

# Prosperity Financial Group, Inc.

## ASSET MANAGEMENT AGREEMENT

AGREEMENT, made this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_, between the undersigned party (hereinafter referred to as the “Client” or “you”) and Prosperity Financial Group, Inc., a Registered Investment Adviser (hereinafter referred to as the “Adviser”, “us”, “we”, or “our firm”).

### 1. SCOPE OF ENGAGEMENT.

We offer individualized investment advice to clients utilizing our asset management service. **(Initial One Option)**

\_\_\_\_\_(*Client Initial Here*) \_\_\_\_\_(*Client Initial Here*) You hereby appoint our firm as an Investment Adviser to perform the services hereinafter described, and we accept such appointment. We shall be responsible for *discretionary* investment and reinvestment of those Assets designated by you as set forth on Schedule A, to be subject to our management (the “Assets” or “Account”). Our firm *is authorized*, without prior consultation with you, to buy, sell, and trade in stocks, bonds, mutual funds, and other securities and/or contracts relating to the same.

OR

\_\_\_\_\_(*Client Initial Here*) \_\_\_\_\_(*Client Initial Here*) You hereby appoint our firm as an Investment Adviser to perform the services hereinafter described, and we accept such appointment. We shall be responsible for *non-discretionary* investment and reinvestment of those Assets of the Client designated by you as set forth on Schedule A, to be subject to our management (the “Assets” or “Account”). Our firm *is not authorized*, without prior consultation with you, to buy, sell, and trade in stocks, bonds, mutual funds, and other securities and/or contracts relating to the same.

(a) We emphasize continuous and regular account supervision. As part of our Asset Management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds (“ETFs”), options, mutual funds and other public and private securities or investments. The client’s individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client’s circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client’s individual needs, stated goals and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

We may utilize Independent Money Managers, where we may design an investment portfolio and provide ongoing corresponding Asset Management services on a fee-only basis for a percentage of assets in conjunction with another investment advisory firm. Before selecting other advisers, we make sure that the other advisers are properly licensed or registered.

We pay compensation to Independent Money Managers for services rendered by these firms to clients and our firm. This compensation is typically equal to a percentage of the overall investment advisory fee charged by our firm or an agreed upon fixed fee. The advisory fee paid to Independent Money Managers shall be negotiable in certain circumstances, but shall never exceed

the overall amount in our published fee statement. We usually pay twenty-five (25) to fifty-percent (50%) of the overall advisory fee to Independent Money Managers for their services.

(b) We review accounts on at least an annual basis for our clients subscribing to our Asset Management service. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Financial Advisors or Portfolio Managers will conduct reviews. We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

(c) We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we meet with clients who subscribe to Asset Management service.

(d) *Adviser's Fee* - The Adviser believes that its annual fee is reasonable in relation to (1) the advisory services provided under this Agreement; and (2) the fees charged by other investment advisers offering similar services/programs.

(e) The authority granted by you to our firm herein shall continue in force until revoked by you in writing. Such revocation shall be effective upon receipt by us.

(f) You agree to provide information and/or documentation requested by our firm in furtherance of this Agreement, as pertains to your income, investments, taxes, insurance, estate plan, etc. You also agree to discuss with our firm your investment objectives, needs and goals, and to keep us informed of any changes regarding the aforementioned items. You acknowledge that we cannot adequately perform our services for you unless you diligently perform your responsibilities under this Agreement. Our firm shall not be required to verify any information obtained from you, your attorney, accountant or other professionals, and is expressly authorized to rely thereon.

(g) Unless otherwise specifically and expressly indicated in this Agreement, you acknowledge and understand that the service to be provided by us under this Agreement is limited to the management of the Assets and does not include financial planning services. To the extent you desire financial planning-related services, the specific nature of the services required shall be set forth in a separate written *Financial Planning and Consulting Agreement* between our firm and you, for which services we shall be paid a separate and additional fee.

## 2. ADVISER COMPENSATION.

On an annualized basis, our firm's fee for continuous portfolio management services is as follows:

### ***FEE SCHEDULE: Asset Management***

\_\_\_\_\_(*Client Initial Here*)

<b><u>Assets Under Management</u></b>	<b><u>Annual Percentage of Assets Charge</u></b>
Up to \$500,000	1.50%
\$500,001 - \$750,000	1.35%
\$750,001 - \$1,000,000	1.20%
\$1,000,000 +	1.00%

Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter. Fees are negotiable and will be deducted from your managed account. In rare cases, we will agree to direct bill clients. part of this process, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing the market values for each security included in the Assets and all disbursements in your account including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms. We send our invoice directly to the custodian; and
- c) If we send a copy of our invoice to you, it will include a legend urging you to compare information provided in our statement with those from the qualified custodian.

### **Additional Disclosure Regarding Fees and Accounts**

Our firm shall never have custody except for authorized fee withdrawal of any client funds or securities, as the services of a qualified and independent custodian will be used for these Asset Management services.

The fees charged are calculated as described above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds, or any portion of the funds of an advisory client (15 U.S.C. §80b-5(a)(1)).

**The following paragraph describes our practices regarding cash balances in client account(s), including whether we invest cash balances for temporary purposes and, if so, how this is accomplished:**

We generally invest Client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk and conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to our Asset Management service.

### **3. EXECUTION OF BROKERAGE TRANSACTIONS.**

Our firm will arrange to execute securities brokerage transactions for your assets through Broker-Dealers that we reasonably believe will provide "best execution". In seeking best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution. We take into consideration the full range of a Broker-Dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Our firm will seek competitive commission rates, but we may not necessarily obtain the lowest possible commission rates for account transactions. It is important to note that we do not have discretion to negotiate commission rates.

We (meaning us and our associated persons) do not receive a portion of the brokerage commissions and/or transaction fees charged to you by a non-affiliated Broker-Dealer.

We generally process transactions for each client account independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. Our firm may (but is not obligated to) combine or "batch" orders for a variety of factors. Some factors are to obtain best execution or to negotiate more favorable commission rates. Under this procedure, transactions' price will be averaged and will be allocated among our firm's clients in proportion to the purchase and sale orders placed for each client account, on any given day.

### **4. CUSTODIAN.**

The Assets shall be held by an independent custodian, not our firm and the identity of the custodian shall be communicated to you. We are authorized to give instructions to the custodian with respect to all investment decisions regarding the Assets and the custodian is hereby authorized and directed to effect transactions, deliver securities, make payments and otherwise take such actions as our firm shall direct in connection with the performance of our obligations in respect of the Assets.

**5. BROKER-DEALER/CUSTODIAN.**

(a) You recognize and agree that in order for us to discharge our responsibilities, we must engage in securities brokerage transactions described in Section 1(a) of this Agreement, all of which securities transactions must be effected through a registered broker-dealer;

(b) Broker-dealers charge brokerage commissions and/or transaction fees for executing securities brokerage transactions;

(c) The brokerage commissions and/or transaction fees charged to you for securities brokerage transactions are not included within our compensation as defined in section 2 hereof.

**6. RISK ACKNOWLEDGMENT.**

Our firm does not guarantee the future performance of the Assets or any specific level of performance, the success of any investment decision or strategy that we may use, or the success of our firm's overall management of the Assets. You understand that investment decisions made for your Assets by our firm are subject to various markets, currency, economic, political and business risks, and that those investment decisions will not always be profitable.

**7. DIRECTIONS TO THE ADVISER.**

Except for decisions regarding the purchase and/or sale of specific investments, all directions by you to our firm (i.e. notices, instructions, including directions relating to changes in the Client's investment objectives) shall be in writing and shall be effective upon receipt by our firm. We shall be fully protected in relying upon any such direction, notice, or instruction until it has been duly advised in writing of changes therein.

Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account. Restrictions would be limited to our Asset Management services. We do not manage assets through our other services.

**8. ADVISER LIABILITY.**

Except as otherwise provided by federal or state securities laws, our firm, acting in good faith, shall not be liable for any action, omission, investment recommendation/decision, or loss in connection with this Agreement including, but not limited to, the investment of the Assets. We shall not be liable for any act or failure to act by the custodian, any broker-dealer to which we direct transactions for the account or by any other non-party.

**9. PROXIES.**

You acknowledge that our firm will not vote proxies. However, third party money managers selected or recommended by our firm may vote proxies for clients. Therefore, except in the event a third party money manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Therefore (except for proxies that may be voted by a third party money manager), our firm and/or you shall instruct your qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets.

**10. TERMINATION.**

We charge our advisory fees quarterly in advance. If you wish to terminate our services, you need to contact us in writing and state that you wish to cancel this Agreement. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees.

**11. ASSIGNMENT.**

This Agreement may not be assigned (within the meaning of the Advisers Act) by either you or our firm without the prior consent of the other party. You acknowledge and agree that transactions that do not result in a change of actual control or management of our firm shall not be considered an assignment pursuant to Rule 202(a)(1)-1 under the Advisers Act.

**12. NON-EXCLUSIVE MANAGEMENT.**

Our firm, its officers, employees, and agents, may have or take the same or similar positions in specific investments for their own Accounts, or for the Accounts of other clients, as we do for the Assets. You expressly acknowledge and understand that we shall be free to render investment advice to others and that we do not make our investment management services available exclusively to you. Nothing in this agreement shall put us under any obligation to purchase or sell, or to recommend for purchase or sale for the account, any securities which we, our employees, affiliates, representatives, or agents, may purchase or sell for our own account or for the account of any other client, unless in our determination, such investment would be in the best interest of the account.

**13. DEATH OR DISABILITY.**

The death or incapacity of the Client shall not terminate the authority of our firm granted herein until we shall receive actual notice of such death or incapacity. Upon such notice your executor, guardian, attorney-in-fact or other authorized representative must engage our firm in order for us to continue to service your accounts.

**14. ARBITRATION.**

This agreement contains a provision, which requires that all claims arising out of transactions or activities affecting the provision of services by our firm to the Client (collectively referred to as “the parties”) be resolved through arbitration in Contra Costa County, CA. The parties acknowledge, understand and agree that:

- (i) Arbitration is final and binding on the parties.
- (ii) The parties are waiving their right to seek remedies in court, including the right to jury trial.
- (iii) Pre-arbitration discovery is generally more limited than and potentially different in form and scope from court proceedings.
- (iv) The Arbitration Award is not required to include factual findings or legal reasoning and any party's right to appeal or to seek modification of a ruling by the arbitrators is strictly limited.
- (v) The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.

To the extent permitted by law, all controversies which may arise between the parties or any of their affiliated companies concerning any transaction arising out of or relating to this agreement, or

the construction, performance, or breach of this or any other agreement between us whether entered into prior to, on or subsequent to the date hereto, shall be submitted to arbitration conducted under the Rules of the American Arbitration Association.

Arbitration must be commenced by service upon the other party, of a written demand for arbitration or a written notice of intention to arbitrate. Judgment upon any award rendered by the arbitrator(s) shall be final, and may be entered in any court having jurisdiction. Any arbitration proceeding pursuant to this Agreement shall be determined pursuant to the laws of the State of CA. This Agreement supersedes any and all preexisting agreements and/or understandings. No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; or (ii) the class is decertified; or (iii) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.

The parties hereby submit to the in personam jurisdiction of the courts of the State of CA and the local courts located therein (and expressly waive any defense to personal jurisdiction of the Client by such courts) for the purpose of confirming, vacating or modifying any such award or judgment entered thereon. To the extent any controversy as above described is to be resolved in a court action, the parties expressly agree that such action shall be brought only in State or Federal courts in CA and service of process in such action shall be sufficient if served on the parties by certified mail, return receipt requested, at the parties last address known to the other party. In this connection the parties expressly waive any defense(s) to personal jurisdiction of the parties by such court; to service of process as set forth above; to venue; and in addition, expressly agree that CA is a convenient forum for any such action.

Nothing herein shall be enforceable to the extent that you waive any of your rights under state or federal securities laws.

#### **15. DISCLOSURE STATEMENT AND NOTICES.**

You acknowledge receipt of Part 2 of Form ADV at or before the time of signing this agreement in accordance with Rule 204-3 under the Investment Adviser's Act of 1940. You further acknowledge and consent that our firm may send any of its notices including our ADV Part 2 and Privacy Policy to the email address provided by you. For the purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract.

#### **16. SEVERABILITY.**

Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms or provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction.

#### **17. CLIENT CONFLICTS.**

If this Agreement is between our firm and related clients (i.e. husband and wife, etc.), our services shall be based upon the joint goals communicated to us. We shall be permitted to rely upon instructions from either party with respect to disposition of the Assets or the Account, unless and until such reliance is revoked in writing to our firm. We shall not be responsible for any claims or

damages resulting from such reliance or from any change in the status of the relationship between the clients.

#### **18. RETIREMENT OR EMPLOYEE BENEFITS PLAN ACCOUNTS.**

This section applies to the undersigned's account if it is part of a pension or other employee benefit plan (a "Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the account is part of a Plan and we accept appointment to provide advisory services to such account, then the following applies:

- (a) We acknowledge that we are a "fiduciary" within the meaning of Section 3(21)(A) of ERISA and section 4975(e)(3)(B) of the Internal Revenue Code (but only with respect to the provision of services described in Section 1 of this Agreement). As such we must act with the care, skill, prudence and diligence under the circumstance then prevailing that a prudent person acting in like capacity and familiar with such manners would use the conduct of an enterprise of a like character with like aims (ERISA 404(a)(1)(B)). We further maintain the Impartial Conduct Standards which requires our firm and our advisors to give advice that is in our clients' best interest, charge no more than reasonable compensation and make no misleading statements about investment transactions, compensation, conflicts of interest, and any other matters related to investment decisions.
- (b) We represent that we are registered as an investment adviser under the Investment Advisers Act of 1940 and duly qualified to manage Plan assets under applicable regulations.
- (c) We do not reasonably expect to receive any compensation, direct or indirect, for our services other than the compensation described in this Agreement. If we receive any other compensation for such services, we will (i) offset that compensation against our stated fees, and (ii) will disclose to you the amount of such compensation, the services rendered for such compensation, the payer of such compensation and a description of our arrangement with the payer.
- (d) You acknowledge the following:
  - (i) You independently made your decision to enter into this Agreement and you were not influenced by our status as a plan service provider under any other Agreement.
  - (ii) Our appointment and the services are authorized under the Plan documents.
  - (iii) In performing the services, we do not act as, nor have we agreed to assume the duties of, a trustee or the Plan Administrator, as defined in ERISA, and we have no discretion to interpret the Plan documents, to determine eligibility or participation under the Plan, or to take any action with respect to the management, administration or other aspect of the Plan.
  - (iv) You acknowledge that this Agreement contains the disclosures required by ERISA Regulation Section 2550.408b-2(c) and that we do not receive any indirect compensation. If we do not act in the capacity of the plan administrator, we will send notification if compensation arrangement disclosed herein are modified.
- (e) We agree to provide the following disclosures, when required:
  - (i) We will disclose, to the extent required by ERISA Regulation Section 2550.408b-2(c), to you any change to the information in this Agreement as to services, status and compensation required to be disclosed under ERISA Regulation Section 2550.408b-2(c)(1)(iv)(A) through (D), and (G) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable).
  - (ii) In accordance with ERISA Regulation Section 2550.408b-2(c)(1)(vi), upon the written request of the responsible plan fiduciary or plan administrator, we will disclose all information related to the compensation or fees received in connection with this Agreement that is required for the Plan to comply with the reporting and disclosure requirements of

Title I of ERISA and the regulations, forms and schedules issued thereunder. Such disclosure shall be made reasonably in advance of the date upon which the responsible plan fiduciary or plan administrator states that it must comply with the reporting and disclosure requirement (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable); provided that the responsible fiduciary or plan administrator provides the written request to us reasonably in advance of the date upon which the responsible plan fiduciary or plan administrator must comply with the reporting and disclosure requirement and any failure to do so shall be deemed to be an extraordinary circumstance beyond our control.

(iii) If we make an unintentional error or omission in disclosing information under this Agreement, we will disclose to you the corrected information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

**19. APPLICABLE LAW.**

This Agreement supersedes and replaces, in its entirety, all previous investment advisory Agreement(s) between the parties as it relates to similar services described herein. To the extent not inconsistent with applicable law, this Agreement shall be governed by and construed in accordance with the laws of the State of CA. In addition, to the extent not inconsistent with applicable law, the venue (i.e. location) for the resolution of any dispute or controversy between Adviser and Client shall be the State of CA.

By each party executing this Agreement they acknowledge and accept their respective rights, duties, and responsibilities hereunder. This Agreement is only effective upon our execution below.

For ERISA Plans, Authorized Fiduciary or Trustee of the Plan signs below.

\_\_\_\_\_  
Client's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Client's Name (Print)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Client's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Client's Name (Print)

\_\_\_\_\_  
Date

Client's Address: \_\_\_\_\_  
\_\_\_\_\_

**[FIRM NAME]**

\_\_\_\_\_  
Authorized Representative's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name (Print)

