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*Eric J. Linger, DBA*  
**Sherwood Investments**  
Financial Planning & Investment Management  
*Registered Investment Advisor*

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Sherwood-Investments.com  
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23705 NE 61st Street  
Redmond, WA 98053

## LETTER OF AGREEMENT

**For:** \_\_\_\_\_

### 1. PURPOSE

This letter reflects our mutual understanding of the services that Eric J. Linger, doing business as *Sherwood Investments* (hereafter referred to as "I", "SI" or "Advisor") will provide for you, my client (hereafter referred to as "you" or "Client"). It also details how SI is to be paid for work performed on your behalf.

### 2. SERVICES

*Sherwood Investments* will evaluate your current investment portfolio and investment requirements and determine what changes might be required. SI then develops an investment portfolio for you and manage this portfolio. SI will arrange for the execution of securities transactions for the Account through brokers or dealers that SI reasonably believes will provide best execution.

SI will monitor your investment portfolio on an ongoing basis. Changes to your investment portfolio may be made by me because of changing economic, market and personal conditions, or other factors. Securities may be purchased and sold at my discretion by me without your specific authorization, other than this agreement.

Dynamic Financial Planning is performed on an ongoing, as-needed basis, as part of my investment management services, without an additional fee.

Client agrees to notify SI promptly of any significant change in the information provided by the Client. SI's authority under this Agreement will remain in effect until changed or terminated by Client in writing.

Client Initials: \_\_\_\_\_

### **3. WHAT SI WILL NOT DO**

- a. SI does not take possession of your funds or investments except for asset management fees that you have authorized through this agreement. All funds and investments remain in your name and held by a national brokerage firm, called the custodian.
- b. SI does not profess to be able to "time the markets" to achieve extraordinary returns. SI does not believe that anyone can consistently project the next "hot market". I believe that proper asset allocation and careful security selection and consideration of the economic environment will lead to the best and most consistent investment returns.
- c. SI does not guarantee a rate of return, or even that your portfolio will never lose money. I promise only good professional investment service. All investments carry a risk, including CDs and money market funds. At any point in time, your investments will be worth more or less than you originally invested. When you invest, you assume various risks, which depend on the assets selected. (See Section 6, Risk Considerations.)

### **4. PRIVACY STATEMENT**

SI does not disclose or sell any information about clients, former clients, or prospects to anyone, except with their permission or as required by law or as required to conduct business, maintain records and backup data, and to facilitate an orderly transition in the event of an emergency or unplanned transition of SI. All information given to me is used strictly for administrative purposes and to help you achieve your objectives.

### **5. PROXIES AND CLASS ACTION LAWSUITS**

SI does not vote proxies for you. I do not any take action or give advice regarding voting of proxies of your securities or regarding any companies named in class action lawsuits.

### **6. RISK CONSIDERATIONS**

Investments in mutual funds and individual securities involve risk. Some investment products have more risk than others, such as those investing in gold related securities, which are subject to market price movements, regulatory changes and economic conditions as well as adverse political and financial factors. REIT investments can be affected by interest rate moves, economic cycles and tax and regulatory requirements. There are additional risks associated with investing in non-US companies, high-yield bonds, emerging markets, aggressive growth stocks, non-diversified/concentrated funds and small-, mid- and micro-cap stocks which are more fully explained in the prospectuses. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the bond or bond fund, can decline and the investor can lose principal value. Convertible bonds are subject to all the bond risks mentioned above and have the risk that the convertible bond might get converted into stock at an unfavorable price. Individual stocks, stock options, bonds and other fixed income investments also carry the risk that the securities will become totally worthless.

Client Initials: \_\_\_\_\_

## 7. TRADING AUTHORITY

- a. *Sherwood Investments* has discretionary authority to manage accounts on behalf of clients. This means that *Sherwood Investments* may determine, without obtaining your specific consent, the securities to be bought or sold and the amount of the securities to be bought or sold for all your accounts, except retirement accounts held by your employer. (See Section b, below.)

Discretionary trading authority expedites the placing of trades, thus allowing me to better manage your assets and meet your investment objectives.

- b. *Sherwood Investments* has non-discretionary authority of accounts restricted (usually by your employer) to your use. This may include your 401(k) or similar retirement accounts held by your employer. This means I will advise you of suggested changes and it is up to you to implement the changes. You agree to send SI monthly statements showing account positions and balances for the close of each month. These statements will be sent by you within ten days of the end of each month. If the statements are not made available to *Sherwood Investments* in the specified time, quarterly management fees for these accounts will be based on a 1% monthly growth.

The reason I have non-discretionary authority of these accounts and rely on you to make the suggested changes is because most employers limit access to their retirement systems to their employees.

## 8. Retirement Plan Rollovers

When you leave (or have left) an employer, you have several choices of what to do with your qualified retirement plan such as a 401(k) or 403(b). Each choice has distinct advantages and disadvantages which I discuss here.

- a. Rollover assets to an IRA managed by yourself or by *Sherwood Investments*
- b. Leave assets in your former employer's plan
- c. Move assets to your new employer's plan
- d. Take a lump sum distribution

Some of the factors that should be considered and compared include taxes and penalties; services offered; the number and type of investment options; fees and expenses; treatment of employer stock; when minimum distributions may be required; and protection of assets from creditors and legal judgments.

### a. **Rollover to an IRA**

Rolling over your assets to an IRA managed by *Sherwood Investments* or even one managed by yourself is a direct transfer and not a taxable event. Advantages of rolling over the assets to SI management include consolidating your retirement account with other assets I manage for you. This will most likely reduce the total average cost of professional management services to you since the SI management fee decreases as your assets increase.

I also offer a wider selection of investments than you will have available in an employer sponsored plan. You will also have the flexibility to convert the IRA to a Roth IRA, unavailable to you if you keep your assets in an employer sponsored plan. Your assets that are rolled over into an IRA can continue growing tax-deferred. You will, however, be required to take the mandatory Required Minimum Distributions (RMD), starting at age 70.5.

Client Initials: \_\_\_\_\_

**b. Leave assets with your former employer**

If you leave your investments with your employer, they will remain tax deferred (same as Option a, above) and there is no additional paperwork. Penalty-free withdrawals may be permitted if you separated from service after age 55 and there may be increased protection from creditors. The investment products may have a higher or lower cost.

Disadvantages include very limited investment choices; potentially limited access and control; your eligibility to rollover the assets may lapse; you typically are charged administrative fees or other charges.

**c. Move assets to your new employer**

The advantages and disadvantages are similar to Option b, above.

**d. Take a lump sum distribution**

If you take a lump sum distribution, all your money is immediately available to you. However, there are a number of significant disadvantages. The money no longer grows tax-deferred. Also, there is a mandatory 20% withholding for federal taxes if you are under age 59.5. There may be additional taxes (depending on your tax bracket) that you owe when you file your federal tax return. There may be state and local taxes on your distribution. There also is a 10% penalty if you under age 59.5. Because of these costs, this is usually the least desirable choice.

**9. PORTFOLIO MANAGEMENT FEES**

The management fee for financial planning and investment management services is shown in the table below. The quarterly fee is applied to the value of the assets under my management on the last business day of the quarter. The fee is billed in the subsequent month, *after* services have been provided.

<u>Portfolio Value</u> <u>On the portion between</u>	<u>Quarterly</u> <u>Fee</u>	<u>Annual</u> <u>Fee</u>
\$0 - \$250,000	0.3750%	1.500%
\$250,000 - \$500,000	0.3125%	1.250%
\$500,000- \$1,000,000	0.2500%	1.000%
\$1,000,000 - \$2,500,000	0.2250%	0.900%
\$2,500,000- \$5,000,000	0.2000%	0.800%
\$5,000,000 or more	0.1750%	0.700%

**Note:**

1. The value of assets is as stated by the account custodians TD Ameritrade, 401(k) and annuity company.
2. All accounts in your household under my management are added together to determine the total portfolio value and give you the lowest fee on all accounts.
3. Large withdrawals and deposits before the end of the billing cycle will be prorated, at the discretion of *Sherwood Investments*.
4. Management fee for all accounts in your household may be combined and deducted from one account.

Client Initials: \_\_\_\_\_

5. Example for a \$350,000 portfolio:  

$$\text{Fee} = 0.375\% \times 250,000 + 0.3125\% \times 100,000 = \$1,250$$
6. Minimum fee is \$250 per quarter.

*Sherwood Investments* may waive the minimum fee and/or charge a lesser investment management fee based upon certain criteria including, but not limited to, historical client-advisor relationship and dollar amounts of assets managed.

The brokerage firm that maintains your account may impose transaction fees. These fees are separate, distinct and in addition to all fees paid to SI. Additionally, mutual funds, ETFs, REITs, bond broker/dealers and outside managers all charge fees that are separate from my fee. I receive no part of these fees and do not benefit in any way from these fees.

SI will value securities in the account that are listed on a national securities exchange or on NASDAQ at the closing price, on the valuation date, on the principal market where the securities are traded.

*Sherwood Investments* serves as investment manager for other clients and will continue to do so. Client understands this and that the Advisor and its affiliated persons may give advice or take action in performing their duties to other clients, or for their own accounts, that differ from advice given to or action taken for you. SI is not obligated to buy, sell or recommend for Client any security or other investment that Advisor or its affiliated persons may buy, sell or recommend for any other client or for their own accounts.

You authorize SI and the Custodian to deduct the investment management fee from your account(s). This is necessary even if you choose to remunerate SI directly (Option b in next section) since your account(s) will be billed if you are more than 20 days delinquent in your payment.

While it is SI's responsibility to accurately calculate the fees, you are encouraged to verify the accuracy of each billing statement and to compare it to the amount shown on the monthly statement from TD Ameritrade. The custodian does not perform any accuracy or appropriateness testing.

## **10. BILLING ARRANGEMENT**

I give permission for *Sherwood Investments* to deduct all investment management fees directly from my account(s) so I do not have to send you a separate check. Fees deducted from an account may include fees for my other accounts. The monthly statements issued by TD Ameritrade will show the amount deducted from my accounts.

If I wish to have management fees paid with a personal check sent to *Sherwood Investments*, I will check the box below. Payments made in this manner will not be shown by TD Ameritrade on my statements.

- As an exception, I (we) will send SI a personal check. If payment is not received by SI within 14-days of the invoice date or if the check is invalid, *Sherwood Investments* is authorized to deduct the fee from my account(s) at TD Ameritrade.

Client Initials: \_\_\_\_\_

## 11. INVESTMENT RESTRICTIONS

There are no restrictions placed on the type or quantity of any security that SI may purchase or hold in my investment portfolio.

If there are any investment restrictions, I have indicated them below.

- The following restrictions are placed on the type or quantity of securities that SI may purchase or sell on my behalf.

## 12. ALTERNATE CONTACTS

Please indicate if I may contact others.

- If *Sherwood Investments* notices a decline in your functioning or there are unusual actions taken by you, you give me permission to contact your spouse, children, attorney and/or accountant to protect your interests. SI may contact the following individuals:
- Even if *Sherwood Investments* notices a decline in your functioning or there are unusual actions taken by you, you do not want me to contact others.

## 13. ABILITY TO READ EMAIL

Unless indicated otherwise, I can read Email and Adobe Acrobat attachments, commonly called "pdf files". Therefore, *Sherwood Investments* may send me information and legally required material such as Privacy Statements, Part 2A of Form ADV and billing statements via Email and pdf attachments, rather than through the U.S. Postal Service.

- I do **not** have the ability to read Email and Adobe Acrobat attachments, commonly called "pdf files". Therefore, *Sherwood Investments* should send me legally required material such as Privacy Statements, Part 2A of Form ADV and billing statements through the U.S. Postal Service.

## 14. DISPUTE RESOLUTION

If a dispute arises and cannot be settled through negotiation, and if both parties agree, the dispute will be settled by voluntary mediation or voluntary arbitration before resorting to litigation or some other dispute resolution procedure. If voluntary mediation or arbitration is employed, it will occur in the state of Washington in accordance with the then existing rules of the state of Washington and the American Arbitration Association. If settled in a court of law, any suit or legal action commenced against either party must be brought in the appropriate state or federal court in the state of Washington.

Client Initials: \_\_\_\_\_

**15. TERMINATION OF AGREEMENT**

Services may be terminated by you or SI within five business days of the date of acceptance of this agreement without penalty to you. After five business days, this agreement may be terminated by either party by providing the other party with a 30-day advance written notice. If termination occurs prior to the conclusion of any quarter, you will be billed the pro-rata portion of the annual fee, including the 30-day notice period. If fees are paid in advance, *Sherwood Investments* will refund the pro-rata portion of the unearned fee to you within 30 days of the termination date.

**16. CONTINUITY OF SERVICE**

To assure that service to you is uninterrupted and continuous, this contract can be assigned to another Registered Investment Advisor or investment firm in the event of incapacitation, death or retirement of the principal of *Sherwood Investments* or termination of *Sherwood Investments*.

**17. UNDERSTANDING AND AGREEMENT**

I have read this contract, understand its contents and agree to its terms. I have received a copy of it, Form ADV Part 2A, and *Sherwood Investments'* Privacy Statement.

Client Authority. If you are an individual, you represent that you are of the age of majority. If Client is a corporation, the person signing this Agreement for the Client represents that he or she has been authorized to do so by appropriate corporate action. If this Agreement is entered into by a trustee or other fiduciary, the trustee or fiduciary represents that Advisor's investment management strategies, allocation procedures, and investment management services are authorized under the applicable plan, trust, or law and that the person signing this Agreement has the authority to negotiate and enter into this Agreement. Client will inform Advisor of any event that might affect this authority or the propriety of this Agreement.

Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Washington and the Securities Act of Washington (RCW 21.20), provided that nothing in this Agreement will be construed in any manner inconsistent with the Advisors Act or any rule or order of the Securities and Exchange Commission under the Advisors Act. Nothing in this agreement will waive or limit any right a client may have under federal and state securities law.

\_\_\_\_\_  
(Client-1 Signature and Date)

\_\_\_\_\_  
(Client-2 Signature and Date)

\_\_\_\_\_  
(Email Address)

\_\_\_\_\_  
(Email Address)

\_\_\_\_\_  
(Home Phone)

\_\_\_\_\_  
(Home Phone)

\_\_\_\_\_  
(Cell Phone)

\_\_\_\_\_  
(Cell Phone)

\_\_\_\_\_  
Principal, Sherwood Investments

ADV Part 2A Provided

Privacy Agreement Provided

**Client Initials:** \_\_\_\_\_