



CAPSTONE

Building Wealth, Controlling Risk

*Account Application and
Investment Advisory Agreement*

INVESTMENT ADVISORY AGREEMENT

This Agreement is between CAPSTONE ASSET MANAGEMENT COMPANY (“Capstone”), and

(Account Title)

(“Client”). In consideration of the mutual promises, covenants, and undertakings set forth herein, the parties hereby agree as follows:

- 1) Client appoints Capstone as the investment adviser of those assets designated to be held in an Investment Advisory Account (“Account”). Capstone shall establish such accounts in the name of Client as are necessary to account for the assets and any additions, income, receipts and disbursements in connection therewith. Such accounts will be established upon receipt of proper notice from the Brokerage Firm or third party custodian that cash and securities have been deposited by Client in an account designated by the Brokerage Firm or third party custodian as a custodial account to be managed by Capstone.
- 2) Capstone shall not act as custodian for the Account or take or have possession of any assets of Client. The custodian for the Account may be the Brokerage Firm designated on the Client Information Questionnaire or a third party custodian selected by the Client.

Client represents that any such custodian shall be a “qualified custodian” as defined in Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (“Advisers Act”). Client agrees to notify Capstone in writing of any material changes with respect to the qualified custodian, to provide Capstone with reasonable prior notice of any intention to appoint a successor custodian and to ensure that any such successor custodian is also a qualified custodian. Client understands and agrees that: (i) Capstone will at no time have physical custody or control of the cash and assets in the account; (ii) Capstone will not be liable for any act or omission of any custodian; and (iii) Client will instruct the custodian to provide Capstone with copies of any periodic account statements with respect to the Account no less frequently than monthly, as well as such other periodic reports concerning the status of the Account as Capstone may reasonably request from time to time. Account statements shall include the amounts of each security and all funds in the Account at the end of the applicable period and all transactions in the account during that period. Nothing in this section shall prohibit Capstone from directly billing the Account for fees incurred under this Agreement in accordance with the Advisers Act and related Rule 206(4)-2 or other applicable law.
- 3) Subject to the Client’s selected investment style, objectives and other directions provided by Client on the Client Information Questionnaire, Capstone shall have sole investment authority over the Account and shall assume all duties with respect to assets held in the Account. By entering into this Agreement, Client in no way surrenders ownership of the cash or securities comprising the Account and Capstone may not withdraw the cash or securities from the Client’s account; however, Client hereby expressly authorizes Capstone in its discretion, to make, order and direct any and all investment transactions involving the Account in Client’s name and for Client’s account as fully as the Client himself could do. In furtherance of this authorization granted to Capstone, Client hereby agrees to instruct the Brokerage Firm and/or third party custodian of Capstone’s authority or authorize any transactions directed by Capstone. In the event Client determines to withdraw any cash and/or securities from the Account covered by this Agreement, Client shall give Capstone immediate notice thereof and promptly confirm the same in writing.

4) Client shall designate on the Client Information Questionnaire the investment objective of the Account. In working toward the investment objectives of Client, Capstone is hereby fully empowered to give instructions from time to time to sell, convert or exchange securities in the portfolio and to purchase and otherwise acquire securities. All such transactions will be done at Capstone’s sole discretion and without obligation to consult with or to notify the Client. Capstone shall periodically review the Account and the overall market for such securities as shall then comprise Client’s portfolio. Client acknowledges that in the process of active portfolio management, cash may be held in the Account at the discretion of Capstone.

5) Capstone shall be paid such compensation for its services as designated on the Fee Schedule. Until paid, the fees and expenses of Capstone shall constitute a lien upon the assets of the Account.

6) All commissions and other charges with respect to transactions for the Account shall be payable by Client. Where Client has designated an Account Executive and Brokerage Firm on the Client Information Questionnaire, all securities transactions authorized by this Agreement shall be effected through such Account Executive and Brokerage Firm, unless otherwise directed by the Client. Client understands that, under this arrangement, Capstone’s services do not include selection of brokerage firms or negotiation of commission rates and for this reason, Client may not necessarily obtain commission rates as favorable as those which might otherwise be obtained through an investment manager which selects brokerage firms or negotiates commission rates. Client understands that his Account Executive has referred Client to Capstone and as a result, Capstone has a potential conflict of interest in negotiating brokerage commissions on Client’s behalf. Client understands that he may, if he desires, negotiate commission rates with the Account Executive or other representative of the Brokerage Firm designated by Client, and that the factors involved in such negotiation may include the size of the brokerage account, the Brokerage Firm’s policy with respect to discounts, Client’s relationship with the Account Executive, and other factors. Client understands that unless a lower rate has been negotiated by the Client on his behalf, he shall expect that the Brokerage Firm will charge commissions based upon the Brokerage Firm’s established, non-discounted commission schedule. If Client elects to change the Brokerage Firm designated on Client Information Questionnaire, Client shall give written notice to Capstone pursuant to paragraph 10.

Where the Client has not designated an Account Executive and Brokerage Firm on the Client Information Questionnaire and thereby grants Capstone the authority to select brokerage firms and negotiate commission rates, Capstone will seek brokerage firms which Capstone believes will provide best execution. In determining best execution, Capstone will consider research products and services provided by the brokerage firm in addition to price and other factors. This may involve paying a price (including commissions) on a transaction that exceeds the price Capstone might have otherwise obtained if the transaction had been executed with a principal market maker if Capstone determines that the amount of commission is reasonable in relation to the value of brokerage and research services provided by such brokerage firm. Research encompasses all products and services that provide lawful and appropriate assistance to Capstone in carrying out its investment decision-making responsibilities. Examples of research products and services include advice, both directly and in writing, as to the value of the securities, the advisability of investing in, purchasing or selling securities, as well as analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy and the performance of

INVESTMENT ADVISORY AGREEMENT

accounts. In selecting brokerage firms and in negotiating commissions, in addition to price and research products and services provided, Capstone considers among other factors the brokerage firm's reliability, the quality of its execution services on a continuing basis and its financial condition. Client acknowledges that in no event will Capstone be obligated to effect or place an order for any transactions for Client that Capstone believes would violate any applicable state or federal law, rule or regulation.

In performing its services under this Agreement, Capstone shall not be required to take into consideration, and shall have no responsibility with respect to, Client's assets other than those in the Account. Accordingly, subject to the Investment Style and Objective selected by Client on the Client Information Questionnaire, the majority or the whole of the Account may be invested in such proportions of stocks, bonds, other securities or investment instruments, or cash as Capstone shall determine, without regard for the diversification of Client's assets in the aggregate. Neither Capstone nor any of its officers, directors, or employees make any representations or warranties, express or implied, that any level of performance or investment results will be achieved by the Account or that the Account will perform comparably with any standard or index, including other clients of Capstone, whether public or private. Client acknowledges and agrees that the value of investments made for the Account may go up as well as down and are not guaranteed and Capstone will not be liable for its failure to achieve any investment performance targets or goals set forth in the selected Investment Style and Objective or otherwise articulated by Client.

7) Capstone shall not be liable for any loss incurred in connection with recommendations or investments made or other action(s) taken or not taken on behalf of Client due to errors of judgment or by reason of Capstone's advice, including action taken or omitted subsequent to Client's death or termination of the Agreement, but prior to receipt by Capstone of written notice thereof, and including action taken or omitted prior to Capstone's receipt of a written notice of termination. Capstone shall not be excluded from liability for any act or omission which constitutes misfeasance, bad faith or negligence in the performance of its duties, or by reason of its disregard of obligations and duties hereunder. Capstone shall not be responsible for any loss incurred by reason of any act or omission of Client, any custodian or any Account Executive or Brokerage Firm. Client does not surrender rights, nor does Capstone waive liability under applicable laws, rules or regulations.

8a) Client represents that the terms hereof do not violate any obligation by which Client is bound, whether arising by contract, operation of law or otherwise, and that, if required, (i) this contract has been duly authorized by appropriate action and is binding upon Client in accordance with its terms, and (ii) Client will deliver to Capstone such evidence of such authority as it may reasonably require, whether by way of a certified resolution, trust agreement, or otherwise. A Trustee or other fiduciary entering into this Agreement as Client represents that the proposed investment objective designated on the Client Information Questionnaire is within the scope of the investments and policies authorized by the governing instrument. The Trustee also agrees to advise Capstone in writing of the funding policy of the Trust and shall specify the anticipated liquidity needs of the Trust for disbursements.

Client will inform Capstone in advance, or in any event, promptly, if it knows or has reason to believe that the foregoing representations and warranties are, or no longer will be, valid.

b) Capstone represents that it is registered as an investment adviser under the Adviser Act.

9) This Agreement may be terminated at any time, without the payment of any penalty, by Client or by Capstone upon written notice to the other party. Upon termination, Capstone will refund a prorata share of the prepaid fees computed on a daily basis for the 90-day quarter. No assignment of this Agreement shall be made by Capstone without the written consent of Client. Upon termination of this Agreement, Capstone is under no obligation to recommend any action with regard to the securities or other property held in the account. Capstone retains the right, however, to complete any transactions as of the termination date and to retain amounts in the Account to effect their completion. Upon termination, it is Client's responsibility to issue written instructions regarding assets in the Account.

10) All notices required hereunder shall be deemed effective by Capstone and Client when received in the case of Capstone, at Capstone Asset Management Company, 5847 San Felipe, Suite 4100, Houston, Texas 77057 and, in the case of the Client at the address shown on the Client Information Questionnaire. The addresses may be changed by appropriate notice given in accordance with this provision.

11) This Agreement shall be governed by the laws of the State of Texas.

12) By execution of this Agreement, Client acknowledges that Capstone has informed Client of the following:

- (a) Capstone is an investment adviser registered with the Securities and Exchange Commission.
- (b) Client understands that the Account Executive designated on the Client Information Questionnaire will receive a portion of the brokerage commissions to be paid to the designated Brokerage Firm on transactions effected for the Account. If Client has designated an Account Executive or Brokerage Firm on the Client Information Questionnaire, Capstone's services do not include selection of brokerage firms or negotiation of commission rates.

13) Client acknowledges receipt and review of Part II of Capstone's Form ADV describing Capstone as required by Rule 204-3 under the Investment Advisers Act of 1940, as amended. If the brochure has not been received 48 hours prior to the execution of this Agreement, Client has five days within which to terminate this Agreement without penalty. Client also acknowledges that it has received a copy of Capstone's Privacy Policy, if required by Regulation S-P.

14) Capstone acknowledges that with respect to ERISA accounts, it is a fiduciary as that term is used in the Employee Retirement Income Security Act of 1974, as amended, or any administrative regulations promulgated thereunder.

15) Client understands that Capstone provides investment advisory services for clients other than the Client. Client agrees that Capstone may give advice and take action with respect to other clients that may be similar to or different from that given to Client, in terms of securities, timing, nature of transactions and other factors, so long as Capstone, to the extent practicable, attempts in good faith to allocate

I N V E S T M E N T A D V I S O R Y A G R E E M E N T

investment opportunities among its clients, including Client, on a fair and equitable basis. Client recognizes that other clients of Capstone, as well as Capstone, its shareholders, directors, employees, affiliates, and their family members, may hold and engage in transactions in securities purchased or sold for Client or about which Capstone has given Client advice.

16) Client shall have the sole responsibility to determine, from time to time, that the services provided by Capstone, the Investment Style and Objective, and the securities and other investment instruments contained in the Account are appropriate and suitable for the account in light of Client's needs, financial position and investment objectives. Client shall monitor the Account by reviewing statements or reports from Capstone or the Custodian regarding the Account and shall advise Capstone of any inappropriate or unsuitable investment as soon as possible, but in any event not later than ten days after the receipt of such statement or report. Client shall provide Capstone with any materials or information that Capstone may reasonably request to enable it to perform its responsibilities pursuant to this Agreement. Client shall provide Capstone, from time to time, with a list of those securities that Capstone may not acquire or dispose of on behalf of Client.

17) Client acknowledges and agrees that all information and advice furnished by either party to this Agreement to the other party shall be treated as confidential and will not be disclosed to other persons except with the prior written consent of the other party or as otherwise required by applicable law. Notwithstanding the foregoing, Capstone may disclose the name of Client in certain circumstances, including, without limitation, to certain counterparties for risk management

purposes. Additionally, in the case of class action suits involving issuers of securities held in the Account, Capstone may provide information about the Account to other persons for purposes of participating in any settlements.

18) This agreement may be amended by mutual consent of the parties hereto. No such amendment shall be effective until and unless such amendment is in writing and signed by both parties. Notwithstanding the foregoing if any provision of this Agreement is deemed invalid or unenforceable by appropriate authority under the law of any jurisdiction applicable to this Agreement, this Agreement shall continue as if such provision were omitted, unless such omission would substantially impair the rights or benefits of either party.

19) This Agreement shall be governed by the laws of the State of Texas provided that nothing herein will be construed in any matter inconsistent with the Advisers Act or any rule, regulation or order of the Securities and Exchange Commission promulgated thereunder.

20) This Agreement, including the Client Information Questionnaire and Account Application, constitutes the entire agreement between the parties with respect to subject matter hereof and supersedes all prior agreements, negotiation, representations, and proposals, whether written or oral.

21) This Agreement may be executed in several counterparts, each of which shall be deemed to be original, but which together shall constitute one and the same document.

Management Fee Schedule

The annual fee for Core Equity Large Cap Growth, Global Equity Income and Balanced Portfolios is:

First \$2.5 million.....	.50% of Assets
Next \$2.5 million .....	.45% of Assets
Next \$5.0 million .....	.40% of Assets
Over \$10.0 million .....	.25% of Assets

The annual fee for TAAP Portfolios is:

First \$250,000 .....	.40% of Assets
Next \$750,000 .....	.35% of Assets
\$1.0 - \$5.0 million .....	.30% of Assets
\$5.0 million+ .....	.20% of Assets

The annual fee for Theta Growth and Balanced Theta/Growth Portfolios is:

First \$250,000 .....	.60% of Assets
Next \$250,000 .....	.55% of Assets
\$500,000+ .....	.50% of Assets

The annual fee for Fixed Income Portfolios is:

First \$2.5 million.....	.35% of Assets
Next \$2.5 million .....	.30% of Assets
Next \$5.0 million .....	.25% of Assets
Over \$10.0 million .....	.20% of Assets

The annual management fee is paid quarterly in accordance with the Fee Schedule. When the account is opened, the management fee is billed for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly fee is paid in advance and will be based on the account asset value on the last business day of the previous calendar quarter and will become due the following business day. Client hereby authorizes the Brokerage Firm/Custodian to deduct management fees from the Client's account and to pay such fees directly to Capstone.

ACCOUNT APPLICATION

CLIENT INFORMATION

Account Title _____

Contact Person(s) _____

Tax ID/Social Security Number - - _____

Address _____

City _____ State _____ Zip Code _____

Daytime Telephone () _____ Fax () _____

Email Address _____

Are there portfolio restrictions or special instructions? Yes No
If yes, please list:

The effective date of this Agreement shall be the date of its acceptance by Capstone.

ACCEPTED AND AGREED TO by Client this _____ day of _____, 20____.

Witness

Client

Witness

Client

ACCEPTED AND AGREED TO by Capstone this _____ day of _____, 20____.

Witness

Officer

ACCOUNT APPLICATION

FINANCIAL ADVISOR / CONSULTANT INFORMATION

Name _____

Name of Secondary Contact _____

Firm Name _____

Daytime Telephone () _____

Fax () _____

Address _____

City _____

State _____

Zip Code _____

Email Address _____

Account Number (for this account) _____

Verify duplicate electronic trade confirmations. Capstone Institutional I.D. # 73409

Verify duplicate hard copy monthly statements to address below.

Please fax and then mail the completed Agreement to:

Capstone Asset Management Company

Client Relations Department

5847 San Felipe, Suite 4100

Houston, Texas 77057

Fax: 713-260-9050

Attention: Client Relations Department

We will return a copy of the contract to you.

Capstone Asset Management Company
5847 San Felipe, Suite 4100
Houston, Texas 77057
Phone: 713.260.9000
Toll Free: 800.262.6631
Fax: 713.260.9025
E-mail: info@capstonefinancial.com
www.capstonefinancial.com



CAPSTONE

Building Wealth, Controlling Risk