

# **Regal Investment Advisors LLC**

**2687 44th Street SE  
Kentwood, MI 49512**

**616-224-2204 Main  
616-458-7402 Fax  
888-546-2715 Toll Free**

**<http://www.regalria.com>**

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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Regal Investment Advisors LLC. If you have any questions about the contents of this brochure, please contact us at 616-224-2204. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Regal Investment Advisors LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Regal Investment Advisors LLC is 125004.

Regal Investment Advisors LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **Item 2 Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment, dated March 30, 2020, we added disclosures in Item 5 and Item 14 surrounding an agreement in place with a mutual fund adviser and potential conflicts of interest present in this arrangement. We have also updated Item 13 to better reflect the internal process for the review of client accounts.

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## Item 4 Advisory Business

### Description of Services and Fees

Regal Investment Advisors LLC is a registered investment adviser based in Kentwood, Michigan. We are organized as a limited liability company under the laws of the State of Michigan. We have been providing investment advisory services since July, 2003. John A. Kailunas, II is the principal owner. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- **Portfolio Management Services**
- **Financial Planning Services**
- **Asset Allocation Services**
- **Selection of Other Advisers**
- **Pension Consulting Services**
- **Sub-Advisory Services**
- **Mutual Fund Advisory Services**
- **Wrap Fee Program**
- **Family Office Services**

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Regal Investment Advisors LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term "Associated Person" throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### Portfolio Management Services

We offer discretionary and non-discretionary portfolio management services. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "Suitability Information") at the beginning of our advisory relationship. We will use the Suitability Information we gather to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our portfolio management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. We may also invest your assets using a predefined strategy, or we may invest your assets according to one or more model portfolios developed by our firm. Once we construct an investment portfolio for you, or select a model portfolio, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, the amount of securities to be purchased or sold, and the broker or dealer to be used for a purchase or sale of securities for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

As part of our portfolio management services, we may use one or more sub-advisers to manage a portion of your account on a discretionary basis. The sub-adviser(s) may use one or more of their model portfolios to manage your account. We will regularly monitor the performance of your accounts managed by sub-adviser(s), and may hire and fire any sub-adviser without your prior approval. Our ability to hire

and fire sub-advisers on your behalf is based on you granting our firm discretionary authority, which is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authority forms. We will pay a portion of our advisory fee to the sub-adviser(s) we use; however, you will not pay our firm a higher advisory fee as a result of any sub-advisory relationships.

### **Financial Planning Services**

We offer broad-based, modular, and consultative financial planning services. Financial planning will typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. We may also use financial planning software to determine your current financial position and to define and quantify your long-term goals and objectives. Upon the specification of long-term objectives (both financial and non-financial), we will develop shorter-term, targeted objectives. We will review and analyze the information you provide to our firm and the data derived from our financial planning software. We will then deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

Financial planning advice may be rendered in the areas of business planning, retirement planning, financial planning, cash flow planning, estate planning, insurance planning, divorce planning, college planning, and compensation and benefits planning, among others. We will not provide legal or accounting advice. It is recommended that you consult an attorney, accountant, or tax adviser for legal or tax advice.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

### **Selection of Other Advisers**

As part of our investment advisory services, we may recommend that you use the services of a third-party money manager ("MM") to manage your entire, or a portion of, your investment portfolio. After gathering information about your financial situation and objectives, we will recommend that you engage a specific MM or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: the MM's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will periodically monitor the MM(s)' performance to ensure the management and investment style remains aligned with your investment goals and objectives.

The MM(s) will actively manage your portfolio and will assume discretionary investment authority over your account. We will assume discretionary authority to hire and fire MM(s) and/or reallocate your assets to other MM(s) where we deem such action appropriate.

We have also entered into an agreement with Assetmark, Inc. ("Assetmark"), a MM we may recommend, whereby Assetmark provides our firm with a quarterly reimbursement for qualified marketing and/or business development expenses incurred by our firm. Examples of qualified expenses include organized group meetings, client communication materials, advertising, seminars and conference expenses, coaching/training/business development programs, and meetings with prospects. The amount of reimbursement is based on the amount of assets placed with Assetmark. Therefore, this arrangement creates a conflict of interest in that we have a financial incentive to recommend Assetmark to our clients over other MMs. Notwithstanding our agreement with Assetmark, we will recommend Assetmark to clients only to the extent that our recommendation is in the client's best interest given the client's financial needs, investment goals, risk tolerance, and investment objectives.

### **Asset Allocation Services**

We offer asset allocation services for qualified accounts through TIAA-CREF. Once you have retained our firm for asset allocation services, we will gather information about your financial situation and objectives, and assist you in determining your investment goals, objectives, risk tolerance, and retirement plan time horizon. We will initially provide you with recommendations as to how to allocate your investments among categories of assets. We will then review your account on a quarterly basis. Where appropriate, we may provide you with recommendations to change your asset allocation in an effort to remain consistent with your stated financial objectives. You are free at all times to accept or reject any of our investment recommendations. You are solely responsible for implementing our recommendations. We will not execute any transactions or changes in asset allocation on your behalf.

### **Pension Consulting Services**

We offer pension consulting services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services may include an existing plan review and analysis, plan-level advice regarding fund selection and investment options, education services to plan participants, investment performance monitoring, and/or ongoing consulting. These pension consulting services will generally be non-discretionary and advisory in nature. The ultimate decision to act on behalf of the plan shall remain with the plan sponsor or other named fiduciary.

We may also assist with participant enrollment meetings and provide investment-related educational seminars to plan participants on such topics as:

- Diversification
- Asset allocation
- Risk tolerance
- Time horizon

Our educational seminars may include other investment-related topics specific to the particular plan.

### **Advisory Services to Retirement Plans**

As disclosed above, we offer various levels of advisory and consulting services to employee benefit plans ("Plan") and to the participants of such plans ("Participants"). The services are designed to assist plan sponsors in meeting their management and fiduciary obligations to Participants under the Employee Retirement Income Securities Act ("ERISA"). Pursuant to adopted regulations of the U.S. Department of Labor under ERISA Section 408(b)(2), we are required to provide the Plan's responsible plan fiduciary (the person who has the authority to engage us as an investment adviser to the Plan) with a written statement of the services we provide to the Plan, the compensation we receive for providing those services, and our status (which is described below).

The services we provide to your Plan and the corresponding compensation described above are also in the service agreement that you have previously signed with our firm. We may, with consent of the Plan, and in accordance with Plan documents, bill out-of-pocket expenses (such as overnight mailings, messenger, translation fees, etc.) at cost. We do not reasonably expect to receive any other compensation, direct or indirect, for the services we provide to the Plan or Participants. Nonetheless, since Associated Persons of our firm are registered representatives and/or licensed insurance agents, these individuals may receive 12b-1 fees, revenue sharing or other forms of indirect compensation in connection with mutual fund investments allowable under applicable authority through Regulus Advisors, LLC, (refer to Items 5, 12, and 14 for additional disclosures). If we receive any other compensation for such services, we (i) will offset the compensation against our stated fees, and (ii) will promptly disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

### **Status**

In providing services to the Plan and Participants, our status is that of an investment adviser registered

under the Investment Advisers Act of 1940, and we are not subject to any disqualifications under Section 411 of ERISA. In performing fiduciary services, we are acting either as a non-discretionary fiduciary of the Plan as defined in Section 3(21) under ERISA, or as a discretionary fiduciary of the plan as defined in Section 3(38) under ERISA.

### **Sub-advisory Services**

We offer sub-advisory services to unaffiliated third-party money managers (the "Primary Investment Adviser"). As part of these services, we will provide model portfolios, which the Primary Investment Adviser selects, for their clients. We will not directly manage the Primary Investment Adviser's individual client accounts. The Primary Investment Adviser will be responsible for selecting the appropriate model for its clients. Fees and payment arrangements are negotiable and will vary on a case-by-case basis.

### **Wrap Fee Program**

We are a portfolio manager to and sponsor of a wrap fee program, the Advisor Choice Program, which is a type of investment program that provides clients with access to portfolio management services for a single fee that includes administrative fees, management fees, and commissions. If you participate in our wrap fee program, you will pay our firm a single fee, which includes our money management fees, certain transaction costs, and custodial and administrative costs. We receive a portion of the wrap fee for our services. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program.

Clients who establish a wrap fee account with Regal Investment Advisors must consent to a clearing/custodian broker-dealer with whom we have a clearing arrangement. We have selected the following unaffiliated registered broker-dealers, which are members of FINRA and SIPC, to execute and clear transactions and provide custody services for Advisor Choice wrap fee clients:

- TD Ameritrade Institutional (as cleared through TD Ameritrade Clearing, Inc.), a division of TD Ameritrade, Inc. ("TD Ameritrade")
- Schwab Institutional (as cleared through Charles Schwab & Co., Inc.), a division of Charles Schwab & Co., Inc. ("Schwab")
- Fidelity Institutional Wealth Services ("Fidelity") (as cleared through National Financial Services LLC)
- Pershing Advisor Solutions ("Pershing") (as cleared through Pershing LLC)

We manage wrap fee accounts in the same way we manage non-wrap fee accounts. If you participate in our wrap fee program, we will provide you with a separate Wrap Fee Program Brochure explaining the program and costs associated with the program.

### **Family Office Services**

Regal Investment Advisor Representatives that have completed approved training may bill for Family Office Services. The Family Office fee is charged as a fixed fee and is approved by clients via a Family Office Services Agreement (FOSA), previously called a Private Wealth Management Agreement. We utilize the following FOSA fee schedule, subject to negotiation, in providing the client with the requested services:

- Level 1 Services are the core Family Office deliverables and include, but are not limited to, the implementation of a professionally-written financial action plan; annual review of core values, goals & financial position; an annually updated implementation plan; 3 progress reports per year; goals planning; oversight of growth assets and money managers; engaging tax professionals for tax planning; income tax preparation; engaging estate professionals to review their estate plan as well as cash & debt management as needed. We charge a fixed fee for these services that can range from \$2,500/qtr to \$25,000/qtr, or more, depending on the client's net worth and/or the complexity of their estate.
- Level 2 Services include all of Level 1 plus Concierge Services that provide clients with special event planning, travel arrangements and unique entertainment experiences that can include

business travel and/or family vacations. We charge a fixed fee for these services that can range from \$3,500/qtr to \$30,000/qtr, or more, depending on the client's demands.

- Level 3 Services include all of Level 1 & 2 Services plus bill payment and account monitoring. These services include payment of household bills twice per month. Twice per month a list of bills to be paid are provided to the client for approval and then paid upon approval. Twice per month, designated checking, savings and credit card accounts are reviewed and balanced. This service is provided through a third party that is approved by the client, but is not owned or controlled by Regal or the Regal IAR/Family Officer. We charge a fixed fee for these services that can range from \$5,000/qtr to \$50,000/qtr, or more, depending on the client's demands.

The compensation arrangement for these services, regardless of which level of services the client chooses, is a rate negotiated between Regal and the client on a case-by-case basis. The fees and terms are set forth in the FOSA. The final fee is dependent upon the facts, circumstances and complexity of the client's financial situation, goals and objectives, and the time and labor required to fulfill the service commitment to the client or group of clients.

No client is under any obligation to implement any of our recommendations, including investment, insurance, taxes and estate planning or otherwise. The FOSA fee does not include the fees that may be incurred by the client for implementation of any of our recommendations.

Upon signing our FOSA, clients agree to on-going annual Family Office services that include an on-going annual retainer that is charged as a fixed fee on a quarterly basis. The fee is billed and payable quarterly in advance.

Clients can terminate the agreement and receive a full refund of the initial fee within five business days from the date of the agreement by sending written notice to Regal. The notice must be received by Regal in this five-day period. After the five-day period, either the client or Regal may cancel the Agreement by giving written notice to the other party.

Engaging us for Family Office or financial planning services, and the additional fees incurred, presents a conflict of interest in that we have an incentive to prioritize clients that engage us for these additional services. Further, Regal is incentivized to update financial plans and refer clients to third-party providers which incur additional fees.

### **Types of Investments**

We offer advice on equity securities, corporate debt securities, certificates of deposit, municipal securities, investment company securities, US Government securities, and options contracts on securities.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management**

As of March 30<sup>th</sup>, 2020, we provide continuous management services for \$1,442,025,824 in client assets on a discretionary basis, and \$22,579,624 in client assets on a non-discretionary basis.

## Item 5 Fees and Compensation

### Portfolio Management Services

Our fee for portfolio management services is based on a percentage of your assets we manage and is set forth in the following tiered fee schedule:

<b>Assets Under Management</b>	<b>Maximum Annual Fee</b>
<b>\$0 to \$500,000</b>	<b>2.70%</b>
<b>\$500,001 to \$1,000,000</b>	<b>2.25%</b>
<b>\$1,000,001 +</b>	<b>2.00%</b>

Our annual portfolio management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous quarter.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

In limited circumstances, if we recommend that you use a particular tax professional, we may credit a portion of your advisory fee towards the professional's fees. We are not affiliated with, nor do we receive compensation from any tax professionals. Such recommendations are based on the professional's ability to facilitate efficient services to our clients.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also have access to your account statements.

You may terminate the portfolio management agreement upon written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

We encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian, please call our main office number located on the cover page of this brochure.

### Financial Planning Services

We charge a fixed fee for financial planning services, which generally ranges between \$250 to \$5,000. The fee is negotiable depending upon the complexity and scope of the plan, your financial situation, and your objectives.

If you only require advice on a single aspect of your finances, we offer modular financial planning/general consulting services on an hourly basis. Our rate for such services ranges from \$250 to \$500 per hour and is negotiable depending on the scope and complexity of the plan, your financial situation, and your objectives. An estimate of the total time/cost will be determined at the start of the advisory relationship.

In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you in advance and request that you approve the additional fee.

Generally, fees are due as invoiced. However, in limited circumstances, we may request a retainer fee of up to 50%, with the remaining portion invoiced and payable upon completion of the financial plan. We will not require prepayment of a fee more than six months in advance and in excess of \$1,200.

You may terminate the financial planning agreement by providing written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Selection of Other Advisers**

We do not charge you a separate fee for the selection of other advisers. We will share in the advisory fee you pay directly to the MM. The advisory fee you pay to the MM is established and payable in accordance with the brochure provided by each MM to whom you are referred. These fees may or may not be negotiable. Our compensation may differ depending upon the individual agreement we have with each MM. As such, a conflict of interest may arise where our firm or our Associated Persons may have an incentive to recommend one MM over another MM with whom we have more favorable compensation arrangements or other advisory programs offered by MMs with whom we have less or no compensation arrangements.

You will be required to sign an agreement directly with the recommended MM(s). You may terminate your advisory relationship with the MM according to the terms of your agreement with the MM. You should review each MM's brochure for specific information on how you may terminate your advisory relationship with the MM and how you may receive a refund, if applicable. You should contact the MM directly for questions regarding your advisory agreement with the MM.

### **Asset Allocation Services**

We charge a maximum asset based fee of 1.25% for our asset allocation services through TIAA-CREF. Our fees are negotiable and payable quarterly in advance. Below is the complete fee schedule for TIAA-CREF:

<b>Assets Under Management</b>	<b>Annual Fee</b>
\$0 - \$249,999.99	1.25%
\$250,000 - \$499,999.99	1.15%
\$500,000 - \$749,999.99	1.00%
\$750,000 - \$999,999.99	.85%
\$1,000,000 - +	.75%

You may terminate the investment advisory agreement by providing written notice to our firm. The asset allocation fee will be prorated for the quarter in which the termination notice is given, which means that you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Pension Consulting Services**

The compensation arrangement for these services will be at a rate negotiated between Regal Investment Advisors and the client on a case-by-case basis. The fees and terms will be clearly set forth in the executed agreement for services. The final fee shall be directly dependent upon the facts and circumstances of the client's financial situation and the complexity of the pension consulting services provided. We will be compensated at either a negotiated fixed fee or a percentage of assets under management that will range from 0.25% to 2.95% of plan assets.

We may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services) shall be detailed in a written agreement and be consistent with the parameters set forth in the

plan documents. Our advisory fees for these customized services will be negotiated with the plan sponsor or named fiduciary on a case-by-case basis.

Either party to the pension consulting agreement may terminate the agreement upon 30-days' written notice to the other party. The pension consulting fees will be prorated for the quarter in which the termination notice is given and any unearned fees will be refunded to the client.

### **Sub-advisory Services**

Fees and payment arrangements are negotiable and will vary on a case-by-case basis.

### **Mutual Fund Advisory Services**

Pursuant to a purchase agreement in place with North Star Investment Management Corporation, Regal is paid an annual fee of 0.45% for the transfer of mutual fund assets originally managed by Regal to the North Star Opportunity Fund. The fee is paid each quarter based on assets earned from the previous quarter.

### **The Wrap Program Fee**

We charge an annual "wrap-fee" for participation in the Advisor Choice Program, depending upon the market value of your assets under our management. You are not charged separate fees for the different components of the services provided by the Advisor Choice Program. Our firm pays all trade expenses of trades placed on your behalf. Our wrap fee includes the investment advisory fee we pay to any portfolio manager for their management of your account and account custodian's transaction or execution costs. Assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion. In special circumstances, and at our sole discretion, we may negotiate a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention, etc.).

On an annualized basis, our wrap fees are as follows:

<b>Assets Under Management</b>	<b>Maximum Annual Fee as % of Portfolio</b>
<b>\$0 to \$500,000</b>	<b>2.95%</b>
<b>\$500,001 to \$1,000,000</b>	<b>2.50%</b>
<b>\$1,000,001+</b>	<b>2.25%</b>

To compare the cost of the wrap fee program with non-wrap fee portfolio management services, you should consider the frequency of trading activity associated with our investment strategies and the brokerage commissions charged by TD Ameritrade, Schwab, Fidelity, and Pershing or other broker-dealers, and the advisory fees charged by investment advisers. For more information concerning the Wrap Fee Program, please see *Appendix 1* to this Brochure.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange-traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange-traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange-traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this brochure.

We may utilize option trading for certain approved client accounts. The use of specific option strategies require margin features along with an approved level of options trading for certain client accounts. The

use of these option strategies may incur additional fees and expenses. Fees for advice and execution on these securities are based on the market value of the account. We do not charge advisory fees on the value of any securities purchased on margin.

### **Compensation for the Sale of Securities or Other Investment Products**

Persons providing investment advice on behalf of our firm may be registered representatives with Regulus Advisors, LLC ("Regulus"), a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm.

However, not all of our Associated Persons are registered representatives and/or insurance agents.

We may recommend that you purchase variable annuities to be included in your investment portfolio(s). Persons providing investment advice on behalf of our firm may earn commissions on the sale of the variable annuities in his or her capacity as a registered representative of Regulus. If these persons earn commission on the sale of variable annuities recommended to you, we will not include the annuity accounts in the total value used for our advisory billing/fee computation for 2 years after the annuity contract is sold. After the two-year period, the value of the annuity sub-accounts will be added to the value of your total assets for billing purposes. Annuities will be purchased for your account only after you receive a prospectus disclosing the terms of the annuity. You are under no obligation, contractually or otherwise, to purchase variable annuities through any person affiliated with our firm.

Persons providing investment advice on behalf of our firm may also be licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Some of our representatives use, and pay for, financial planning and risk tolerance services when providing investment advice to clients. Regal has agreements in place that allow representatives to use these services at a discount. When using these services through Regal, representatives choose to invest client assets in internally-managed portfolios or with third-party managers selected by Regal. Regal earns a fee on assets invested with these managers. This presents a conflict in that representatives are incentivized to invest assets with Regal or Regal-selected managers, so they receive a discount on the financial planning and risk tolerance services.

Regal has established a relationship with TruChoice, an insurance marketing firm in which individuals are referred to Regal as potential representatives. If these candidates are approved and become representatives of Regal, Regal will receive compensation for sales of fixed annuity and life insurance products made by these representatives. Additionally, Regal will pay TruChoice 20% of the net management fees received attributable to these representatives to cover the cost of seminars and workshops hosted by TruChoice. TruChoice is incentivized to encourage representatives attending its workshops to use Regal products to increase this fee revenue.

A Regal representative (the "Supervisor") manages an office staffed with other representatives of the firm. Regal assumes back office responsibilities for this office for a fee which is shared between Regal

and the Supervisor. Regal also shares fees received from portfolio investments made by the representatives of this office with the Supervisor. Additionally, Sovare provides representatives out of this office with training on its Smart Money Experience program ("SME Program"). Regal and the Supervisor receive fees on new revenue invested after a representative's completion of the SME Program.

Sovare receives a portion of the fees assigned to the representative. In addition, Sovare has its own portfolios managed by Regal. Representatives may be incentivized to recommend these portfolios to clients since Sovare would receive a portion of advisory fees from assets invested in its portfolios.

### **Alternative Investments**

We are adopting an investment platform that will offer alternative investments to qualified clients as defined in Rule 205-3 under the Advisers Act. The third-party managers advising these alternative investments will charge fees in addition to fees charged by us, which may include performance-based fees.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

We do not accept performance-based fees or participate in side-by-side management except in the case of qualified clients who have invested in the alternative investment platform described in Item 5. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account except in the case of qualified clients who have invested in the alternative investment platform described in Item 5.

## **Item 7 Types of Clients**

We offer investment advisory services to individuals, banks and thrift institutions, trusts, estates, charitable organizations, investment companies, corporations, other business entities and a registered mutual fund.

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your account if it falls below a minimum size which, in our sole opinion, is too small to effectively manage.

## **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Charting Analysis – the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- Fundamental Analysis – the analyzing of individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical Analysis – the studying of past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- Cyclical Analysis – a type of technical analysis that involves evaluating recurring price patterns and trends.

- Long-Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short-Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- Option Writing – a securities transaction that involves selling an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

We primarily give investment advice that is related to long-term holdings. However, for certain approved clients, we may employ the use of options strategies. The options strategies require a margin feature. Option transactions generally involve the use of put and/or call options to engage in a specific trading strategy.

All investment methods involve some measure of risk. Listed here are some of risks involved with specific methods:

- Charting and Technical Analysis – The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.
- Fundamental Analysis – The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities' prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- Cyclical Analysis – Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy, and therefore, the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.
- Trading – We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk. Since a short-term trading strategy requires more frequent transactions, brokerage commissions, fees, taxes, and other transaction costs may be substantial, regardless of the portfolio's performance.
- Option Trading – Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss. The use of leverage can dramatically magnify both gains and losses, increasing the possibility of a total loss of investment. Trading securities on margin results in interest charges and, depending on the amount of trading activity, such charges could be substantial. Because our fees are based on the assets in the client's portfolio, and because margin loans increase the assets in an account, margin strategies will increase the fees payable to us. The level of interest rates and the rates at which client accounts can borrow can affect the operating results of those client accounts.

Any restriction on the availability of credit from lenders could adversely affect the account's performance. Investing with margin strategies will magnify losses and could result in a client losing more than their original investment.

### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers began reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Our firm uses the FIFO accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually-selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

In addition, as described in Item 4, we may recommend that you use the services of a MM to manage your entire, or a portion of your, investment portfolio. The use of third-party managers in investment programs involves additional risks. The success of the MM depends on the capabilities of its investment management personnel and infrastructure, all of which may be adversely impacted by the departure of key employees and other events. The future results of the MM may differ significantly from the MM's past performance. While we intend to employ reasonable diligence in evaluating and monitoring any MM we recommend to clients, no amount of diligence can eliminate the possibility that a MM may provide misleading, incomplete or false information or representations, or engage in improper or fraudulent conduct, including unauthorized changes in investment strategy, insider trading, misappropriation of assets and unsupportable valuations of portfolio securities.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. In addition to specific risks related to investing in particular types of securities further described below, the success of client portfolio activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, commodity prices, economic uncertainty, changes in laws, trade barriers, currency fluctuations and controls, and national and international political circumstances. Clients will be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events such as a pandemic. These risks can be substantial and could have a material adverse effect on client portfolios including affecting the level of volatility of securities' prices and the liquidity of investments in portfolios. Such volatility or illiquidity could impair profitability or result in losses. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we recommend many types of securities and we do not necessarily recommend one particular type of security over another. However, we may recommend specific types of investments as appropriate for you since each client has different needs and a different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Certificates of deposit are generally the safest type of investment since they are insured by the federal government. However, because the returns are generally very low, it's possible for inflation to outpace the return. Likewise, US Government securities are backed by the full faith and credit of the United States government, but it's also possible for the rate of inflation to exceed the returns.

There's no simple answer as to what is the best CD or money market interest rate. When making this investment decision, you'll need to consider how much money you can tie up in a minimum balance or commit to a CD and for how long. Many investors put part of their money in each. For example, one strategy is to include CDs in a portfolio to provide low-risk income as a balance to higher risk growth investments.

Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity. In addition, the municipal market can be significantly affected by adverse tax, legislative or political changes.

There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well-established companies ("large cap") tend to be safer than smaller start-up companies ("small cap"), but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual funds and exchange-traded funds are professionally-managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange-traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed-end" or "open-end". So-called "open-end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

A variable annuity is a form of insurance in which the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point, the contract will terminate and the remainder of the fund accumulated is forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed

amounts or in amounts that increase by a fixed percentage, variable annuities pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as: mortality and expense risk charges, administrative fees, underlying fund expenses, and charges for special features, all of which can reduce the return. Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains' rates applied to other non-tax-deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies as stocks, bonds, and mutual funds do. Some variable annuities offer "bonus credits". These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges), the new variable annuity may have a lower contract value and a smaller death benefit, may impose new surrender charges or increase the period of time for which the surrender charge applies, may have higher annual fees, and may provide another commission for the broker.

### **Other Relevant Risks**

**Cybersecurity** – Our business and our service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users, as well as unintentional damage or interruption that, in either case, can result in damage or interruption from computer viruses, network failures, computer and telecommunications failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. A cybersecurity breach could expose us and our clients to substantial costs including, without limitation, identity theft, unauthorized use of proprietary information, the dissemination of confidential and proprietary information and reputational damage. Furthermore, we cannot control the cybersecurity plans, strategies, systems, policies and procedures put in place by the issuers in which our clients invest.

## **Item 9 Disciplinary Information**

Regal Investment Advisors LLC has been registered and providing investment advisory services since 2003. Neither our firm nor any of our associated persons has any reportable disciplinary information.

## **Item 10 Other Financial Industry Activities and Affiliations**

### **Registrations with Broker-Dealer**

Persons providing investment advice on behalf of our firm may be registered representatives with Regulus Advisors, LLC ("Regulus"), a securities broker-dealer and member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. We are affiliated with Regulus through common control and ownership. (See Arrangements with Affiliated Entities below).

### **Arrangements with Affiliated Entities**

John Kailunas II and Brian D. Yarch, Managing Members of Regal Investment Advisors LLC are also owners and executive officers of Regal Holdings of America. Regal Holdings of America is a majority owner of Regulus Advisors, LLC. Regulus is a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

Persons providing investment advice on behalf of our firm may also be registered representatives with Regulus. In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacities as

registered representatives is separate from our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs.

Regulus has entered into a tri-party clearing agreement with Pershing LLC, and with Saxony Securities, Inc. as the intermediary firm. Regal's advisory relationships with Pershing LLC/Saxony Securities, Inc. are conducted through Regulus.

We are affiliated with Regal Financial Group, LLC through common control and ownership. Therefore, persons providing investment advice on behalf of our firm may be licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. Please see the "Fees and Compensation" section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

The referral arrangements we have with our affiliated entities present a conflict of interest because we have a financial incentive to recommend our affiliates' services. While we believe that compensations charged by our affiliates are competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use our affiliates' services and may obtain comparable services and/or lower fees through other firms.

However, not all of our Associated Persons are also registered representatives and/or insurance agents.

#### **Recommendation of Other Advisers**

We may recommend that you use a third-party adviser ("MM") based on your needs and suitability. We will receive compensation from the MM for recommending that you use their services. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the third-party adviser. You are not obligated, contractually or otherwise, to use the services of any MM we recommend.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

#### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting us at the main phone number listed on the cover of this brochure.

#### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is

our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

### **Other Conflicts of Interest**

Regal's President has obtained a loan from an advisory client and executed a promissory note in connection with the loan. Regal makes monthly principal and interest payments in connection with this loan. This creates a conflict of interest in that Regal has an incentive to favor this client over others.

Regal has entered into a securities-based lending program with National Financial Services, US Bank and Goldman Sachs Private Bank Select. This program provides access to non-purpose loans secured through a client's account assets. Regal receives a potential benefit through this arrangement because it allows clients to access capital without selling their investments, which would lower our revenue from fees. Additionally, participation in this program presents risk to the client. If the client's account assets decline in value, the client may have to post additional funds as collateral or sell investments which may have tax implications. Additional details regarding this program are available upon request.

## **Item 12 Brokerage Practices**

We maintain relationships with several broker-dealers. While you are free to choose any broker-dealer or other service provider, we recommend that you establish an account with a brokerage firm with which we have an existing relationship. Such relationships may include benefits provided to our firm, including but not limited to, research, market information, and administrative services that help our firm manage your account(s). We believe that recommended broker-dealers provide quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services that recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those which may be available elsewhere.

### **Soft Dollar Arrangements**

Generally, in addition to a broker's ability to provide "best execution," we may also consider the value of "research" or additional brokerage products and services a broker-dealer has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars." Because many of the services or products could be considered to provide a benefit to the firm, and because the "soft dollars" used to acquire them are client assets, the firm could be considered to have a conflict of interest in allocating client brokerage business: it could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation the firm might otherwise be able to negotiate. In addition, the firm could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

The firm's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), the firm will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to TD Ameritrade or Fidelity Brokerage Services, LLC ("Fidelity") is reasonable in relation to the value of all the brokerage and research products and services provided by TD Ameritrade or Fidelity. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those

services and products in our performance of our overall responsibilities to all of our clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.

### **Research and Brokerage Products and Services**

"Research" products and services we may receive from broker-dealers may include economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services and equipment, including hardware, software, and data bases) that provide lawful and appropriate assistance to the firm in the performance of its investment decision-making responsibilities. Consistent with Section 28(e), brokerage products and services (beyond traditional execution services) consist primarily of computer services and software that permit us to effect securities transactions and perform functions incidental to transaction execution. We use such products and services in the conduct of our investment decision-making in general, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

### **Other Uses and Products**

The firm may use some products or services not only as "research" and as brokerage (i.e., to assist in making investment decisions for clients or to perform functions incidental to transaction execution), but for our administrative and other purposes as well. In these instances, we make a reasonable allocation of the cost of the products and services so that only the portion of the cost attributable to making investment decisions and executing transactions is paid with commission dollars; we bear the cost of the balance. Our interest in making such an allocation differs from clients' interest, in that we have an incentive to designate as much as possible of the cost as research and brokerage in order to minimize the portion that the firm must pay directly.

### **Mutual Fund Transactions**

Although shares of no-load mutual funds can be purchased and redeemed without payment of transactions fees, we may, consistent with our duty of best execution, determine to cause client accounts to pay transaction fees that may be higher than those obtainable from other broker-dealers when purchasing shares of certain no-load mutual funds through TD Ameritrade or Fidelity in order to obtain "research". This research may not be used for the exclusive benefit of the clients who pay transaction fees in purchasing mutual fund shares.

### **Amount and Manner of Payment**

A broker-dealer through which the firm wishes to use soft dollars may establish "credits" arising out of brokerage business done in the past, which may be used to pay, or reimburse the firm for, specified expenses. In other cases, a broker-dealer may provide or pay for the service or product and suggest a level of future business that would fully compensate it. The actual level of transactional business the firm does with a particular broker-dealer during any period may be less than such a suggested level, but may exceed that level and may generate unused soft dollar "credits." We do not exclude a broker-dealer from receiving business simply because the broker-dealer has not been identified as providing soft dollar research products and services, although we may not be willing to pay the same commission to said broker-dealer as we would have paid had the broker-dealer provided such products and services.

### **Research and Other Soft Dollar Benefits**

We recommend that a client in need of brokerage and custodial services utilize TD Ameritrade Institutional, division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC; Schwab Institutional, division of Charles Schwab & Co., Inc. ("Schwab"), member FINRA/SIPC; Fidelity Brokerage Services LLC ("Fidelity"), Member NYSE/SIPC; Pershing LLC ("Pershing"), member FINRA/SIPC; SEI Private Trust Company ("SEI"); or TIAA CREF, Individual & Institutional Services, LLC, and Teachers Personal Investors Services, Inc., Members FINRA ("TIAA CREF"). TD Ameritrade, Schwab, Fidelity, Pershing and TIAA CREF are independent and unaffiliated SEC-registered broker-dealers and SEI is a trust company. TD Ameritrade, Schwab, Fidelity, Pershing, TIAA CREF and SEI

offer services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. It may be the case that the recommended broker charges a higher fee than another broker charges for a particular type of service, such as commission rates. You may utilize the broker-dealer of your choice. You have no obligation to purchase or sell securities through a broker we recommend.

The client along with the investment advisor representative (the IAR) can select Schwab Institutional, TD Ameritrade, Fidelity, Pershing, TIAA CREF or SEI as custodians for their account. These custodians will determine the amount of commissions and other charges to be paid for each transaction. These custodians must have agreements with the IAR. Some custodians may offer lower charges depending on the IAR's and client's discretion.

The products and services we receive from broker-dealers will generally be used in servicing all of our clients' accounts. Our use of these products and services will not be limited to the accounts that paid commissions to the broker-dealer for such products and services. As part of our fiduciary duties to you, we endeavor at all times to put your interests first. You should be aware that the receipt of economic benefits by our firm is considered to create a conflict of interest.

Our participation in the following institutional platforms does not constitute a formal soft dollar agreement. However, we do receive economic benefits as a result of our participation as itemized below.

Regal Investment Advisors participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the Program.

There is no direct link between our participation in the Program and the investment advice we give to you, although we receive economic benefits through participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research-related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Regal Investment Advisors by third-party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit our accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Regal Investment Advisors manage and further develop its business enterprise. The benefits received by us or our personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to you, we endeavor at all times to put your interests first. Clients should be aware, however, that the receipt of economic benefits by Regal Investment Advisors or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Firm's choice of TD Ameritrade for custody and brokerage services.

Schwab Institutional provides Regal Investment Advisors with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers at no charge to them so long as a total of at least \$10 million of the adviser's clients account assets are maintained at Schwab Institutional. Schwab

Institutional services may include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require significantly higher minimum initial investments. Schwab Institutional also makes available to Regal Investment Advisors other products and services that benefit Regal Investment Advisors but may not benefit its clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information and other market data, facilitate payment of Regal Investment Advisors' fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. The availability to Regal Investment Advisors of the foregoing products and services is not contingent upon Regal Investment Advisors committing to Schwab Institutional any specific amount of business (assets in custody or trading).

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

We routinely recommend that you direct our firm to execute transactions through Schwab Institutional, TD Ameritrade, Fidelity, Pershing, TIAA CREF or SEI. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

Persons providing investment advice on behalf of our firm who are registered representatives of Regulus Advisors, LLC ("Regulus"), will recommend Regulus to you for brokerage services. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from Regulus unless Regulus provides the representative with written authorization to do so. Therefore, these individuals are generally limited to conducting securities transactions through Regulus. It may be the case that Regulus charges higher transactions costs and/or custodial fees than another broker charges for the same types of services. If transactions are executed through Regulus, these individuals (in their separate capacities as registered representatives of Regulus) may earn commission-based compensation as result of placing the recommended securities transactions through Regulus. This practice presents a conflict of interest because these registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through such broker as we recommend. However, if you do not use Regulus, we may not be able to accept your account. Please see the "Fees and Compensation" section in this brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

### **Directed Brokerage Wrap Accounts**

We will generally place trades for wrap account clients with the wrap program sponsor. Wrap account clients pay a bundled-fee for brokerage services and do not pay a per trade charge. In general, we have determined that it is in our client's best interest to trade with the wrap program sponsor considering the cost to trade elsewhere. Most wrap program sponsor firms assess clients a "trade away" fee for trades not executed through them. However, we may choose to trade away if we are able and believe we can achieve best execution for a particular trade at another broker-dealer. Wrap-fee clients will not pay additional trading costs or fees due to "trade away" transactions.

### **Block Trades**

We may combine multiple orders for shares of the same securities purchased for advisory accounts we manage that are invested in the same strategy (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an

average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the trade error will be corrected in the trade error account of the executing broker-dealer and you will not keep the profit.

For accounts custodied at TD Ameritrade, as of April 1, 2014, if a profit results from correcting the trade, you will not retain the profit as all net gains (positive error accounts balances resulting from trade corrections) will be moved to a TD Ameritrade error account and subsequently donated to charity.

## **Item 13 Review of Accounts**

Clients' accounts will be continuously reviewed on an ad hoc basis and will be formally reviewed at least annually. Each account under Regal's management is assigned to a portfolio manager who makes investment recommendations on behalf of the account's owner. Regal maintains documentation identifying the portfolio manager who is assigned to each account.

The portfolio manager is responsible for adhering to the client's investment objectives and guidelines, including the client's tolerance for risk. Additionally, the portfolio manager is responsible for monitoring the amount of un-invested cash held in client accounts. Excess cash that is not posted with counterparties is typically swept into a money market within the account.

The CCO or a delegate will review a sample of Regal's accounts under management at least quarterly to ensure clients' investment holdings are aligned with their objectives and any investment restrictions. The CCO or a delegate will document the date of the review, the accounts reviewed, and any irregularities or other identified issues. The CCO or a delegate will work with investment personnel to determine whether any issues warrant changes to the Company's policies or procedures.

One aspect of the CCO's or delegate's review will focus on the appropriateness of fees charged to clients. The fee schedule for each client account is input into Regal's accounting system upon the account's inception. The CCO or delegate will: i) confirm the fee schedule input into Regal's accounting system is accurate, and ii) compare fees debited from client accounts to language in the client's advisory agreement and disclosure documents to confirm that the appropriate fee was charged, and all applicable discounts or fee breaks for which the client was eligible were applied. The CCO will document evidence of this review and will promptly notify clients of any errors identified.

## **Item 14 Client Referrals and Other Compensation**

As disclosed under the "Fees and Compensation" section in this Brochure, persons providing investment advice on behalf of our firm are licensed insurance agents, and are registered representatives with Regulus Advisors, LLC, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

We directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires or a one-time, flat referral fee upon your signing an advisory agreement with our firm. You will not pay additional fees because of this referral arrangement. Referral

fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

We may enter into contractual arrangements with one or more Associated Persons of our firm, under which these individuals may receive compensation from our firm for the establishment of new client relationships. Associated Persons who refer clients to our firm must comply with the requirements of the jurisdictions in which they operate. Incentive-based compensation paid to any such employee will be contingent upon you, as the client, entering into an advisory agreement with our firm. You will not be charged additional fees based on this compensation arrangement. However, such a contractual arrangement creates a conflict of interest as the Associated Person will have a financial incentive to recommend our firm to you for advisory services. You are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Pursuant to an agreement in place with North Star Investment Management Corporation, Regal's affiliated broker-dealer, Regulus receives an annual fee of 0.45% of assets invested in certain North Star funds by investors referred by Regal. This presents a conflict of interest as Regal has an incentive to encourage representatives, or clients through financial planning services, to invest in certain mutual funds managed by North Star. As a fiduciary, we have a duty to put the needs of clients above our own and will only recommend an investment if the investment would serve the needs of our client.

## **Item 15 Custody**

In arrangements where we are permitted and authorized to do so, we will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review your account statements for accuracy. We will also provide statements to you reflecting the amount of advisory fee deducted from your account.

You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact us at the phone number listed on the cover of this brochure.

### **Wire Transfer Authority**

Our firm or persons associated with our firm may affect third-party wire transfers for client accounts without the client's written consent per transaction for client accounts. An adviser with authority to conduct unauthorized third-party wire transfers has access to the client's assets, and therefore has custody of the client's assets in any related accounts. Pursuant to Rule 206(4)-2 (the "Custody Rule"), we have taken steps to have controls and oversight in place to support the no-action letter issued by the SEC on February 21, 2017 (the "SEC no-action letter"). With respect to third-party standing letters of authorization ("SLOA") where a client may grant us the authority to direct custodians to disburse funds to one or more third-party accounts, we are deemed to have limited custody. However, we are not required to comply with the surprise examination requirement of the Custody Rule if we are otherwise in compliance with the seven representations noted in the February 21, 2017 no-action letter.

Where the Adviser acts pursuant to a SLOA, we believe we are making a good faith effort to comply with the representations noted in the SEC's no-action letter. Additionally, since many of those representations involve the qualified custodian's operations, we will collaborate closely with the custodians to ensure that these representations are accurate.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and impose certain conditions or investment parameters for your account. For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account.

Subject to any limitations stated in the Mutual Fund's prospectus, we have discretionary authority over the Mutual Fund's investments and have the power to purchase and sell securities for the Mutual Fund as well as select broker-dealer and commissions rates to be paid for the Mutual Fund transactions without seeking any investors' consent.

## Item 17 Voting Client Securities

### Proxy Voting for Client Accounts

We accept proxy voting for a limited number of client accounts. Proxy voting is only accepted for a client account in those instances where a client has completed a Regal Investment Advisors Proxy Voting Authorization Form and we have accepted and executed that form. Absent contrary instructions from a client, it is our policy to vote client proxies in accordance with management. In instances where management has not provided direction, we will abstain from voting such proxies.

As referenced above, we only accept proxy voting authority for a limited number of client accounts. For most client accounts, we do not accept proxy voting authority. For the majority of client accounts for which we do not exercise proxy voting authority, clients will receive proxy materials directly from the custodian for their account. Clients who have retained proxy voting authority may contact us using the contact information provided on the cover page of this Brochure.

### Conflicts of Interest

Through the consistent application of the policy of voting, we seek to avoid conflicts of interest. In any instances where we may vote a proxy contrary to such policies, we have procedures in place to ensure that any conflicts of interest are addressed.

### Requests for Proxy Voting and Policy Information

For any client for whom we exercise proxy voting authority, the client may obtain information on how we voted proxies for the securities held in his/her account by contacting us at the contact information provided on the cover page of this Brochure. In addition, clients may obtain a copy of our proxy voting policies and procedures upon request by utilizing the same contact information.

### Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit. Moreover, we do not determine whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf.

## Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- have a financial condition that is likely to impair our ability to meet our commitments to you.

## **Item 19 Requirements for State Registered Advisers**

Regal Investment Advisors LLC is SEC-registered.

### **Additional Information**

#### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any non-public personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to non-public personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to protect your non-public personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact us at the phone number listed on the cover of this brochure, if you have any questions regarding this policy.