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# ROYAL AMERICAN FINANCIAL ADVISORS, LLC

29950 Haun Rd., Suite 205 – Menifee, CA 92586 – (951) 679-2065

## Discretionary Investment Advisory Agreement for the Armored World Portfolio & Armored Balanced I Portfolio

This Agreement entered into on the date indicated on the signature page of this document between **Royal American Financial Advisors, LLC** (hereinafter the “Adviser”) and



\_\_\_\_\_ (hereinafter “Client”).

“Client” accounts to include any and all accounts in which client has control in where Adviser gives investment portfolio advice on any and/or all of the Armored Portfolio Discretionary Managed Accounts in which the Client invests, including but not limited to: Trusts, individual, joint, UTMA, UGMA, IRA, 401k, 403b, 529, foundations. In consideration of the mutual promises, covenants, and undertakings set forth herein, the parties hereby agree as follows:

**1) CONFIDENTIAL RELATIONSHIP** - All information and recommendations furnished by either party to the other shall, at all times, be treated in strict confidence, and shall not be disclosed to third persons except as may be required by law or regulations, or except upon the prior written approval of the other party to this Agreement. Our privacy statement is attached as part of this agreement.

**2) OWNERSHIP AND CUSTODY OF SECURITIES** - Client represents that Client is the sole owner of the cash and securities (hereinafter sometimes referred to as “Portfolio Assets”) which are hereby placed under the discretionary supervision of the Adviser as hereinafter provided. The Adviser shall keep separate and accurate records of all additions to, dispositions from, and changes in the Portfolio Assets and furnish Client with written summary thereof no less often than once each calendar quarter. It is further represented that Client has full power and authority to enter into this Agreement and to commit the Portfolio Assets to the Adviser’s supervision. These Portfolio Assets are, and at all times during the continuation of this Agreement, will be free, clear and unencumbered.

**3) CUSTODIAN SERVICES** - The Adviser does not serve as custodian of any Client funds or securities. Portfolio Assets subject to the Adviser’s supervision hereunder will normally be maintained in street name with the Client’s independent custodian or Broker/Dealer. The Client shall be solely responsible for all bank fees and brokerage commissions involved in any custodial and broker/dealer arrangement selected by the Client.

**4) PROXY VOTING** - The Adviser claims no ownership rights, by virtue of its Advisory relationship, to any client securities and each client retains all incidental rights of ownership including the right to vote securities held in its name or in nominee name. The Adviser shall have no authority or obligation to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities in which assets of your account may be invested from time to time. You expressly retain the authority and responsibility for the voting of such proxies.

**Non-ERISA Clients:** The Adviser may receive proxies for securities held in client accounts in the normal course of its management business, which the Adviser is not responsible for voting. The client is responsible for properly directing the custodian as to whom the proxies should be forwarded.

**ERISA Clients:** The client agrees to make certain proxies are voted according to the plan document.

**5) NON-EXCLUSIVE AGREEMENT** - It is understood that the Adviser renders investment Advisory services for numerous clients. Nothing contained in this Agreement shall be deemed to impose upon the Adviser any obligation to purchase or sell for, or to recommend the purchase or sale to, any client any security, which the Adviser may purchase, sell for or recommend to the account of other clients.

**6) LIABILITY** - The Federal and State securities laws impose liabilities under certain circumstances on persons who act in good faith. Therefore, this agreement does not constitute a waiver of any Client's legal rights under common law or Federal and State securities laws.

**7) CLIENT AUTHORITY** - By entering into this Agreement, Client represents and confirms that the Adviser's engagement, pursuant to this Agreement, is authorized by the governing documents relating to the Client and that the terms of this Agreement do not violate any obligations by which the Client is bound. The Client agrees to deliver to the Adviser all account forms and corporate resolutions or similar documentation evidencing the undersigned's authority to execute and deliver this Agreement. The Client also agrees to deliver such organizational documents and other documents, including the written statement of the Client's investment objectives, policies and restrictions as the Adviser may reasonably require. The Client further agrees to promptly deliver all amendments or supplements to the foregoing documents, and agrees that the Adviser will not be liable for any losses, costs, or claims suffered or arising out of the Client's failure to provide the Adviser with any documents requires to be furnished hereunder. The Client warrants and represents that it owns all property deposited in the account and that no restrictions on disposition exist as to any such property.

**8) ASSIGNMENT & GOVERNING LAW** - This Agreement may not be assigned by either party without prior written consent. It is agreed that the validity of this Agreement and any of its terms or provisions shall be governed by the laws of the United States and the State of California.

**9) COMMUNICATIONS** - The Adviser will provide through Client's custodian or Broker/Dealer, at least quarterly, a statement of each client's account showing securities held, their costs, market values. During normal business hours, each Client's Portfolio Manager and Client Service Representative are reasonably available for consultation regarding the administration of the Portfolio Assets. The Adviser is committed to safeguarding the confidentiality of client information and holds all personal information in the strictest confidence. A copy of our current Privacy Statement accompanies this Investment Advisory Agreement.

The Adviser shall communicate the investment objectives of the Advisers management of the Portfolio Assets to the Client from time to time. The Client's commitment of the portfolio Assets to the Adviser's supervision and control hereunder is made in reliance upon the general expertise of the Adviser in investment counseling and portfolio management. Notices and reports provided for herein shall be mailed, in the case of the Adviser, to Royal American Financial Advisors, LLC and, in the case of Client, refer to Client Data Sheet. Any notice to Client required hereunder, not including any report, summary, statement or other usual communication, shall be sent by registered or certified mail. The above-mentioned addresses may be changed by appropriate notice given in accordance with this provision. The Adviser shall notify Client of any significant changes in the membership of the firm within a reasonable time after such change.

**10) CHANGE IN CIRCUMSTANCES** - The Adviser utilizes various investment strategies, which are listed under Item 1 A of Form ADV Part II - page 2 and described further under Item 1 D of Schedule F. The client shall provide the Adviser promptly in writing any change in risk tolerance as was communicated to the Adviser on the Client's General Suitability Questionnaire contained herein.

**11) FOR ERISA CLIENTS ONLY – (a)** The Adviser acknowledges that it is a fiduciary with respect to ERISA - subject plans; **(b)** The Adviser is a registered investment Adviser under the Investment Advisers Act of 1940; **(c)** The Adviser acknowledges that it is an investment manager as defined by ERISA; **(d)** The Adviser will obtain its own ERISA fidelity bond covering your account; **(e)** The client agrees to provide the Adviser with copies of the relevant trust agreement or agreements governing the operation and administration of your plan assets. The Client also agrees to provide the Adviser with copies of any amendments or modifications of those documents.


**12) LIMIT OF LIABILITY** - It is agreed by Client and by the Adviser that all transactions in the Client's portfolio are for the Client's sole account and risk. The Adviser shall not be excluded from liability for losses occasioned by the Adviser's willful misfeasance, bad faith, or gross negligence in the performance of its duties hereunder. Except as otherwise stated herein, Adviser shall have no liability to the Client or any third-party with respect to its acts or omissions pursuant to this agreement in the absence of gross negligence or willful misconduct, nothing shall relieve the Adviser of any liability it may have under applicable laws. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith, and nothing in this Agreement shall constitute a waiver of limitations of any rights, which the Client may have under applicable federal or state law. In no event shall the Adviser be obligated to effect any transaction for the Client which they believe would be in violation of any state or federal law, rule or regulation, or any regulatory or self regulatory body rule or regulation.

**13) TERMINATION OF AGREEMENT** - This Agreement may be terminated at any time by either of the parties upon written notice to the other. Said termination shall be effective immediately upon receipt of termination notice by the other party. Since fees are billed quarterly in advance, the Adviser will refund to Client after any such termination a pro-rata share of the fees paid computed on a daily basis for the 90-day quarter. Client's death shall not terminate this Agreement or the authority granted to the Adviser hereunder until the Adviser has received a death certificate.

**14) SEVERABILITY** - It is understood by the parties hereto that if any term, provision, duty, obligation, or undertaking herein contained is held by the courts to be unenforceable or illegal or in conflict with the applicable state law, the validity of the remaining portions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if such invalid or unenforceable provision was not contained herein.

**15) BLOCK TRADES:** When possible, the Adviser may aggregate (block) certain transactions for the Account with transactions in the same security done on behalf of some of the Adviser's other clients on the same day with this directed broker. It is understood by the parties hereto that block trading is permitted where the following conditions are met: All Clients receive equal treatment, disclosure is made as to the company's aggregation policies including partial fills, record-keeping and exceptions, and client funds are not to be held any longer than necessary to settle transactions.

**16) ACKNOWLEDGMENT OF RECEIPT OF FORM ADV PART II & SCHEDULE H**

 \_\_\_\_\_ **(Must be initialed by Client)** Client(s) hereby acknowledge having received the Adviser's Form ADV Part II ("brochure") and Schedule H as required by Rule 204-3 of the Investment Advisers Act of 1940. If the ADV Part II was received less than 48 hours before the Client signed the contract, the Client has the right to cancel the contract without penalty within five days.

**17) BROKERAGE SERVICES** - A broker/dealer, or custodian account is necessary for the establishment of an investment advisory relationship. Client's approval of broker/dealer, or custodian is by a signed application for establishing an account with that broker/dealer, or custodian. In selecting a broker/dealer, or custodian, the Adviser will comply with its fiduciary duty to obtain best execution and with the provisions of action 28(e) of the Securities Exchange Act of 1934 and will take into account such relevant factors as (a) price, (b) the broker's or dealer's facilities, reliability, and financial responsibility, (c) the ability of the broker or dealer to effect transactions, particularly with regard to such aspects as timing, order size, and execution of order, (d) the research and related brokerage services provided by such broker/dealer to the Adviser, notwithstanding that the account may not be the direct or exclusive beneficiary of such services and (e) any other factors the Adviser considers to be relevant. The Client acknowledges that they have been informed that: (a) A portion of the Adviser's clients can potentially be referred by various brokers, (b) The Adviser may use other brokers for Clients if a particular investment is not available through one broker, (c) The Broker may have referred the Client to the Adviser and as a result, the Adviser may have a conflict of interest where the Adviser is unable to negotiate brokerage commissions in the Client's behalf, (d) The brokerage commission amount that the Adviser has negotiated with the directed broker may be different from that which could be obtained from another brokerage firm, (e) The Adviser may not be able to aggregate trades for the Adviser's discretionary and non-discretionary accounts, nor obtain volume discounts and therefore, may not be able to obtain best execution when clients have both discretionary and non-discretionary accounts, (f) The price the Account pays or receives for a security may be different from the price paid by Clients who utilize a different broker which may not constitute best execution.

If this Advisory Account is an IRA, 401k, 403b, or other retirement account, the signer of this agreement, on behalf of the Client, represents to the Adviser that he/she has determined that in view of the services being provided by the Broker, the direction of the Account's brokerage to the Broker and the brokerage commission rate determined by Client and Broker: (a) Are in the best interests of the Account; and (b) if the Account is subject to the Employee Retirement Income Security Act of 1974 as amended ("ERISA") are: (i) for the exclusive purpose of providing benefits to participants and beneficiaries of Client; and, (ii) shall not constitute, or cause the Account to be engaged in a "prohibited transaction," as defined in ERISA; and, (iii) the client's responsibility to monitor the services provided by the directed broker to ensure that the plan receives best execution by the broker and that the commissions paid to the directed broker are reasonable in view of the brokerage and other services provided. If a Broker is unable to execute a specific transaction at the current Broker/Dealer, the Adviser may execute the trade at another Broker/Dealer.

**18) DISCRETIONARY AUTHORITY STATEMENT - (Must be initialed by Client)**



**THIS IS A FULL DISCRETION ACCOUNT-** It is agreed by Client and Adviser that the Adviser shall supervise and direct investments of and for the Client's account on a discretionary basis, without prior consultation with the client, subject, however, to such limitations and restrictions as the Client may impose in writing to the Adviser. This discretionary authority makes the Adviser the agent and attorney-in-fact with full power and authority in connection with the Client's account (to buy, sell, exchange, convert, and otherwise trade in all securities or cash as the Adviser may select). The Client hereby authorizes the Adviser to invest, in its complete discretion, any or all assets of the account in line with any of the Advisor's **Armored World Portfolio Discretionary Managed Portfolio and/or Armored Balanced I Portfolio**. Discretionary authority of the Adviser under this agreement shall continue until receipt of written notice of (a) its termination, or (b) death or incapacity of the Client. Any action taken by the Adviser prior to receipt of said written notice shall be binding upon the Client and the Client's legal representatives, heirs, and assigns.

**Strategy for this Agreement:** Note: Each strategy must have a separate account.

Client Initials: Armored World Portfolio \_\_\_\_\_ Armored Balanced I Portfolio \_\_\_\_\_

Exclude/Lock the following securities in my account from trading (if any): \_\_\_\_\_

**19) COMPENSATION OF THE ADVISER**

Royal American Financial Advisors, LLC Fee Schedule - (Minimum account size is \$25,000)

**Armored World Portfolio or Armored Balanced I Portfolio:**

**The Annual Fee for Total Assets Under Management is 1.0%**

**PLATINUM PLUS CLIENTS – All Royal American Armored Portfolio Advisory Fees Are Waived. Your management fees are included as part of your Platinum Plus services. If you currently have \$1,000,000 or more in investable assets and would like to find out more about the many benefits our Platinum Plus clients enjoy call for a brochure, or visit [www.royalamericanonline.com](http://www.royalamericanonline.com).**

Nominal transaction fees and/or other fees charged by custodian are in addition to advisory fees. Clients may incur certain charges imposed by third parties and/or custodians in connection with their investments including, but not limited to, 12(b)-1 fees, qualified retirement account fees, and transaction ticket charges. The Adviser may make amendments to this schedule of fees at any time with sufficient written notice to Client.

Fees are paid quarterly in advance based on the fee schedule, which is set forth above. The advisory fee for the initial calendar quarter is based upon all deposits made into the account during the initial calendar quarter, and will be prorated to the date of the first deposit, and billed retroactively in the second calendar quarter. Advisory fees for the second quarter and beyond are calculated according to the fee schedule and based upon the fair market value of Portfolio Assets of the account as shown on the quarter end statement provided by the custodian, and the resulting amount, divided by four, shall be the amount due the Adviser as compensation for the next quarterly period. The client authorizes the advisor’s fee is to be paid directly from the client’s account held by an independent custodian. Fees will be noted on the client’s quarterly statement from the custodian showing the amount of the advisory fee, the value of the client’s assets upon which the fee was based, and the manner in which the advisor’s fee was calculated. When fees are withdrawn, client(s) acknowledge that it is the client’s responsibility to verify the accuracy of the fee calculation, and that the custodian will not determine if the fees are accurately calculated.

**20) TERMINATIONS AND REFUNDS:** Investment advisory agreements may be terminated at any time by either or the parties upon written notice to the other. Said termination shall be effective immediately, or on an agreed upon date. Since fees are billed in advance, any accounts closed during the middle of a quarter will be refunded the advisory fee paid from the closing date to the end of the quarter.

**IN WITNESS WHEREOF,** the undersigned have hereunto set their respective hands as of the date and year written below.

\_\_\_\_\_,200\_\_\_\_  
Client Signature Date

\_\_\_\_\_,200\_\_\_\_  
2<sup>nd</sup> Client Signature Date

**For the Adviser:**

\_\_\_\_\_,200\_\_\_\_  
Authorized Officer of Royal American Financial Advisors, LLC Date

# ROYAL AMERICAN FINANCIAL ADVISORS, LLC

## Client Data Sheet

Name of Client \_\_\_\_\_ SS# \_\_\_\_\_

Client's Spouse \_\_\_\_\_ SS# \_\_\_\_\_

Your Birth Date \_\_\_\_/\_\_\_\_/19\_\_\_\_ Spouse's Birth Date (If applicable) \_\_\_\_/\_\_\_\_/19\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ **California** Zip Code: \_\_\_\_\_

Phone (\_\_\_\_) \_\_\_\_\_ Fax (\_\_\_\_) \_\_\_\_\_ e-Mail: \_\_\_\_\_

Client is a citizen of  USA  Other : \_\_\_\_\_

Your Status:  Single  Married  Divorced  Widowed  Separated

Are you related to an employee of Royal American Financial Advisors, LLC?  Yes  No

Client is an Officer, Director or 10% shareholder of a public company?  Yes  No

Your Portfolio Size \$ \_\_\_\_\_ Your Typical Tax Bracket \_\_\_\_\_ %

Do you have an ERISA Qualified Plan or an IRA plan?  Yes  No

What is your investment time horizon in years?  20+  10-20  5-10  3-5  1-3

How long have you been investing?  1-5 years  6-10 years  11-20 years  20+ years

What types of investments have you owned?

Stocks  Bonds  Mutual Funds  Annuities  REITs

What is your total annual income?

- Less than \$25,000
- \$25,000 - \$50,000
- \$50,000 - \$100,000
- \$100,000 - \$500,000
- \$500,000 - \$1,000,000
- Over \$1,000,000

What is your net worth (exclusive of home)?

- Less than \$25,000
- \$25,000 - \$50,000
- \$50,000 - \$100,000
- \$100,000 - \$500,000
- \$500,000 - \$1,000,000
- Over \$1,000,000



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# ROYAL AMERICAN FINANCIAL ADVISORS, LLC

## General Privacy Statement

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Royal American Financial Advisors, LLC is a state of California Licensed Investment Advisory Company committed to safeguarding the confidential information of its clients. We hold all personal information provided to our company in the strictest confidence. These records include all personal information that we collect from you in connection with any of the services provided by Royal American Financial Advisors, LLC or affiliated companies including Royal American Insurance Services, LLC. We have never disclosed information to nonaffiliated third parties, except as permitted by law, and do not anticipate doing so in the future. If we were to anticipate such a change in company policy, we would be prohibited under the law from doing so without advising you first. As you know, we use financial and health information that you provide to us to help you meet your personal financial goals while guarding against any real or perceived infringements of your rights of privacy. Our policy with respect to personal information about you is listed below.

- We limit employees and agent access to information only to those who have a business or professional reason for knowing, and only to nonaffiliated parties as permitted by law. (For example: Federal regulation permit us to share a limited amount of information with a brokerage firm in order to execute securities transactions on your behalf, or so that we can discuss your financial situation with your accountant or attorney.)
- We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.
- The categories of nonpublic personal information that we collect from a client depend upon the scope of the client relationship or services requested by the client. It will include information about your personal finances, information about your health to the extent that it is needed for the planning/advisory process, information about transactions between you and third parties, and information from consumer reporting agencies.
- For unaffiliated third parties that require access to your personal information, including financial services companies, consultants, and auditors, we also require strict confidentiality in our agreements with them and expect them to keep this information private. Federal and State regulators also may review company records as permitted under law.
- We do not provide your personally identifiable information to mailing list vendors for any purpose.

Personally identifiable information about you will be maintained during the time you are a client, and for the required time thereafter that such records are required to be maintained by Federal and State securities laws, and consistent with the CFP Board Code of Ethics, and professional responsibility. After this required period of record retention, all such information will be destroyed.

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# USA Patriot Act Policy Statement

The USA PATRIOT ACT (Uniting and Strengthening America by Protecting Appropriate Tools to Intercept and Obstruct Terrorism Act) was signed into law on October 26, 2001. On May 9, 2003 the Department of Treasury issued their final regulations for Customer Identification Programs for Financial Institutions. Since that time the standard for banks and non-banking financial institutions has become the requiring of additional information from all clients in order to stay in compliance with the USA Patriot Act.

In order to be able to provide the information required of the bank and non-bank financial institutions that provide services for our clients, Royal American Financial Advisors will require the following additional documentation when we open new accounts after 10-1-2003.

- At the earliest convenience we will require of all new clients to show a copy of a valid driver's license or other valid government issued ID. We will record the information on new account forms and advisory agreements.
- ALL CLIENTS must have a valid physical mailing address on file, as post office boxes will no longer be sufficient under the USA Patriot Act.

Royal American wishes to thank our clients for their cooperation and support in these simple procedures to support efforts to deny terrorist groups access to America's financial system.

NAME: \_\_\_\_\_

DRIVERS LICENSE NUMBER: \_\_\_\_\_ Exp \_\_\_/\_\_\_/\_\_\_ STATE: \_\_\_\_\_

OR, GOVERNMENT ISSUED I.D. or PASSPORT NUMBER: \_\_\_\_\_

NAME: \_\_\_\_\_

DRIVERS LICENSE NUMBER: \_\_\_\_\_ Exp \_\_\_/\_\_\_/\_\_\_ STATE: \_\_\_\_\_

OR, GOVERNMENT ISSUED I.D. or PASSPORT NUMBER: \_\_\_\_\_

The above information is true and correct:

\_\_\_\_\_/\_\_\_\_/\_\_\_\_  
Signature

\_\_\_\_\_/\_\_\_\_/\_\_\_\_  
Signature