

## **CLIENT/SUNFLOWER ASSET MANAGEMENT (SAM) RELATIONSHIP AND EXPRESSION OF INTENT AND GOOD WILL**

All investments have an element of risk. In fact there are four kinds of money risk: financial, market, interest rate, and purchasing power. Even U.S. Treasury Bonds carry the risk of lost purchasing power if inflation and taxes exceed the interest earned. In addition, the investor often suffers the risks of emotionalism and impatience. Various political and economic events can trigger short term fluctuations in the financial markets, but to think that one can rely on such macro-factors for investment success is like attempting to harness the wind.

Clients' responsibilities are to complete the Confidential Client Profile, and to clarify any doubts via full and frank discussion with the SAM adviser. An important objective of SAM is to select the investments for clients which are suitable for their risk level. If clients desire to change their objectives, goals, etc. from their original Client Profiles, they are required to do so in writing to SAM. The responsibility is on the shoulders of clients to provide, on their initiative, these **written** changes.

Clients acknowledge and accept SAM's fully disclosed operating procedures of SAM as a contingency for SAM to establish the business relationship. Clients acknowledge that if they object to SAM's fully disclosed operating procedures, they should not establish the business relationship in the first place, but should find an adviser who has policies compatible with their desires. Clients acknowledge, understand and recognize the validity and legality of the discretionary authority granted to SAM.

Under the "Know Your Customer" securities regulation rule, SAM desires to be kept apprised of any material changes in the client's circumstances, which would affect SAM's investment decision-making process. Clients, of course, are the first to know of any changes, and as such must communicate any pertinent information to SAM in a timely manner, **in writing**.

It is essential for clients to understand fully that they are undertaking **investment risks**, which they are willing and able to bear. SAM cannot control the market, nor can anyone always predict market trends accurately. Sometimes individual portfolios go down when the market is up and vice versa. All securities do not move in a uniform pattern. **There are no guarantees in the stock market.** Stocks, including large blue chip stocks, are subject to market price risk. They can and do go down in price. Individual securities selected may not perform as expected cumulatively, nor may they do as well as other SAM accounts with similar objectives. If clients have more than one account with SAM, clients acknowledge that SAM invests under the assumption that it is one **total** account. Our standard procedure is to judge our performance on the cumulative results of all accounts managed for any particular client.

Our investment philosophy and methods do not depend upon forecasting market fluctuations, the course of the economy, etc. Instead, we rely on well-researched securities which are given **adequate time** to perform in accordance with the stated **written** objectives of clients. Client acknowledges and understands that it is **unethical** to liquidate their investments before written client time horizons have been achieved. It is equally unethical to blame Sunflower by claiming the investments were unsuitable, after the fact, when losses occur because the client "pulled out" sooner than they said they would, in writing. Our experience is that when clients stick to their 'game plan' and, in particular, do not panic and pull out too soon, they achieve satisfactory results. Adverse market conditions can and do exist over time, and portfolios go down in value in the short run. Also, occasionally it will be prudent to sell a security at a loss due to circumstances unique to that security.

It is also critical for clients to differentiate between a traditional stockbroker/client relationship and a professional money management relationship (SAM). SAM is **not** a stockbroker who spends time **selling** securities and **discussing** the state of the economy, interest rates, "guesstimates" as to the direction of the stock market, etc. SAM is a professional money manager. For us to operate effectively, we ask clients to minimize verbal contact with us so we may concentrate on the research and management of securities. Of course, clients are encouraged to contact us at any time if their objectives or financial circumstances change.

This is a separate issue from our right to exercise fully our discretionary authority to decide what investments to make to meet client objectives. Clients understand and agree not to interfere by offering unsolicited investment opinions, nor will clients engage SAM in discussions in an attempt to second-guess or influence SAM investment strategy. (See Client Agreement, item 2.) SAM performs its own independent analysis on individual stocks and we, on our own, have always come up with more than enough ideas to research. Therefore our standard procedure is to respectfully decline to research investment ideas requested and initiated by clients. It is assumed that clients will not question SAM's professional judgment in the selection of securities. However, this does not prohibit clients from objecting to a specific securities selection for religious or social responsibility reasons. For example, it is acceptable for clients to object to the purchase of a tobacco stock because of a conviction against a business that promotes the consumption of tobacco. It is **not** acceptable to object because clients disagree with SAM as to the economic prospects for companies, prospects in general for the stock market, fear of higher interest rates, or **any** other emotional factors. Such objections are incompatible with SAM's investment philosophy. SAM will invest according to the **written** objectives of clients. If clients represent to us in the written Client Profile that they are willing to take certain levels of risk, then SAM expects the client to honor those representations, commitments and promises, and **not** suddenly claim to be "conservative" investors if original strategy does not pan out.

Clients must be trustworthy, just as they rightfully expect SAM to be trustworthy. If clients desire the rewards of risk levels above CD's, then they must also accept their share of responsibility for losses when they occur.

Clients acknowledge it is the sole responsibility of SAM to assess such factors. If clients feel a particular security is **unsuitable** with their investment objectives, then Sunflower Asset Management will remove it from the portfolio **if notified in writing** of the perceived unsuitability within thirty days of the purchase. Of course, clients have the option of terminating the professional relationship if they feel their objectives are not being met. Sunflower uses a blended approach to reach the **overall** risk tolerance level indicated by clients. We may utilize **speculative, high-risk stocks** in any portfolio, even a "conservative" one, for a reasonable portion of the client's funds, as long as in our judgment, the overall "blended" risk level is met.

For example, an overall low-risk portfolio may have 6% in high-risk stocks, 34% in blue chip stocks, and 60% fixed income, resulting in an **overall** mix of a relatively conservative portfolio. Just because a portfolio contains some percentage of risky stocks **does not make it necessarily unsuitable**, especially if taken out of context. However, if clients specify in writing they do not want any clearly defined category of stock in their portfolio, then Sunflower will factor that into the strategy.

Clients' cooperation and adherence to these terms will facilitate a mutually satisfactory business relationship.

I/We have read the above paragraphs and understand my/our responsibility in this arrangement, and will defer to SAM's professional judgment. I/We understand that attempts to persuade SAM to deviate from SAM's investment philosophy may result in SAM resigning from the account.

**I/We acknowledge that if I/we withdraw funds from the SAM account(s) before the stated time horizon (see Client Profile questions #13, #16, #29 and #30), performance most likely will be adversely affected.**

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Client Signature

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Sunflower Asset Management Advisor

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Client Signature

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Date