Investment Policy Statement. In addition, SWM may review client portfolios more frequently depending on the market conditions. If a client's portfolio is significantly out of tolerance, SWM may reallocate the portfolio to the asset allocation that is specified in the Investment Policy Statement. The decision to rebalance is based on many factors, including the client's cash flow needs, the degree to which the account is out of tolerance, tax consequences, and trading expenses.

3. **FEES.** The annual charge for SWM's asset management service is .75% of *assets under management* for amounts up to \$3,000,000, .50% for amounts between \$3,000,000 and \$5,000,000, and .25% for amounts over \$5,000,000. The term, *assets under management*, generally refers to assets that are held in one or more brokerage account(s) where SWM has a Limited Power of Attorney on the account(s). *Assets under management* may also include the Client's retirement plans with their employer, such as 401(k) or 403(b) plans, if the Client wants SWM to manage these accounts. Fees are paid quarterly, in advance, and they are based on the market value of the account(s) as of the last day of the prior quarter. Quarterly payments will be due every April 30, July 31, October 31, and January 31. Fees for the first quarter will be prorated based on the number of days that services are provided. If a Client wants to have these fees debited directly from their brokerage account, the Client must provide a written authorization to do so. SWM sends the Client an invoice itemizing the fee, including any formula used to calculate the fee, the time period covered by the fee, and the amount of assets on which the fee was based. The Client may terminate SWM's asset management service at any time and a pro-rata refund (by day) of any fees paid will be made to the Client. Lower fees for comparable services may be available from other sources. SWM does not require that the Client maintain a minimum amount of assets under management to enter into or continue this agreement. SWM does not charge setup or termination fees.

In addition to the above fees charged for SWM's services, each mutual fund or REIT charges on-going management fees for the operations of the fund. These management fees should not be confused with "loads" or commissions. SWM primarily utilizes "no load" funds for its clients, except in rare circumstances. Also, the Client will pay transaction fees to the brokerage firm for purchases and sales of mutual funds, securities, and REITs.

4. TERM OF AGREEMENT. This agreement shall last until either SWM or the Client chooses to terminate it.

5. RESPONSIBILITIES OF SPARROW WEALTH MANAGEMENT.

- SWM will keep in strict confidence all of the information about the financial affairs of the Client.
- SWM is responsible to provide asset management services as previously explained in this agreement. However, SWM makes no explicit or implied guarantee with respect to the outcome of any investment made on the Client's behalf.
- SWM represents that it is a fee-only financial planning and asset management company. As such, SWM does not receive any compensation, either directly or indirectly, from mutual funds, brokerage firms, or any source other than from the fees paid by clients.
- SWM strives to disclose any material conflict of interest relating to it or its representatives and employees that could be reasonably expected to impair the rendering of unbiased or objective advice. Conflicts of interest may include, but are not limited to, (a) compensation arrangements connected with advisory services which are in addition to the advisory fees, (b) other financial industry activities or affiliations, or (c) participation of interest in client transactions. Material conflicts of interest in these and other areas of SWM's business have been disclosed in its Form ADV Part 2.

6. RESPONSIBILITIES OF THE CLIENT.

- The Client is responsible to make sure that they understand what SWM is explaining to them. In other words, if SWM explains an investing concept to the Client, and the Client does not understand it, the Client should make sure to ask SWM to repeat the explanation in a way that makes sense to the Client.
- The Client is responsible for disclosing all relevant facts and information that are necessary for SWM to provide accurate and comprehensive advice for the Client's unique situation.
- The Client gives SWM permission to contact their other advisors (i.e., CPA, attorney, stock broker, insurance agent, etc.) to gather information and data that is necessary for SWM to provide its asset management services to the Client.
- The Client agrees not to hold SWM liable for any act or failure to act with respect to investment advice given except in the absence of good faith, provided that this paragraph will not relieve SWM from any liability imposed by the Securities Act of 1933, the Employee Retirement Income Security Act of 1974, or other applicable law, which cannot be waived.

