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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-28009

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/09 AND ENDING 12/31/09
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: ROYAL SECURITIES COMPANY

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

4095 Chicago Drive, S.W.

(No. and Street)

Grandville,

MI

49418

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Ms. Ruth Newenhouse

(616) 538-2550

Chief Financial Officer

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

SEC Mail
Mail Processing
Section

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Kiekover, Scholma & Shumaker, PC.

(Name - if individual, state last, first, middle name)

205 East Main Street

Zeeland

MI

(Address)

(City)

(State)

(Zip Code)

Washington, DC
106 49464

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Ruth Newenhouse, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Royal Securities Company, as of December 31,, 2009, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Ruth Newenhouse
Signature

CFO
Title

Myra M. Bern
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

ROYAL SECURITIES COMPANY

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INDEPENDENT AUDITOR'S REPORT

February 18, 2010

Stockholder and Board of Directors
Royal Securities Company
Grandville, Michigan

We have audited the accompanying statement of financial condition of Royal Securities Company as of December 31, 2009, and the related statements of income, changes in stockholders' equity, changes in subordinated borrowings, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Royal Securities Company as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary schedule on pages 12 and 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kiekover, Scholma & Shumaker, PC
Kiekover, Scholma & Shumaker, PC
Certified Public Accountants

ROYAL SECURITIES COMPANY
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2009

ASSETS

Cash and cash equivalents	\$ 339,538
Commissions receivable	242,929
Employee and other receivables	23,898
Securities owned, at fair value	51,564
Net furniture, equipment, and other improvements	174,198
Deposits	25,000
Prepaid expenses	59,986
Refundable income taxes	7,399
Deferred income taxes	<u>9,100</u>
Total Assets	<u>\$ 933,612</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities

Accrued sales commissions	\$ 261,047
Accounts payable	15,232
Accrued expenses	<u>41,616</u>
	317,895
Note payable - subordinated	<u>100,000</u>
Total Liabilities	<u>417,895</u>

Stockholder's Equity

Common stock (Class B), \$1 par value; 100,000 shares authorized, 11,075 shares issued and outstanding	11,075
Additional paid-in capital	356,809
Retained earnings	<u>147,833</u>
Total Stockholder's Equity	<u>515,717</u>
Total Liabilities and Stockholder's Equity	<u>\$ 933,612</u>

See notes to financial statements.

**ROYAL SECURITIES COMPANY
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2009**

REVENUES

Commissions	\$3,281,190
Net dealer inventory and investment gains	700,466
Interest	26
Other	<u>113,694</u>

Total revenues	<u>4,095,376</u>
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EXPENSES

Broker commissions	2,228,379
Administrative salaries	573,850
Payroll related taxes	171,995
401(k) contribution	39,157
Group insurance	150,238
Other employee benefits	7,753
Clearing fees	157,882
Data communications	170,723
Advertising	31,814
Occupancy	255,739
Depreciation and amortization	45,820
Dues and subscriptions	11,340
Maintenance	46,756
Utilities	22,622
Taxes and licenses	28,715
Regulatory fees	50,505
Legal and professional	33,559
Outside services	10,018
Postage	28,379
Office supplies	40,496
Interest	6,641
Other	101,996
Loss on disposal of equipment	<u>1,955</u>

Total expenses	<u>4,216,332</u>
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Income (loss) before income taxes	<u>(120,956)</u>
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INCOME TAXES

Federal income tax (expense) benefit	21,450
Michigan Business Tax expense	<u>(26,136)</u>

Total income tax (expense) benefit	<u>(4,686)</u>
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NET INCOME (LOSS)	<u><u>\$ (125,642)</u></u>
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See notes to financial statements.

ROYAL SECURITIES COMPANY
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
YEAR ENDED DECEMBER 31, 2009

	<u>Common stock</u>		<u>Additional</u>	<u>Retained</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Earnings</u>	<u>Total</u>
			<u>Capital</u>		
Balances, January 1, 2009	11,350	\$ 11,350	\$ 356,809	\$ 288,550	\$ 656,709
Net income (loss)	-	-	-	(125,642)	(125,642)
Common stock repurchased and retired	<u>(275)</u>	<u>(275)</u>	<u>-</u>	<u>(15,075)</u>	<u>(15,350)</u>
BALANCES, December 31, 2009	<u>11,075</u>	<u>\$ 11,075</u>	<u>\$ 356,809</u>	<u>\$ 147,833</u>	<u>\$ 515,717</u>

See notes to financial statements.

ROYAL SECURITIES COMPANY
STATEMENT OF CHANGES IN SUBORDINATED BORROWINGS
YEAR ENDED DECEMBER 31, 2009

Subordinated borrowings at January 1, 2009	\$ 100,000
Increases	-
Decreases	-
Subordinated borrowings at December 31, 2009	<u>\$ 100,000</u>

See notes to financial statements.

**ROYAL SECURITIES COMPANY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009**

OPERATING ACTIVITIES

Net income (loss)		\$ (125,642)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	\$ 45,820	
Loss on disposal of equipment	1,955	
Deferred income taxes	(21,450)	
Change in assets and liabilities:		
(Increase) decrease in commissions receivable	(19,005)	
(Increase) decrease in receivables from non-customers	(4,100)	
(Increase) decrease in other assets	(1,150)	
(Increase) decrease in securities inventory	820,383	
Increase (decrease) in accounts payable and accruals	<u>(619,316)</u>	
Total Adjustments		<u>203,137</u>
Net Cash Provided By Operating Activities		77,495

INVESTING ACTIVITIES

Purchase of equipment	(20,313)
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FINANCING ACTIVITIES

Common stock repurchased and retired	<u>(15,350)</u>
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Net Increase in Cash and Cash Equivalents	41,832
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Cash and Cash Equivalents, January 1, 2009	<u>297,706</u>
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CASH AND CASH EQUIVALENTS, December 31, 2009	<u><u>\$ 339,538</u></u>
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**ROYAL SECURITIES COMPANY
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity – Royal Securities Company (the “Company”), a wholly owned subsidiary of RSC Holdings, Inc., is a securities broker/dealer that introduces transactions and accounts on a fully disclosed basis. Because the company does not carry customer accounts it operates under certain exemptive regulatory provisions. The Company is registered with the Securities and Exchange Commission and the State of Michigan. It is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation. Its customers are predominately individuals residing in Western Michigan.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents consist of demand deposits in banks, money market funds, and cash on hand. The Company, at certain times, maintains deposits that exceed insured limits. Management does not consider this a significant risk.

Security Transactions - Security transactions and related commission revenue and expense are recorded on a settlement date basis, generally the third business day following the transaction date.

Securities Owned - Securities owned consists of state, municipal, and corporate obligations which are reported at quoted market values. Unrealized gains and losses are recognized currently and are included in net dealer inventory and investment gains on the statement of income.

Property, Equipment and Depreciation - Property and equipment are stated at cost. Depreciation is computed using straight-line or declining balance methods over the estimated life of the assets.

Income taxes - Deferred income tax assets and liabilities are determined by applying the currently enacted tax laws and rates to the cumulative temporary differences between the carrying value of assets and liabilities for financial statements and income tax purposes. Deferred income tax expense or credit is measured by the change in the deferred income tax asset and liability accounts during the year.

The Company recognizes and measures its unrecognized tax benefits (if any) in accordance with FASB ASC 740, Income Taxes. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

The Company believes it has no liability for unrecognized tax benefits at December 31, 2009.

The accrual of any interest and penalties related to unrecognized tax benefits are recognized in income tax expense. No interest and penalties were recognized in the year ended December 31, 2009.

The Company is no longer subject to federal or state tax examinations by taxing authorities for year before 2006.

Advertising Costs – The Company incurred and expensed advertising costs of \$31,814 for the year ended December 31, 2009.

**ROYAL SECURITIES COMPANY
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events – In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through February 18, 2010, the date the financial statements were available to be issued.

NOTE B: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital of \$100,000 at December 31, 2009, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1.

At December 31, 2009 the Company had net capital of \$333,323, which was \$233,323 in excess of the required amount of net capital. The Company's net capital ratio was .95 to 1.

NOTE C: FAIR VALUE MEASUREMENT

FASB Statement No. 157 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB No. 157, are used to measure fair value.

The fair value hierarchy prioritizes the inputs used to measure fair value into three broad levels:

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the assets or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

The Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial instruments owned:				
Municipal debt	\$ 9,700	\$ -	\$ -	\$ 9,700
Equities	<u>41,864</u>	<u>-</u>	<u>-</u>	<u>41,864</u>
	<u>\$ 51,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,564</u>

**ROYAL SECURITIES COMPANY
NOTES TO FINANCIAL STATEMENTS**

NOTE D: FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, and leasehold improvements are as follows at December 31, 2009:

Leasehold improvements	\$ 53,017
Office furniture and equipment	377,174
Computer equipment	<u>43,464</u>
 Total	 473,655
Less accumulated depreciation	<u>(299,457)</u>
 Net furniture, equipment and leasehold improvements	 <u>\$ 174,198</u>

NOTE E: SUBORDINATED BORROWINGS

At December 31, 2009, the Company had a subordinated note to a shareholder of RSC Holdings, Inc. for \$100,000 issued in connection with the purchase of Kent King Securities Co., Inc. The note bears interest at an annual rate of 6% and requires interest only payments. Interest payments are due monthly and totaled \$6,000 for the year ended December 31, 2009. The scheduled maturity date of October 31, 2006 has been extended on a demand basis by both parties.

NOTE F: LEASES

The Company occupies office space under an operating lease agreement with a limited liability company whose owners are shareholders of RSC Holdings, Inc. expiring April 2015. Monthly rent is currently \$12,000, and is subject to annual increases based on the Consumer Price Index. Rental payments under this agreement totaled \$144,000 for the year ended December 31, 2009.

The Company rents office space from a limited liability company whose owner is a relative of a shareholder of RSC Holdings, Inc. under an operating lease agreement expiring August 2012, at a current monthly rental rate of \$4,017. The lease contains renewal options for 2 consecutive 60 month periods at the current rate increased by the Consumer Price Index. Rent payments under this operating lease totaled \$48,209 for the year ended December 31, 2009.

The Company rents office space (beginning May 2009) under an operating lease agreement that expires May 2012, at a monthly rental rate ranging from \$3,650 to \$3,900. Rent payments under this operating lease totaled \$27,198 for the year ended December 31, 2009.

The Company rents office space (beginning October 2009) under an operating lease agreement that expires October 2012, at a monthly rental rate ranging from \$2,929 to \$3,109. Rent payments under this operating lease totaled \$6,239 for the year ended December 31, 2009.

The Company rented office space under an operating lease agreement that expired June 30, 2009, at a monthly rental rate of \$1,560. Rent payments under this operating lease totaled \$14,041 for the year ended December 31, 2009.

The Company rents other office space under a month-to-month operating lease agreement, at a current monthly rental rate of \$450. Rent payments under this operating leases totaled \$5,400 for the year ended December 31, 2009.

Total rent expense under all leases (including short-term rentals) was \$255,739 for the year ended December 31, 2009.

**ROYAL SECURITIES COMPANY
NOTES TO FINANCIAL STATEMENTS**

NOTE F: LEASES (Continued)

Future minimum lease payments under the operating leases are as follows:

<u>Year ended December 31</u>	<u>Amount</u>
2010	\$ 273,285
2011	275,855
2012	227,444
2013	144,000
2014	144,000
Thereafter	<u>48,000</u>
	<u>\$ 1,112,584</u>

NOTE G: PROVISION FOR FEDERAL INCOME TAXES

The provision for federal income taxes consists of the following:

Current	\$ -
Deferred	<u>(21,450)</u>
	<u>\$ (21,450)</u>

Significant components of the Company's deferred tax liabilities (assets) at December 31, 2009 are as follows:

Tax over book depreciation	\$ 5,254
Book over tax prepaid expenses	8,998
Net operating loss carryover	(19,200)
Other	<u>(4,152)</u>
	<u>\$ (9,100)</u>

The Company has a net operating loss carryover of \$128,003 which expires in 2029.

The Company has charitable contribution carryovers which expire as follows: \$7,400 – 2010, \$3,359 – 2011, \$5,746 – 2012, \$7,272 – 2013, and \$3,875 – 2014.

NOTE H: RETIREMENT PLAN

The Company has a 401(k) and profit sharing plan (a "safe-harbor" plan) under which the Company contributes 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions, not to exceed 4% of any employee's wages. The plan covers all full-time employees with at least one year of service. The Company suspended its matching contributions from July 1, 2009 to December 31, 2009. Company matching contributions totaled \$39,157 for the year ended December 31, 2009. Profit sharing contributions are at the discretion of the Company and were \$0 for the year ended December 31, 2009.

**ROYAL SECURITIES COMPANY
NOTES TO FINANCIAL STATEMENTS**

NOTE I: STOCK REPURCHASE AGREEMENT

RSC Holdings, Inc. and its stockholders are parties to an agreement under which the Company has the option to repurchase shares from the stockholders upon the stockholder's death, disability, termination of employment, or offer to sell. The purchase price is the net book value of the stock except for termination of employment, whereby, the purchase price is reduced by 20% for each year that the stockholder's employment is less than 5 years.

NOTE J: RELATED PARTY TRANSACTIONS

The Company has a note payable to a shareholder of RSC Holdings, Inc. as described in Note E.

The Company rents office space from a limited liability company whose owners are shareholders of RSC Holdings, Inc., as described in Note F.

The Company rents office space from a limited liability company whose owner is a relative of a shareholder of RSC Holdings, Inc., as described in Note F.

The Company receives management fees from Royal Advisors, LLC, which is wholly owned by RSC Holdings, Inc. Management fees for the year ended December 31, 2009 totaled \$47,674. The Company had outstanding amounts payable to Royal Advisors, LLC totaling \$1,326 at December 31, 2009.

NOTE K: CASH FLOW INFORMATION

Cash paid for interest was \$6,641 in the year ended December 31, 2009.

Cash paid for federal and state income taxes was \$46,300 in the year ended December 31, 2009. Cash received from federal and state income tax refunds was \$15,222 in the year ended December 31, 2009.

NOTE L: CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at a financial institution located in West Michigan. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2009, the Company's uninsured bank balances totaled \$0.

SUPPLEMENTARY SCHEDULE

ROYAL SECURITIES COMPANY
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2009

Total Stockholder's Equity	\$ 515,717
Add	
Liabilities subordinated to claims of general creditors allowable in computation of net capital	<u>100,000</u>
Total capital and allowable subordinated liabilities	<u>615,717</u>
Deductions	
Non-allowable assets	
Non-customer receivables	23,898
Furniture, equipment and leasehold improvements	174,198
Prepaid expenses and other	<u>76,710</u>
Total Deductions	<u>274,806</u>
Net capital before haircuts on securities positions	<u>340,911</u>
Haircuts on securities positions	
Trading and investment securities	
Money market account	629
State and municipal obligations	679
Corporate obligations	<u>6,280</u>
Total haircuts on securities positions	<u>7,588</u>
NET CAPITAL	<u><u>\$ 333,323</u></u>

ROYAL SECURITIES COMPANY
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION (CONTINUED)
DECEMBER 31, 2009

Aggregate indebtedness	
Accounts payable and other liabilities	<u>\$ 317,895</u>

Computation of basic net capital requirement

Minimum net capital required	<u>\$ 100,000</u>
Excess net capital	<u>\$ 233,323</u>
Excess net capital at 1500%	<u>\$ 312,130</u>
Excess net capital at 1000%	<u>\$ 301,534</u>
Ratio: Aggregate indebtedness to net capital	<u>.95 to 1</u>

Reconciliation with company's computation (included in Part II of Form X-17A-5 as of December 31, 2009).

Net capital as reported in company's Part II (unaudited) FOCUS report	\$ 317,270
Audit adjustments to adjust payables and accruals	(12,706)
Audit adjustments to record additional revenues	73,480
Audit adjustments to record additional compensation	(63,508)
Audit adjustments to record additional depreciation expense	981
Other audit adjustments - net	<u>17,806</u>
Net capital per previous page	<u>\$ 333,323</u>

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL REQUIRED BY SEC RULE 17a-5**

February 18, 2010

Stockholders and Board of Directors
Royal Securities Company
Grandville, Michigan

In planning and performing our audit of the financial statements of Royal Securities Company (the "Company") as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2009, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the FINRA, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Kiekoover, Scholma & Shumaker, PC
Kiekoover, Scholma & Shumaker, PC
Certified Public Accountants

ROYAL SECURITIES COMPANY
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

KIEKOVER, SCHOLMA & SHUMAKER, PC
Certified Public Accountants
Zeeland, Michigan