

**Sparrow Growth Fund  
No-Load Class**

**Prospectus**

**January 2, 2010**

INVESTMENT OBJECTIVE:  
Long term capital appreciation

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This Prospectus describes the Fund's No-Load Class shares. The Fund currently offers another share class with a different fee structure and sales charges that affect performance.

**The Securities and Exchange Commission has not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

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## ABOUT THE FUND

### Investment Objective

The investment objective of the Sparrow Growth Fund (the “Fund”) is long-term capital appreciation.

### Principal Strategies

The Fund typically invests in a broad range of foreign and U.S. common stocks which Sparrow Capital Management, Inc., the Fund’s adviser, believes have above-average prospects for appreciation, based on a proprietary investment model developed by the adviser. The model looks at a variety of factors to select stocks that the adviser believes demonstrate strong earnings momentum. These growth momentum factors include expanding profit margins, accelerating earnings, positive earnings surprises, positive earnings estimate revisions, and positive relative price strength.

The adviser believes that buying stocks of good businesses with strong earnings-per-share growth prospects at reasonable prices is the best formula for long-term success, rather than chasing hot sectors. In determining whether prices are reasonable, the adviser attempts to determine value by comparing a company’s assets and business strengths to the current price of the company’s stock. In valuing a company, the adviser takes a long-term approach, with an emphasis on management strength and the fundamental profitability of the company’s business. To assess management strength, the adviser looks for characteristics such as a long-term record of success or positive opinions from industry observers. The adviser also may select stocks of companies whose businesses it expects to be impacted in a favorable manner by new products, services or contracts, regulatory action and/or trends in the economy.

The Fund may invest in stocks of all market capitalization ranges based on the adviser’s assessment of the relative opportunities and risks of each category. This means the Fund may invest in companies of all sizes, which includes large-, mid-, and small-cap securities. The Fund may invest in equity securities of foreign issuers operating in developed or emerging markets through American Depositary Receipts (“ADRs”). ADRs are certificates held in trust by a U.S. bank or trust company evidencing ownership of shares of foreign-based issuers, and are an alternative to purchasing foreign securities in their national market and currency. Subject to limitations imposed by the Investment Company Act of 1940, the Fund may elect to pursue its investment objective either by investing directly in common stocks, or by investing in one or more underlying investment companies whose investments conform to the Fund’s investment limitations or investment policies, such as open-end mutual funds and exchange-traded funds that invest in equity securities represented by various indices (including foreign indices). Stocks are sold when there is a significant decline in earnings momentum, a better stock is found, or a significant breakdown in relative price performance occurs.

The Fund may invest up to 15% of its assets in fixed income securities that are rated investment grade at the time of purchase (BBB/Baa or higher by S&P or Moody’s or, unrated, but determined to be of comparable quality by the adviser). The Fund may retain securities that are subsequently downgraded or in default, or the adviser may sell them in an orderly manner. The Fund typically invests in debt securities of a company if the adviser believes that the company’s bonds offer more potential for participating in the company’s long-term prospects than could be achieved by investing in the company’s other available securities.

## Principal Risks of Investing in the Fund

- **Market Risk.** Overall stock market risks may affect the value of the Fund. Factors such as domestic economic growth and market conditions, interest rate levels, and political events affect the securities markets and could cause the Fund's share price to fall.
- **Company Risk.** The value of the Fund may decrease in response to the activities and financial prospects of an individual company in the Fund's portfolio. The value of an individual company can be more volatile than the market as a whole.
- **Growth Risk.** The Fund typically invests in companies that appear to be growth-oriented companies. Growth companies are companies that the adviser believes will have revenue and earnings that grow faster than the economy as a whole, offering above-average prospects for capital appreciation and little or no emphasis on divided income. If the adviser's perceptions of a company's growth potential are wrong, the securities purchased may not perform as expected, reducing the Fund's return.
- **Value Risk.** From time to time, a Fund may invest in undervalued securities. The market may not agree with the adviser's determination that a security is undervalued, and the security's price may not increase to what the adviser believes is its full value. It may even decrease in value.
- **Management Risk.** The adviser's skill in choosing appropriate investments will play a large part in determining whether the Fund is able to achieve its investment objective. If the adviser's assessment of the prospects for individual securities is incorrect, it could result in significant losses in the Fund's investment in those securities, which can also result in possible losses overall for the Fund.
- **Mid Cap Risk.** Stocks of mid-cap companies are more risky than stocks of larger companies. Many of these companies are young and have a limited track record. Their securities may trade less frequently and in more limited volume than those of more mature companies. Mid-cap companies also may lack the managerial, financial or other resources necessary to implement their business plans or succeed in the face of competition. The prospects for a company or its industry may deteriorate because of a variety of factors, including disappointing operating results or changes in the competitive environment.
- **Small Cap Risk.** To the extent the Fund invests in small-cap companies, the Fund will be subject to additional risks. These include:
  - The earnings and prospects of smaller companies are more volatile than larger companies.
  - Smaller companies may experience higher failure rates than do larger companies.
  - The trading volume of securities of smaller companies is normally less than that of larger companies and, therefore, may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.
  - Smaller companies may have limited markets, product lines or financial resources and may lack management experience.
- **Fixed Income Risk.** The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating,

the value of the debt security will decline because investors will demand a higher rate of return. Fixed income securities are generally considered to be interest rate sensitive, which means that their value will generally decrease when interest rates rise and increase when interest rates fall. Securities with shorter maturities, while offering lower yields, generally provide greater price stability than longer term securities and are less affected by changes in interest rates.

- **Foreign Securities Risk.** Foreign securities may experience more rapid and extreme changes in value than securities of U.S. companies because the securities markets of many foreign countries are relatively smaller than those in the U.S. Foreign issuers are not subject to the same degree of regulation as U.S. issuers. Also, nationalization, expropriation or confiscatory taxation or political changes could adversely affect the Fund's investments in a foreign country. There is a risk that fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect the value of the Fund's investments in foreign securities. To the extent that the Fund invests in securities of foreign companies located in emerging markets, it will be subject to additional risks that can increase the potential for losses in the Fund. These risks may include, among others, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations and policies that have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets and greater volatility.
- **Sector Risk.** If the Fund's portfolio is overweighted in a certain industry sector, any negative development affecting that sector will have a greater impact on the Fund than a fund that is not overweighted in that sector. For example, the Fund may have a greater concentration in technology companies than the S&P 500 and weakness in this sector could result in significant losses to the Fund. Technology companies may be significantly affected by falling prices and profits and intense competition, and their products may be subject to rapid obsolescence.
- **ETF Risk.** When the Fund invests in ETFs, it will indirectly bear its proportionate share of any fees and expenses payable directly by the underlying ETF. Therefore, the Fund will incur higher expenses, many of which may be duplicative. In addition, ETFs are also subject to the following risks: (i) the market price of an ETF's shares may trade above or below its net asset value; (ii) an active trading market for an ETF's shares may not develop or be maintained; (iii) the ETF may employ an investment strategy that utilizes high leverage ratios; (iv) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally; or (v) the ETF may fail to achieve close correlation with the index that it tracks due to a variety of factors, such as rounding of prices and changes to the index and/or regulatory policies, resulting in the deviating of the ETF's returns from that of the index.
- **Not Insured.** An investment in the Fund is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.
- **Performance Risk.** The Fund is not a complete investment program. As with any mutual fund investment, the Fund's returns will vary and you could lose money.

- **Portfolio Turnover Risk.** The Fund may engage in short-term trading to achieve its objective and may have portfolio turnover rates in excess of 100%. A portfolio turnover rate of 100% is equivalent to a fund buying and selling all of the securities in its portfolio once during the course of a year. Increased portfolio turnover may cause the Fund to incur higher brokerage costs, which may adversely affect the Fund's performance, and may produce taxable distributions.

### **Is the Fund Right for You?**

The Fund may be suitable for:

- Long-term investors seeking a mutual fund with a growth investment strategy
- Investors willing to accept price fluctuations in their investment
- Investors who can tolerate the risks associated with common stocks

### **General**

The fundamental investment objective of the Fund may not be changed without shareholder approval.

As a result of the adviser's investment strategy, the Fund's portfolio may at times be actively traded, which may result in a high rate of portfolio turnover. A high portfolio turnover rate would result in correspondingly greater brokerage commission expenses. A high portfolio turnover rate may also result in the distribution to shareholders of additional capital gains for tax purposes, some of which may be taxable at ordinary income rates. These factors may negatively affect the Fund's performance.

From time to time, the Fund may take temporary defensive positions, which are inconsistent with the Fund's principal investment strategies, in attempting to respond to adverse market, economic, political, or other conditions. For example, the Fund may hold all or a portion of its assets in money market funds, investment grade short-term money market instruments including U.S. Government and agency securities, commercial paper, certificates of deposit, repurchase agreements and other cash equivalents. As a result of engaging in these temporary measures, the Fund may not achieve its investment objective. The Fund may also invest in these money market instruments at any time to maintain liquidity or pending selection of investments in accordance with its policies.

### **How the Fund has Performed**

The bar chart and table below show the variability of the Fund's returns, which is one indicator of the risks of investing in the Fund. The bar chart shows changes in the Fund's returns from year to year since the inception of the applicable class of shares of the Fund. Sales loads and other charges are not reflected in the bar chart, and if these amounts were reflected, returns would be less than those shown. The table shows how the Fund's average annual total returns over time compared to those of a broad-based securities market index. Of course, the Fund's past performance (before and after taxes) is not necessarily an indication of future performance.

No Load Class Annual Total Returns as of December 31<sup>st</sup>

[Bar chart with the following information appears in the prospectus]

2001	-21.73%
2002	-21.63%
2003	30.24%
2004	5.59%
2005	6.42%
2006	14.86%
2007	9.13%
2008	-46.45%
2009	[ ]%

Effective October 1, 2008, the Fund's Class C shares were re-classified as No-Load Class shares, and the fee structure was changed. Class C shares were previously sold subject to a contingent deferred sales load, which is not reflected in returns set forth in the bar chart above. If the contingent deferred sales load was included, the returns would be less than those shown. During the period shown in the chart for Class C, the highest return for a quarter was 14.16% (quarter ended June 30, 2003); and the lowest return was -26.87% (quarter ended December 31, 2008).

**Average Annual Total Returns for periods ended December 31, 2009:**

	<u>One Year</u>	<u>Five Years</u>	<u>Since Inception</u> <sup>1</sup>
<b>No Load Class (formerly Class C)</b>			
Return Before Taxes <sup>2</sup>	_____ %	_____ %	_____ %
Return After Taxes on Distributions <sup>3</sup>	_____ %	_____ %	_____ %
Return After Taxes on Distributions and Sale of Fund Shares <sup>3</sup>	_____ %	_____ %	_____ %
<b>S&amp;P 500 Index</b> (reflects no deduction for fees, expenses or taxes)	_____ %	_____ %	_____ %

<sup>1</sup> Effective October 1, 2008, the Class C Shares of the Fund were reclassified as No-Load shares. Class C Shares were first offered on November 9, 2000.

<sup>2</sup> The returns in the table above reflect the maximum applicable contingent deferred sales charge ("CDSC") that was imposed on Class C shares prior to October 1, 2008. No-Load Class shares are not subject to a CDSC.

<sup>3</sup> After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

## FEES AND EXPENSES OF INVESTING IN NO-LOAD CLASS SHARES OF THE FUND

The tables describe the fees and expenses that you may pay if you buy and hold No-Load Class shares of the Fund.

### Shareholder Fees (fees paid directly from your investment) No-Load Class (formerly Class C)

Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)	NONE
Maximum Sales Charge (Load) Imposed on Reinvested Dividends	NONE
Maximum Deferred Sales Charge (Load) (as a percentage of the lower of original purchase or redemption proceeds)	NONE
Redemption Fee <sup>1</sup>	NONE

### Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	1.00%
Distribution (12b-1) Fees	0.25%
Other Expenses	1.58%
Acquired Fund Fees and Expenses <sup>2</sup>	0.03%
Total Annual Fund Operating Expenses	2.86%
Fee Waiver and/or Expense Reimbursement <sup>3</sup>	(1.33%)
<b>Net Expenses</b>	<b>1.53%</b>

<sup>1</sup> Wire transfer fee of \$15 is charged to defray custodial charges for redemptions paid by wire transfer. This fee is subject to change.

<sup>2</sup> Acquired Fund Fees and Expenses represent the pro rata expense indirectly incurred by the Fund as a result of investing in money market funds or other investment companies that have their own expenses. Acquired Fund Fees and Expenses are not used to calculate the Fund's net asset value and do not correlate to the ratio of Expenses to Average Net Assets found in the "Financial Highlights" section of this Prospectus.

<sup>3</sup> The Fund's adviser has contractually agreed to waive its management fee and/or to reimburse certain operating expenses to the extent necessary to maintain the Fund's total annual operating expenses, excluding brokerage fees and commissions, borrowing costs (such as interest and dividend expenses on securities sold short), taxes, applicable 12b-1 fees, extraordinary expenses and any indirect expenses (such as expenses incurred by other investment companies in which the Fund may invest), at 1.25% of the average daily net assets of the No-Load Class shares of the Fund. The contractual agreement will remain in place through December 31, 2010. Each fee waiver and expense reimbursement by the adviser for the Fund is subject to repayment by the Fund within the three fiscal years following the fiscal year in which the expense was incurred, provided that the Fund is able to make the repayment without exceeding the 1.25% expense limitation.

### Example:

The example below is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. The example uses the same assumptions as other mutual fund prospectuses: a \$10,000 initial investment for the time periods indicated, reinvestment of dividends and distributions, 5% annual total return, constant operating expenses (except for the lower expense ratio in year one), and sale of all shares at the end of each time period. Although your actual expenses may be different, based on these assumptions your costs will be:

**1 year      3 years      5 years      10 years**

\$156            \$760            \$1,391            \$3,090

**HOW TO BUY NO-LOAD CLASS SHARES**

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask for other identifying documents or information.

The No-Load Class shares are sold to clients of registered investment advisers, financial planners or other institutional investors or other platform offered by any 401(k) plan, bank, trust company or broker-dealer that has entered into a selling agreement with the Fund’s distributor. The No-Load Class shares may also be purchased directly from the Fund through the distributor or the Fund’s adviser. For more information, call Mutual Shareholder Services, LLC (“Shareholder Services”) at (888) 727-3301. The No-Load shares are purchased at net asset value without deducting a sales charge. You do not pay an initial sales charge on purchases of No-Load shares and all of your purchase payment is immediately invested in the Fund. No-Load shares are subject to 12b-1 fees of 0.25%, as discussed in more detail below under “Distribution Plan.” The Fund offers a second class of shares. Each class of the Fund has its own fee structure, allowing you to choose the class that best meets your situation. The class that may be best for you depends on a number of factors, including the amount and the length of time that you expect to invest. Only the No-Load Class shares are offered in this prospectus.

You may purchase No-Load Class shares of the Fund by investing the minimum amount required for the type of shares you are purchasing, and the type of account that you open, as described below. The adviser may waive these minimum investments in its sole discretion. If your investment is aggregated into an omnibus account established by an investment adviser, broker-dealer or other financial intermediary, the investment minimums apply to the omnibus account, not to your individual account; however, the financial intermediary may also impose minimum requirements that are different from those set forth in this prospectus. If you purchase or redeem shares through a financial intermediary, you may be charged a fee by that intermediary.

<b>Account Type</b>	<b>Minimum Investments For No-Load Class shares</b>
Initial Investments: <ul style="list-style-type: none"> <li>• Taxable Accounts</li> <li>• Qualified Retirement Accounts</li> <li>• Qualified Retirement Accounts with Automatic Investment Plan</li> <li>• Educational IRAs</li> <li>• Educational IRAs with Automatic Investment Plans</li> </ul>	<ul style="list-style-type: none"> <li>• \$2,500</li> <li>• \$250</li> <li>No minimum</li> <li>• \$500</li> <li>No minimum</li> </ul>

Subsequent Investments:	
• Taxable Accounts	• \$100
• Qualified Retirement Accounts	• \$50
• Qualified Retirement Accounts with Automatic Investment Plan	• \$50 for minimum of 12 consecutive months
Educational IRAs	• No minimum
• Educational IRAs with Automatic Investment Plan	• \$50 for minimum of 12 consecutive months

**Initial Purchase** – You may open an account and make an initial investment through securities dealers having a sales agreement with the Fund’s distributor. You may also invest directly by mail or by wire:

**By Mail-** To be in proper form, your initial purchase request must include:

- a completed and signed investment application form which accompanies this Prospectus; and
- a check (subject to the minimum amounts) made payable to the Fund.

Mail the completed application and check to:

**U.S. Mail:** Sparrow Growth Fund  
c/o Mutual Shareholder Services,  
LLC  
8000 Town Centre Drive  
Suite 400  
Broadview Heights, Ohio 44147

**Overnight:** Sparrow Growth Fund  
c/o Mutual Shareholder Services,  
LLC  
8000 Town Centre Drive  
Suite 400  
Broadview Heights, Ohio 44147

**By Wire-** You may also purchase shares of the Fund by wiring federal funds from your bank, which may charge you a fee for doing so. To wire money, you must call Shareholder Services at (888) 727-3301 to obtain instructions on how to set up your account and to obtain an account number. You should be prepared at that time to provide the information on the application.

You must mail a signed application to Mutual Shareholder Services, LLC (the Fund’s transfer agent), at the above address in order to complete your initial wire purchase. Wire orders will be accepted only on a day on which the Fund, custodian and transfer agent are open for business. A wire purchase will not be considered made until the wired money is received and the purchase is accepted by the Fund. Any delays which may occur in wiring money, including delays which may occur in processing by the banks, are not the responsibility of the Fund or the transfer agent. There is presently no fee for the receipt of wired funds, but the Fund may charge shareholders for this service in the future.

**Automatic Investment Plan**

You may make regular investments in the Fund with an Automatic Investment Plan by completing the appropriate section of the account application and attaching a voided personal check, and mailing to Unified Fund Services, the Fund's transfer agent. Investments may be made monthly to allow dollar-cost averaging by automatically deducting the applicable minimum set forth in the table above from your bank checking account. You may change the amount of your monthly purchase at any time. If an Automatic Investment Plan purchase is rejected by your bank, your shareholder account will be charged a fee to defray bank charges.

### **Distribution Plan**

The Fund has adopted a distribution plan for its No-Load Class shares offered through this prospectus in accordance with Rule 12b-1 under the Investment Company Act of 1940.

Under the No-Load Class Plan, the Fund typically will pay the distributor an annual fee of 0.25% of the average daily net assets of the Fund invested in No-Load Class shares to help defray the cost of servicing the No-Load Class shares. The distributor will use these fees to compensate entities that enter into selling agreements with the distributor to perform certain administrative or other servicing functions for the Fund's No-Load shares, including registered broker-dealers, custodians, mutual fund platform sponsors, investment advisers, financial planners, 401(k) administrators, etc. The Fund may also pay the fee directly to the adviser to compensate entities who provide eligible services but have no selling agreement with the distributor. The adviser may also use these fees to pay for eligible expenses. The Fund's Statement of Additional Information contains more details about the services and expenses that are eligible for compensation under the Plan.

Because 12b-1 fees are an ongoing expense, over time they reduce the net investment results of the Fund and may cost you more than paying other types of sales charges. Depending on the amount of your investment and the length of time you hold your shares, your investment results will not equal the results of a different class of shares having a different sales charge and 12b-1 fee structure. The Fund may from time to time purchase securities issued by financial institutions that provide such services; however, in selecting investments for the Fund, no preference will be shown for such securities.

### **Additional Investments**

You may purchase additional shares of the Fund at any time (subject to minimum investment requirements) by mail, wire, or automatic investment. Each additional mail purchase request must contain:

- your name
- your account number(s)
- the name of your account(s)
- a check made payable to Sparrow Growth Fund

Checks should be sent to the Sparrow Growth Fund at the address listed under "Initial Purchase – By Mail." A bank wire should be sent as outlined under "Initial Purchase – By Wire."

### **Tax Sheltered Retirement Plans**

The Fund may be an appropriate investment medium for tax-sheltered retirement plans, including: individual retirement plans (IRAs); simplified employee pensions (SEPs); 401(k) plans; qualified corporate pension and profit-sharing plans (for employees); tax deferred investment plans (for employees of public school systems and certain types of charitable organizations); and other qualified retirement plans. You

should contact the Fund's transfer agent for the procedure to open an IRA or SEP plan, as well as more specific information regarding these retirement plan options. Please consult with an attorney or tax adviser regarding these plans. You must pay custodial fees for your IRA by redemption of sufficient shares of the Fund from the IRA unless you pay the fees directly to the IRA custodian. Call Shareholder Services about the IRA custodial fees at (888) 727-3301.

### **Other Purchase Information**

No-Load shares of the Fund are sold on a continuous basis at the net asset value next determined after receipt of a purchase order by the Fund. The Fund has authorized certain broker-dealers and other financial institutions (including their designated intermediaries) to accept on its behalf purchase and sell orders. The Fund is deemed to have received an order when the authorized person or designee accepts the order, and the order is processed at the net asset value next calculated thereafter. It is the responsibility of the broker-dealer or other financial institution to transmit orders promptly to the Fund's transfer agent. If you choose to purchase shares directly from the Fund, you will not incur charges on purchases and redemptions. However, if you purchase or redeem shares through an intermediary, you may be charged a fee by that intermediary.

The Fund may limit the amount of purchases and refuse to sell shares to any person. If your check or wire does not clear, you will be responsible for any loss incurred by the Fund. You may be prohibited or restricted from making future purchases in the Fund. Checks should be made payable to the Fund. The Fund and its transfer agent may refuse any purchase order for any reason. Cash, third party checks (except for properly endorsed IRA rollover checks), counter checks, starter checks, traveler's checks, money orders, (other than money orders issued by a bank), credit card checks, and checks drawn on non-U.S. financial institutions will not be accepted. Cashier's checks, bank official checks, and bank money orders may be accepted in amounts greater than \$10,000. In such cases, a fifteen (15) business day hold will be applied to the funds (which means that you may not redeem your shares until the holding period has expired).

### **HOW TO EXCHANGE SHARES**

You may exchange your No-Load Class shares of the Fund for another class of Fund. In addition to the No-Load Class shares, the Fund also offers Class A shares, which are subject to a different fee structure, including sales charges. In general, the same rules and procedures that apply to sales and purchases apply to exchanges. You may call Shareholder Services at (888) 727-3301 to exchange shares. An exchange may also be made by written request signed by all registered owners of the account mailed to the address listed above. Requests for exchanges will be processed at the next calculated NAV after receipt of the request (e.g., prior to close of trading on the New York Stock Exchange (4:00 p.m. Eastern time)).

An exchange is made by selling your No-Load Class shares of Fund and using the proceeds to buy Class A shares at the Class A NAV next calculated after your request, plus any applicable sales charge. For more information about the Class A shares and the sales charges imposed on purchases of such shares, call Shareholder Services at (888) 727-3301. An exchange results in a sale of shares for federal income tax purposes. If you make use of the exchange privilege, you may realize either a long-term or short-term capital gain or loss on the shares sold.

If your exchange creates a new account, you must satisfy the requirements of the Class in which shares are being purchased. You may make an exchange to a new account or an existing account; however, the account ownership must be identical. Exchanges may be made only in states where an exchange may legally be made. The Fund reserves the right to terminate or modify the exchange privilege at any time.

## HOW TO REDEEM SHARES

You may receive redemption payments by check or federal wire transfer. The proceeds may be more or less than the purchase price of your shares, depending on the market value of the Fund's securities at the time of your redemption. A wire transfer fee of \$15 is charged to defray custodial charges for redemptions paid by wire transfer. The fee is subject to change. Any charges for wire redemptions will be deducted from your Fund account by redemption of shares. If you redeem your shares through a broker/dealer or other institution, you may be charged a fee by that institution.

**By Mail:** You may redeem any part of your account in the Fund by mail. Your request should be addressed to:

<b>U.S. Mail:</b>	Sparrow Growth Fund c/o Mutual Shareholder Services, LLC 8000 Town Centre Drive Suite 400 Broadview Heights, Ohio 44147	<b>Overnight:</b>	Sparrow Growth Fund c/o Mutual Shareholder Services, LLC 8000 Town Centre Drive Suite 400 Broadview Heights, Ohio 44147
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Your request for a redemption must include your letter of instruction, including the Fund name, account number, account name(s), the address, and the dollar amount or number of shares you wish to redeem. Requests to sell shares that are received in proper form are processed at the net asset value next calculated after we receive your order in proper form. To be in proper form, your request must be signed by all registered share owner(s) in the exact name(s) and any special capacity in which they are registered. The Fund may require that signatures be guaranteed if you request the redemption check be made payable to any person other than the shareholder(s) of record or mailed to an address other than the address of record, or if the mailing address has been changed within 30 days of the redemption request. The Fund may also require a signature guarantee for redemptions of \$25,000 or more. Signature guarantees are for the protection of shareholders. All documentation requiring a signature guarantee stamp must utilize a New Technology Medallion stamp, generally available from the bank where you maintain a checking or savings account. You can obtain a signature guarantee from most banks and securities dealers, but not from a notary public. For joint accounts, both signatures must be guaranteed. Please call Shareholder Services at (888) 727-3301 if you have questions. At the discretion of the Fund or the Fund's transfer agent, you may be required to furnish additional legal documents to insure proper authorization.

**By Telephone:** You may redeem any part of your account in the Fund by calling Shareholder Services at (888) 727-3301. You must first complete the Telephone Redemption section of the investment application to institute this option. Telephone redemption requests are subject to the signature guarantee requirements set forth in the previous paragraph. The Fund, the transfer agent and the custodian are not liable for following redemption instructions communicated by telephone that they reasonably believe to be

genuine. However, if they do not employ reasonable procedures to confirm that telephone instructions are genuine, they may be liable for any losses due to unauthorized or fraudulent instructions. Procedures employed may include recording telephone instructions and requiring a form of personal identification from the caller.

The Fund or the transfer agent may terminate the telephone redemption procedures at any time. During periods of extreme market activity, it is possible that shareholders may encounter some difficulty in telephoning the Fund, although neither the Fund nor the transfer agent has ever experienced difficulties in receiving, and in a timely fashion, responding to telephone requests for redemptions. If you are unable to reach the Fund by telephone, you may request a redemption by mail.

**Policy on Market Timing:** The Fund discourages market timing. Market timing is an investment strategy using frequent purchases, redemptions and/or exchanges in an attempt to profit from short term market movements. Market timing may result in dilution of the value of Fund shares held by long term shareholders, disrupt portfolio management and increase Fund expenses for all shareholders. The Board of Trustees will not permit the Fund to enter into any arrangements with any person to permit frequent purchases and redemptions of Fund shares.

Upon identification of any investor who makes two trades into and out of the Fund (each a “roundtrip”) within one year, the Fund will send a written warning to such investor that if such trading continues, they will be forbidden from any further trading in the Fund. Should any roundtrip take place after the investor has received such warning, the investor will be forbidden from making future purchases of Fund shares.

While the Fund attempts to deter market timing, there is no assurance that the Fund will be able to identify and eliminate all market timers. For example, certain accounts called “omnibus accounts” include multiple shareholders. Despite the Fund’s efforts to detect and prevent abusive trading activities, it may be difficult to identify such activity in certain omnibus accounts traded through a financial intermediary. Omnibus accounts typically provide the Fund with a net purchase or redemption request on any given day where purchasers of Fund shares and redeemers of Fund shares are netted against one another and the identity of individual purchasers and redeemers whose orders are aggregated is not known by the Fund. Consequently, the Fund may not have knowledge of the identity of investors and their transactions. Under a federal rule, the Fund is required to have an agreement with its intermediaries obligating the intermediaries to provide, upon the Fund’s request, information regarding the intermediaries’ customers and their transactions. However, there can be no guarantee that all excessive, short-term or other abusive trading activities will be detected, even if such an agreement is in place. Certain intermediaries, in particular retirement plan sponsors and administrators, may have less restrictive policies regarding short-term trading. The Fund reserves the right to reject any purchase order for any reason, including purchase orders that it does not think are in the best interest of the Fund or its shareholders or if the Fund thinks that trading is abusive.

**Additional Information:** If you are not certain of the requirements for a redemption please call Shareholder Services at (888) 727-3301. Redemptions specifying a certain date or share price cannot be accepted and will be returned. You will be mailed the proceeds on or before the fifth business day following the redemption. However, payment for redemption made against shares purchased by check will be made only after the check has been collected, which normally may take up to fifteen calendar days. Also, when the New York Stock Exchange is closed (or when trading is restricted) for any reason other than

its customary weekend or holiday closing, or under any emergency circumstances (as determined by the Securities and Exchange Commission) the Fund may suspend redemptions or postpone payment dates. You may be assessed a fee if the Fund incurs bank charges because you direct the Fund to re-issue a redemption check.

Redemption proceeds sent by check by the Fund and not cashed within 180 days will be reinvested in the Fund at the current day's NAV. Redemption proceeds that are reinvested are subject to the risk of loss like any other investment in the Fund.

Because the Fund incurs certain fixed costs in maintaining shareholder accounts, the Fund may require you to redeem all of your shares in the Fund on 30 days' written notice if the value of your shares in the Fund falls below the applicable minimum for your account type due to redemptions, or such other minimum amount as the Fund may determine from time to time. You may increase the value of your shares in the Fund to the minimum amount within the 30-day period. All shares of the Fund are also subject to involuntary redemption if the Board of Trustees determines to liquidate the Fund. The Board may close the Fund upon notice to shareholders but without having to obtain shareholder approval. An involuntary redemption will create a capital gain or a capital loss which may have tax consequences about which you should consult a tax adviser.

#### **DETERMINATION OF NET ASSET VALUE**

The price you pay for your shares of the Fund is based on the net asset value per share ("NAV"). The No-Load Class NAV is calculated as of the close of trading (normally 4:00 p.m. Eastern time) on each business day on which the New York Stock Exchange is open for trading ("Business Day"). The Stock Exchange is closed on weekends, most Federal holidays, and during some emergencies. The No-Load Class NAV is calculated separately by dividing the value of the total assets of the class (including dividends and interest accrued but not yet received) minus liabilities of the class (including accrued expenses) by the total number of outstanding shares of the class. Purchases and redemptions of No-Load Class shares of the Fund will be made at the NAV next calculated after an order is received by the Fund in proper form. Because the value of the Fund's investment portfolio changes every Business Day, the NAV usually changes as well.

Securities held by each Fund generally are valued at market value. Short-term securities with maturities of 60 days or less are valued based on amortized cost. If market quotations are not readily available or are deemed unreliable, the security will be valued at a fair value determined in good faith by the adviser, in accordance with policies and procedures adopted by the Board of Trustees. Fair valuation also is permitted if, in the adviser's opinion, the validity of market quotations appears to be questionable based on factors such as evidence of a thin market in the security based on a small number of quotations, a significant event occurs after the close of a market but before the Fund's NAV calculation that may affect a security's value, or the adviser is aware of any other data that calls into question the reliability of market quotations. Without fair valuation, short-term traders could take advantage of the arbitrage opportunity and dilute the NAV of long-term investors. Investments in foreign securities or other thinly traded securities are more likely to trigger fair valuation than other securities. Fair valuation of a Fund's portfolio securities can serve to reduce arbitrage opportunities available to short-term traders, but there is no assurance that fair value pricing policies will prevent dilution of the Fund's NAV by short-term traders, or that the Fund will realize fair valuation upon the sale of a security.

## **DIVIDENDS, DISTRIBUTIONS AND TAXES**

**DIVIDENDS AND DISTRIBUTIONS.** The Fund typically distributes to its shareholders as dividends substantially all of its net investment income and any realized net capital gains. These distributions are automatically reinvested in the Fund unless you request cash distributions on your application or through a written request. The Fund expects that its distributions will consist primarily of capital gains.

**TAXES.** Net investment income distributed by the Fund generally will consist of interest income and dividends received on investments, less expenses. The dividends you receive, whether or not reinvested, will be taxed as ordinary income. Dividends normally will be distributed by the Fund on an annual basis.

The Fund will typically distribute net realized capital gains (the excess of net long-term capital gain over net short-term capital loss) to shareholders at least once a year. Capital gains are generated when a Fund sells its capital assets for a profit. Capital gains are taxed differently depending on how long the Fund has held the capital asset sold. Distributions of gains recognized on the sale of capital assets held for one year or less are taxed at ordinary income rates; distributions of gains recognized on the sale of capital assets held longer than one year are taxed at long-term capital gains rates regardless of how long you have held your shares. If the Fund distributes an amount exceeding its income and gains, this excess will generally be treated as a non-taxable return of capital.

Unless you indicate another option on your account application, any dividends and capital gain distributions paid to you by the Fund automatically will be invested in additional Fund shares. Alternatively, you may elect to have: (1) dividends paid to you in cash and the amount of any capital gain distributions reinvested; or (2) the full amount of any dividends and capital gain distributions paid to you in cash. The Fund will send dividends and capital gain distributions elected to be received as cash to the address of record or bank of record on the applicable account. Your distribution option will automatically be converted to having all dividends and other distributions reinvested in additional shares if any of the following occur:

- Postal or other delivery service is unable to deliver checks to the address of record;
- Dividends and capital gain distributions are not cashed within 180 days; or
- Bank account of record is no longer valid.

Dividends and capital gain distribution checks issued by the Fund that are not cashed within 180 days will be reinvested in the Fund at the current day's NAV. When reinvested, those amounts are subject to the risk of loss like any other investment in the Fund.

You may want to avoid making a substantial investment when the Fund is about to make a taxable distribution because you would be responsible for any taxes on the distribution regardless of how long you have owned your shares.

Selling shares (including redemptions) and receiving distributions (whether reinvested or taken in cash) usually are taxable events to the Fund's shareholders. These transactions typically create the following tax liabilities for taxable accounts:

## Summary of Certain Federal Income Tax Consequences for Taxable Accounts

The following discussion reflects the enactment of the Jobs and Growth Tax Relief Reconciliation Act of 2003 and the Tax Increase Prevention and Reconciliation Act of 2005 (collectively, the “Tax Acts”).

<u>Type of Transaction</u>	<u>Tax Status</u>
Qualified dividend income taxpayers	Generally maximum 15% on non-corporate
Net short-term capital gain distributions	Ordinary income rate
Net long-term capital gain distributions	Generally maximum 15% on non-corporate taxpayers*
Sales of shares (including redemptions) owned more than one year	Gains taxed at generally maximum 15% on non-corporate taxpayers*
Sales of shares (including redemptions) owned for one year or less	Gains are taxed at the same rate as ordinary income; losses are subject to special rules

\*For gains realized between May 6, 2003 and December 31, 2010.

Under the Tax Acts, effective for taxable years after December 31, 2002 through December 31, 2010, designated income dividends paid by the Fund to non-corporate shareholders generally will qualify for a maximum federal income tax rate of 15% to the extent such income dividends are attributable to qualified dividend income from the Fund’s investment in common and preferred stock of U.S. and foreign corporations, provided that certain holding period and other requirements are met. However, to the extent that the Fund has ordinary income from investments in debt securities, for example, such as interest income, income dividends paid by the Fund and attributable to that income will not qualify for the reduced tax rate.

If shares of the Fund are purchased within 30 days before or after redeeming other shares of the Fund at a loss, all or a portion of that loss will not be deductible and will increase the basis of the newly purchased shares. If shares of the Fund are sold at a loss after being held by a shareholder for six months or less, the loss will be long-term, instead of short-term, capital loss to the extent of any capital gain distributions received on the shares.

If you are a non-corporate shareholder and if the Fund does not have your correct social security or other taxpayer identification number, federal law requires us to withhold and pay to the Internal Revenue Service 28% of your distributions and sales proceeds. If you are subject to back up withholding, we also will withhold and pay to the IRS 28% of your distributions (under current law). Any tax withheld may be applied against the tax liability on your federal income tax return.

***Because your tax situation is unique, you should consult your tax professional about federal, state and local tax consequences.***

## MANAGEMENT OF THE FUND

Sparrow Capital Management Incorporated, 11330 Olive Blvd., Suite 230, St. Louis, MO 63141, manages the Fund's investments. The adviser is an independent registered investment adviser and, as of the date of this Prospectus, had over \$38.5 million of equity and fixed income assets under management. Clients primarily include high net worth individuals and families, but also include a number of institutional clients such as pension funds. The firm was founded in 1988 by President Gerald R. Sparrow. Mr. Sparrow controls the adviser.

The Fund pays the adviser a management fee at the annual rate of 1.00% of the Fund's average daily net assets. The Fund pays all of its operating expenses. However, the adviser has contractually agreed to waive its management fee and/or to reimburse certain operating expenses to the extent necessary to maintain the Fund's total annual operating expenses, excluding brokerage fees and commissions, borrowing costs (such as interest and dividend expenses on securities sold short), taxes, 12b-1 fees, extraordinary expenses and any indirect expenses (such as expenses incurred by other investment companies in which the Fund may invest), at 1.25% the average daily net assets of the No-Load Class shares. The contractual agreement will remain in place through December 31, 2010. Each fee waiver and expense reimbursement by the adviser for the Fund is subject to repayment by the Fund within the three fiscal years following the fiscal year in which the expense was incurred, provided that the Fund is able to make the repayment without exceeding the 1.25% expense limitation. For the fiscal year ended August 31, 2009, the adviser waived all advisory fees.

The Fund's semi-annual report for the period ended February 28, 2009 contains information about the factors that the Board of Trustees considered in approving the Fund's management agreement with Sparrow Capital Management.

**Portfolio Manager:** Mr. Gerald Sparrow is the Fund's sole portfolio manager, with day-to-day responsibility for managing the Fund's portfolio and selecting its portfolio securities. Mr. Sparrow is the President and Chief Investment Officer of the adviser and guides the growth, development, and overall investment philosophy of the adviser. Mr. Sparrow has over 20 years of investment management experience. In addition to his responsibilities at the adviser, Mr. Sparrow also serves as the general partner of a private investment partnership. Mr. Sparrow graduated *summa cum laude* from the University of Missouri with a BS in Business in 1985 and he received an MBA from Washington University in 1987. Mr. Sparrow has served as a portfolio manager for the Fund since its inception in 1998.

The Fund's Statement of Additional Information provides additional information about the portfolio manager, including his compensation, other accounts that he manages, and his ownership of shares of the Fund.

## FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the Fund's financial performance for the fiscal years ended August 31, 2005 through 2009. Effective as of October 1, 2008, the Class C shares of the Fund were re-classified as No-Load Class Shares. The table below contains information regarding the Fund's former Class C shares of the Fund. The total returns in the table represent the rate that you would have earned (or lost) on an investment in the No Load Class shares (assuming reinvestment of all dividends and distributions). Certain information reflects financial results for a single No Load Class share. This information has been audited by the Fund's independent registered public accounting firm, Cohen Fund Audit Services, Ltd., whose report, along with the Fund's financial statements, are included in the Fund's Annual Report, which is available upon request and without charge by calling Shareholder Services at (888) 727-3301.

	Years ended August 31				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net Asset Value, at Beginning of Period	\$ <u>13.95</u>	\$ <u>16.04</u>	<u>\$</u> <u>13.80</u>	\$ <u>12.72</u>	\$ <u>11.35</u>
Income From Investment Operations:					
Net Investment Income (Loss)	0.04 <sup>(a)</sup>	(0.18) <sup>(a)</sup>	(0.14)	(0.09)	(0.11)
Net Gain (Loss) on Securities (Realized and Unrealized)	<u>(4.35)</u>	<u>(1.91)</u>	<u>2.38</u>	<u>1.17</u>	<u>1.48</u>
Total from Investment Operations	(4.31)	(2.09)	2.24	1.08	1.37
Net Asset Value, at End of Period	\$ <u>9.64</u>	\$ <u>13.95</u>	<u>\$</u> <u>16.04</u>	\$ <u>13.80</u>	\$ <u>12.72</u>
Total Return <sup>(b)</sup>	(30.90)%	(13.03)%	16.23%	8.49%	12.07%
Ratios/Supplemental Data:					
Net Assets at End of Period (Thousands)	\$ 456	\$ 817	<u>\$</u> 1,450	\$ 925	\$ 459
Before Waivers & Reimbursements					
Ratio of Expenses to Average Net Assets	2.83%	2.75%	2.75%	2.75%	2.74%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.77)%	(1.12)%	(1.00)%	(1.21)%	(1.36)%
After Waivers & Reimbursements					
Ratio of Expenses to Average Net Assets	1.67%	2.75%	2.75%	2.75%	2.74%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.39%	(1.12)%	(1.00)%	(1.21)%	(1.36)%
Portfolio Turnover <sup>(c)</sup>	131.44%	110.65%	36.36%	37.87%	49.94%

(a) Per share net investment income (loss) has been determined on the basis of average shares outstanding during the period.

(b) Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends. Total return does not reflect load for the years ended August 31, 2008 and prior.

(c) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes.

## **PRIVACY POLICY**

*The following is a description of the Fund's policies regarding disclosure of nonpublic personal information that you provide to the Fund or that the Fund collects from other sources. In the event that you hold shares of the Fund through a broker-dealer or other financial intermediary, the privacy policy of your financial intermediary would govern how your nonpublic personal information would be shared with nonaffiliated third parties.*

**Categories of Information the Fund Collects.** *The Fund collects the following nonpublic personal information about you:*

- *Information the Fund receives from you on applications or other forms, correspondence, or conversations (such as your name, address, phone number, social security number and date of birth); and*
- *Information about your transactions with the Fund, its affiliates, or others (such as your account number and balance, payment history, parties to transactions, cost basis information, and other financial information).*

**Categories of Information the Fund Discloses.** *The Fund does not disclose any nonpublic personal information about its current or former shareholders to unaffiliated third parties, except as required or permitted by law. The Fund is permitted by law to disclose all of the information it collects, as described above, to its service providers (such as the Fund's custodian, administrator and transfer agent) to process your transactions and otherwise provide services to you.*

**Confidentiality and Security.** *The Fund restricts access to your nonpublic personal information to those persons who require such information to provide products or services to you. The Fund maintains physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information.*

**Disposal of Information.** *The Fund, through its transfer agent, has taken steps to reasonably ensure that the privacy of your nonpublic personal information is maintained at all times, including in connection with the disposal of information that is no longer required to be maintained by the Fund. Such steps shall include, whenever possible, shredding paper documents and records prior to disposal, requiring off-site storage vendors to shred documents maintained in such locations prior to disposal, and erasing and/or obliterating any data contained on electronic media in such a manner that the information can no longer be read or reconstructed.*

## FOR MORE INFORMATION

Several additional sources of information are available to you. The Statement of Additional Information (SAI), incorporated into this prospectus by reference, contains detailed information on Fund policies and operations, including policies and procedures relating to the disclosure of Fund portfolio holdings by the Fund's affiliates. Annual reports contain management's discussion of market conditions and, together with semi-annual reports, also contain investment strategies that significantly affected the Fund's performance, and performance results as of the Fund's latest semi-annual or annual fiscal year end. Call Shareholder Services at (888) 727-3301 to request free copies of the SAI and the Fund's annual and semi-annual reports, to request other information about the Fund and to make shareholder inquiries. Due to the costs of maintaining a website, the Sparrow Growth Fund does not currently maintain a website from which the SAI or annual and semi-annual reports can be downloaded.

You may review and copy information about the Fund (including the SAI and other reports) at the Securities and Exchange Commission (SEC) Public Reference Room in Washington, D.C. Call the SEC at 1-202-551-8090 for room hours and operation. You may also obtain reports and other information about the Fund on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>, and copies of this information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.