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This Brochure provides information about the qualifications and business practices of Regal Advisory Services, Inc. If you have any questions about the contents of this Brochure, please contact us at (877) 488-6534. 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.

Regal Advisory Services, Inc. is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. This Brochure is intended, in part, to provide information which can be used to make a determination to hire or retain an Adviser.

Additional information about Regal Advisory Services, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require. In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients at least annually. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may be requested by contacting your advisor directly or the company’s compliance department at the number above or via email at [compliance@regalsecurities.com](mailto:compliance@regalsecurities.com).

Additional information about Regal Advisory Services, Inc. (“Regal”) is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site provides information about any persons affiliated with Regal who are registered, or are required to be registered, as investment adviser representatives of Regal.

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#### **Item 4 – Advisory Business**

Regal Advisory Services, Inc. was established in 2001 and approved as a Registered Investment Adviser in 2001. George Bokios is a shareholder with 90% ownership. Please refer to Item 10 for more information on Regal Securities, Inc. which is an affiliated Broker/Dealer under common control.

Regal Advisory offers investment advisory products and services as detailed in this disclosure document. Such advisory products and services are offered through Investment Advisor Representatives (“IARs”) who may act as portfolio managers. Under the various Programs, the Client and the IAR compile pertinent financial and demographic information to develop an investment program that will meet the client’s goals and objectives. IARs will analyze the client information and recommending an appropriate strategy based on the client’s needs and objectives, investment time horizon, risk tolerance, and any other pertinent factors.

Currently, Regal offers the following Programs:

- 1) Regal Discretionary Portfolio Management
- 2) Regal Non-Discretionary Portfolio Management
- 3) AssetMark
- 4) Clark Capital
- 5) CLS
- 6) ManagersChoice
- 7) Referral Services
- 8) Financial Planning
- 9) Regal Investment Consulting

#### **1. Regal Discretionary Portfolio Management (“RDPM”)**

IARs of Regal Advisory provide investment advisory services to clients that participate in the RDPM Program on a discretionary basis. The IARs develop portfolios based on certain established guidelines and the client’s investment objectives and individual needs. IARs use both fundamental and quantitative research as well as other independent research. IARs may develop a specific investment philosophy using the mix of these analysis methods. Quality and concentration requirements are established to provide an overall discipline and quality element of the Program. Such strategies ordinarily include long and short-term purchases of securities and depending on the client’s objectives and the IAR’s investment philosophy, supplemental covered option writing. In special circumstances, the strategies may also include margin transactions, other option strategies, and trading or short sale transactions.

#### **2. Regal Non-Discretionary Portfolio Management (“RNPM”)**

IARs of Regal Advisory provide investment advisory and brokerage services to clients that participate in the RNPM Program on a non-discretionary basis. Clients have the option of accepting the IAR’s recommendations or selecting alternative investments for the account. All investments shall be at the exclusive risk of the client. Regal Advisory does not guarantee any return on the investments recommended or advised upon and may not be responsible for any

losses resulting from such trading or for any transactions that it has not recommended to the client. Regal Advisory offers periodic rebalancing of the mutual funds in the client's account, at the client's request. Rebalancing is available at predetermined intervals (*e.g.*, annually) or upon the client's direction. The IARs may recommend stocks, bonds, or other assets of any kind, consistent with the client's investment objectives and restrictions established by the client. IARs provide nondiscretionary recommendations on the basis of research the IAR reasonably deem to be reliable.

### **3. AssetMark**

Regal Advisory offers a program sponsored by AssetMark Investment Services, Inc. ("AssetMark"), in which the client can choose either a privately managed account program or a mutual fund/ETF/variable annuity account program. The privately managed account program is a separately managed account program that enables the client to select from a group of investment managers who provide discretionary investment management services. The mutual fund/ETF/variable annuity account program is a non-discretionary service in which Regal Advisory provides advice to the client with respect to the selection of asset allocation models developed by a group of independent investment management firms. AssetMark's Disclosure Documents more fully explain services and restrictions offered through these programs.

### **4. Clark Capital**

Regal Advisory offers a program sponsored by Clark Capital Management Group, Inc. ("Clark Capital"), which provides management of equity, fixed income, balanced and other specialty investment portfolios. Clark Capital's Disclosure Documents more fully explain services and restrictions offered through these programs.

### **5. CLS**

Regal Advisory offers a program sponsored by CLS Investment Firm, LLC ("CLS"), which offers investment management services for clients who wish to utilize their individualized services. CLS offers discretionary programs utilizing various security products including: registered investment companies (commonly referred to as "mutual funds"), variable annuities, exchange traded funds, folios, bonds, equities and/or other securities in association with the investment service selected. CLS's Disclosure Documents more fully explain services and restrictions offered through these programs.

### **6. ManagersChoice**

Regal Advisory offers a program sponsored by Managers Investment Group, LLC ("ManagersChoice"). The ManagersChoice program is a non-discretionary mutual fund asset allocation program. Under the program, ManagersChoice furnishes Regal Advisory with allocation models, which Regal Advisory selects based on a client's financial situation and investment objectives. The asset allocation models may be re-balanced on a periodic basis. ManagersChoice's Disclosure Documents more fully explain services and restrictions offered through these programs.

## **7. Referral Services**

In addition to the aforementioned programs, IARs of Regal Advisory may act as solicitors to refer clients to Independent Portfolio Consultants, Inc ("IPC"). For their referral service, Regal Advisory will receive a portion of the fee the client pays to IPC. Regal Advisory receives between 0.25 and 1% of the assets under management, depending on the type of account solicited. If IPC refunds all or any part of an advisory fee to a client, Regal Advisory refunds to IPC its portion of those fees. The fees charged by IPC and the nature of its programs are described in IPC's Disclosure Documents. The maximum fee charged to a client will not exceed 2.5% for equities accounts, 2% for balanced accounts, and 1.25% for fixed income accounts.

## **8. Financial Planning**

Regal Advisory provides advice in the form of a financial plan. Clients purchasing this service will receive a written financial plan, providing the client with a detailed financial plan designed to achieve their stated financial goals and objectives. An agreement with Regal Advisory is signed prior to the development of the plan which determines the fees and states the terms of the arrangement. In general, the financial plan will address any or all of the following areas of concern:

- **PERSONAL:** Family records, budgeting, personal liability, estate information and financial goals.
- **INVESTMENTS:** Analysis of investment alternatives and their effect on a client's portfolio.
- **TAX & CASH FLOW:** Income tax and spending analysis and planning for past, current and future years. Regal Advisory will illustrate the impact of various investments on a client's current income tax and future tax liability.
- **RETIREMENT:** Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** Cash needs at death, income needs of surviving dependents, estate planning, and disability income analysis. Regal Advisory gathers required information through in-depth personal interviews.

Information gathered includes a client's current financial status, future goals, and attitudes towards risk. Related documents supplied by the client are carefully reviewed, including a questionnaire completed by the client, and a written report is prepared. Should a client choose to implement the recommendations contained in the plan, Regal Advisory suggests the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

## **9. Regal Investment Consulting Program through Third Party Managers**

Selected Third Party Managers ("Managers") are evaluated by Regal Advisory for client use in the Regal Investment Consulting Program through Third Party Managers ("RCP"). RCP services may include assisting clients in identifying their investment objectives and matching personal and financial data with a select list of Managers that meet the RCP minimum quantitative and

qualitative criteria. The intent of the Program is to have a selected list of high quality and recognizable third party investment management firms from which a client selects one or more Managers to handle the day-to-day management of the client's account(s). Following recommendations by the IAR, the client will have final authority to select a Manager. The IAR may assist the client in completing appropriate documents. Following selection of a Manager, Regal Advisory will have a member of the diligence committee approve the appropriateness of such Manager.

Managers selected for use by clients under RCP need to meet several quantitative and qualitative criteria established by Regal Advisory. Among the criteria that may be considered are the manager's experience, assets under management, performance record, client retention, the level of client services provided, investment style, buy and sell disciplines, capitalization level and the general investment process. Prior to selection, all Managers are reviewed by the Regal Advisory diligence committee. Each client must have a profile that matches the Manager's stated objectives.

A Manager relationship may be terminated at the client's and IAR's discretion. Regal Advisory may at any time terminate the relationship with a Manager that manages clients' assets. Regal Advisory will provide notifications to clients that have invested with any Manager that Regal Advisory has terminated its relationship. Regal Advisory will not conduct on-going supervisory reviews following such termination. Factors involved in the termination of a Manager may include a failure to adhere to management style or clients' objectives, a material change in the professional staff of the Manager, unexplained poor performance, and dispersions of client account performance or Regal Advisory's decision to no longer include the Manager on its list of approved RCP Managers.

Clients are advised and should understand that:

- A Manager's past performance is no guarantee of future results;
- There is a certain market and/or interest rate risk which may adversely affect any Manager's objectives and strategies, and could cause a loss in a client's account(s); and
- Client risk parameters or comparative index selections provided to Regal Advisory are guidelines only and there is no guarantee that they will be met or not be exceeded. All accounts are managed by the selected Manager and Regal Advisory does not have any discretionary trading authority with respect to such accounts. Information collected by Regal Advisory regarding RCP Managers is believed to be reliable and accurate but Regal Advisory does not necessarily independently review or verify it on all occasions. All performance reporting will be the responsibility of the respective Manager. Such performance reports will be provided directly to the clients and Regal Advisory. Regal Advisory does not audit or verify that these results are calculated on a uniform or consistent basis as provided by a Manager directly to Regal Advisory or through the consulting service utilized by the Manager.

The Disclosure Document for each separate Manager contains important information regarding conflicts of interest, compensation, risks, potential benefits, and other information that prospective investors should review and considered.

Regal manages assets on a discretionary and non-discretionary basis. As of February 15, 2011 Regal held \$49,400,000 in discretionary assets and \$18,700,000 in non-discretionary assets.

#### **Item 5 – Fees and Compensation**

Regal Advisory offers investment advisory products and services as detailed in this disclosure document. Such advisory products and services are offered through IARs who may act as portfolio managers.

All trades in clients' accounts are directed through Regal Securities for execution. Clients pay ticket charges per transaction to Regal Securities. Other broker/dealer charges may apply and will be disclosed by the broker/dealer. Fees can vary depending on the particular investment strategies or portfolios selected by the client, the particular Manager selected by the client, and the IAR, among other factors. Generally, the IAR may, in his or her discretion, negotiate the portion of the program fee that is payable to the IAR or Regal Advisory but does not negotiate the portion payable to any third-party Manager. The client's Advisory Agreement will state the specific fee applicable to the client's account.

A portion of the fees charged by Regal Advisory for the program services described herein may be paid to IARs in connection with the provision of investment advice and/or client-related services within those programs. In situations in which third party Managers are used, fees are subject to exclusions, calculations, and conditions contained in each Program Disclosure Document and Advisory Agreement. Additionally, most Managers have a minimum quarterly program fee, which may cause the effective program fee (expressed as a percentage) to be greater than the fee rates shown above.

The Disclosure Document for each separate Manager contains important information regarding conflicts of interest, compensation, risks, potential benefits, and other information that prospective investors should review and considered. All standard fee schedules and commissions described herein may be subject to negotiation depending on a range of factors including, but not limited to, account size and overall range of services requested. For any wrap fee product, clients should consider the value of the additional consulting services when making such comparisons.

Regal's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal

management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Regal's fee, and Regal shall not receive any portion of these commissions, fees, and costs.

Transaction fees charged may be higher than those otherwise available if the services were provided separately for a discrete fee or if an Investment Advisor were to select brokerage and negotiate commissions in the absence of the extra consulting service provided. Clients should consider the value of the additional consulting services when making such comparisons. The combination of custodial, consulting, and brokerage services may not be available separately or may require multiple accounts, documentation, and fees. A portion of the fees charged by Regal for advisory services may be paid to Regal Financial Advisors. Financial Advisors may have a financial incentive to recommend advisory services over broker/dealer services. Costs and transaction fees arising out of transactions effected by entities other than Regal or Penson or attributable to dealer mark-ups, mark-downs or "spreads" (in transactions where another entity acts as principal for its own account) will be separately borne by clients. All fees described herein may be subject to negotiation depending on a range of factors including, but not limited to, account size and overall range of services requested.

Item 12 further describes the factors that Regal considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

In certain states, clients who meet specified net worth or other criteria may elect to pay an individually negotiated fee that includes a performance fee based on quarterly net profits. Any such account would be managed on a discretionary basis. In such cases, a "high water mark" ensures that if there are losses since inception of the account, those losses will be recaptured before a performance fee may be charged for subsequent quarters. In addition to the fee charged by Regal Advisory, the client will pay all ticket charges imposed by Regal Securities, as well as fees charged by mutual fund managers and fees for any additional services requested by the client. Please see Item 6 for more information regarding performance based fees.

Fees may be based on a percentage of assets or as a fixed annual fee. Fees are to be clearly stated in all advisory contracts. Fees will be automatically deducted from the client's account and reflected in a monthly or quarterly statement. An invoice, showing the amount of the fee, the value of the client's assets on which the fee was based, and the specific manner in which the fee was calculated, will be available upon request. Clients are reminded of their responsibility to verify the accuracy of the fee computation; the custodian will not do an independent verification of the accuracy of the computation of fees. Additional fees of \$125 per annum plus a postage fee may be assessed for performance reporting.

Unless otherwise specified, fees are billed in arrears on a monthly or quarterly basis as specified in the advisory contract. Fees are negotiable, may be reduced based on the size of the account, and may be charged as a flat or incremental rate as specified in the advisory contract. Accounts

held at Penson Financial Services, Inc. ("Penson") will be charged based on the average daily balance. Accounts held through other clearing firms are charged based on the average monthly balance, using the value of the account on the last business day of the month. No further proration is done for additions or withdrawals made during the fee period.

All transaction fees will be borne by the client and paid directly to Penson, where applicable. Penson will remit a portion of their fees to Regal. Transaction fees paid to Penson will be debited directly from the clients account. For specific fees charged please see available programs below.

Currently, Regal offers the following Programs:

- 1) Regal Discretionary Portfolio Management
- 2) Regal Non-Discretionary Portfolio Management
- 3) AssetMark
- 4) Clark Capital
- 5) CLS
- 6) ManagersChoice
- 7) Referral Services
- 8) Financial Planning
- 9) Regal Investment Consulting

### **1. Regal Discretionary Portfolio Management ("RDPM")**

The minimum account size for the RDPM Program is \$50,000 per account (limited exceptions may apply). The standard fees, which are negotiable, are charged for the RDPM Program. The maximum annual fee is 2.5% of managed assets charged in arrears. Mutual funds will include only mutual funds whose shares can be purchased at net asset value within the Program. As shareholders in mutual funds, clients will bear a proportionate share of the funds' expenses.

The fees and expense related to money market funds, mutual funds, or exchange traded funds ("ETFs") are disclosed in their respective prospectuses. The client acknowledges that they may purchase money market funds, mutual funds, or ETFs directly without paying the Program Fee, but in that event the client would not receive the benefit of Regal Advisory's advice regarding investments which would be suitable for the client. The following fee schedule sets forth maximum fees charged by Regal Advisory for the RDPM Program:

### **2. Regal Non-Discretionary Portfolio Management ("RNPM")**

The minimum account size for the RNPM Program is \$50,000 per account (limited exceptions may apply). Standard fees, which are negotiable, are charged for the RNPM Program. The maximum annual fee is 2.5% of managed assets charged in arrears. Mutual funds will include only mutual funds whose shares can be purchased at net asset value within the Program. As shareholders in mutual funds, clients will bear a proportionate share of the funds' expenses.

Clients should consider all fees and expenses to fully understand the total amount of fees and expenses to be paid by the account and to evaluate the advisory services being provided. The fees and expense related to money market funds, mutual funds or ETFs are disclosed in their respective prospectuses. The client acknowledges that they may purchase money market funds, mutual funds or ETFs directly without paying the Program fee, but in that event the client would not receive the benefit of Regal Advisory's advice regarding investments which would be suitable for the client.

### **3. AssetMark**

Regal Advisory offers a program sponsored by AssetMark Investment Services, Inc. ("AssetMark"), in which the client can choose either a privately managed account program or a mutual fund/ETF/variable annuity account program. Clients pay Regal Advisory an overall advisory fee that includes a program fee for participation in the program. This fee is negotiated with each individual account holder, based on AssetMark's recommended client fee schedules that do not exceed 1.95%, depending on the size and type of account. Clients invested in individually managed accounts also pay an investment management fee directly to the investment manager(s) that the client designates to manage the client's account. All clients incur custodial and trading charges, which are set forth in a separate custodial agreement executed between the client and custodian. Client fees are payable quarterly, *in advance*, based on assets under management. In addition, clients pay fees to investment managers. A client may terminate the AssetMark accounts at any time by written notice and receive a pro-rata refund of any unearned fees. These programs, and additional costs that the account will incur, are more fully described in AssetMark's Disclosure Documents.

### **4. Clark Capital**

Regal offers a program sponsored by Clark Capital Management Group, Inc. ("Clark Capital"), in which the client can choose a general investment program. Clients pay Regal Advisory an overall advisory fee that includes a program fee for participation in the program. This fee is negotiated with each individual account holder, based on Clark Capital's recommended client fee schedules and do not exceed 1.10%, depending on the size and type of account. Client fees are payable quarterly, *in advance*, based on assets under management. A client may terminate the Clark Capital account at any time by written notice and receive a pro-rata refund of any unearned fees. The client will pay a \$250 administration fee if the account is terminated within the first calendar quarter. These programs, and additional costs that the account will incur, are more fully described in Clark Capital's Disclosure Documents.

### **5. CLS**

Fees are outlined in each respective CLS's Firm Brochure and Advisory Contract. Regal Advisory will be paid an on-going fee based upon a percentage of each client's assets under management. Fees will be fully disclosed in the advisory contract and total fees will not exceed 2.5% to be paid quarterly *in advance*. These programs, and additional costs that the account will incur, are more fully described in CLS's Disclosure Documents.

## **6. ManagersChoice**

The ManagersChoice program is a non-discretionary mutual fund asset allocation program. The fee for the ManagersChoice program is negotiated with each individual client, but may not exceed 2% of assets under management. Additional fees associated with the accounts, including management and administrative fees associated with the underlying funds, are described in Managers Investment Group, LLC's Disclosure Documents. Fees are paid quarterly in arrears and are calculated and debited by the transfer agent. These programs, and additional costs that the account will incur, are more fully described in the ManagersChoice Disclosure Documents.

## **7. Referral Services**

In addition to the aforementioned programs, IARs of Regal Advisory may act as a **Solicitor** to refer clients to Independent Portfolio Consultants, Inc ("IPC"). For their referral service, Regal Advisory will receive a portion of the fee the client pays to IPC. Regal Advisory receives between 0.25 and 1% of the assets under management, depending on the type of account solicited. If IPC refunds all or any part of an advisory fee to a client, Regal Advisory refunds to IPC its portion of those fees. The fees charged by IPC and the nature of its programs are described in IPC's Disclosure Documents. The maximum fee charged to a client will not exceed 2.5% for equities accounts, 2% for balanced accounts, and 1.25% for fixed income accounts.

## **8. Financial Planning**

Regal Advisory provides advice in the form of a financial plan. Clients purchasing this service will receive a written financial plan, providing the client with a detailed financial plan designed to achieve their stated financial goals and objectives. An agreement with Regal Advisory is signed prior to the development of the plan which determines the fees and states the terms of the arrangement.

Financial planning fees will be charged on an agreed upon 1) fixed fee or 2) on an hourly basis. The fixed fee for the financial plan may range from \$1,000 to \$10,000, or the fee on an hourly basis may range from \$100 to \$275 per hour, depending on the nature and complexity of each client's circumstances and financial plan. An estimate for the total hours will be determined at the start of the advisory relationship. Up to 50% of the estimated fee may be due upon signing the advisory agreement, with the balance (based on actual hours) due upon presentation of the plan to the client. Typically the financial plan will be presented to the client within 90 days of the contract date, provided that all of the relevant information needed to prepare the financial plan has been promptly provided by the client.

## **9. Regal Investment Consulting Program through Third Party Managers**

Selected Third Party Managers ("Managers") are evaluated by Regal Advisory for client use in the Regal Investment Consulting Program through Third Party Managers ("RCP"). Managers selected for use by clients under RCP need to meet several quantitative and qualitative criteria established by Regal Advisory.

Fees are outlined in each respective Manager's Firm Brochure and Advisory Contract. Regal Advisory will be paid an on-going solicitor fee based upon a percentage of each client's assets under management with respect to each Manager. Each client will receive a copy of such solicitor agreement which will disclose the fee arrangement. Regal Advisory negotiates each solicitor fee with the Manager. Regal Advisory has a potential **conflict of interest** to recommend selections of management style and Managers that would result in higher advisory fees paid to Regal Advisory. Regal Advisory will make all recommendations independent of such fee consideration and based solely on its obligations to consider a client's objectives and needs. The minimum account size will vary from Manager to Manager. All such minimums will be disclosed in the respective Manager's Firm Brochure document. Regal Advisory may have the ability to negotiate such minimums. A client may terminate his relationship in accordance with the respective Managers' disclosure documents. If a client terminates his participation in the Program within five business days of inception, the client will receive a full refund of the fee. Pre-paid fees will be refunded in accordance with the respective Manager's agreement and disclosure documents.

#### **Account Termination**

If the ADV disclosure document was not delivered to the client at least 48 hours prior to the client entering into any written or oral advisory contract with this investment adviser, then the client has the right to terminate the contract without penalty within five business days after entering into the contract. For the purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract, or in the case of an oral contract otherwise signified their acceptance, any other provisions of this contract notwithstanding.

Upon written receipt of notice to terminate its Client Agreement and unless specific transfer instructions are received, Regal and its agent will, in an orderly and efficient manner, proceed with liquidation of the client's account. There will not be a charge by us for such redemption; however, the client should be aware that certain mutual funds impose redemption fees as stated in each company's fund prospectus in certain circumstances. Clients must keep in mind that the decision to liquidate security issues or mutual funds may result in tax consequences that should be discussed with the client's tax advisor. Factors that may affect the orderly and efficient manner would be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate client's investment advisory service and communicate the instructions to client's Investment Advisor, termination orders received from clients are not market orders; it may take several business days under normal market conditions to process the client's request. During this time, the client's account is subject to market risk. Regal and its agent are not responsible for market fluctuations of the client's account from time of written notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner.

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

Most clients pay an asset-based fee, as described in Item 5. However, in certain states, clients who meet specified net worth or other criteria may elect to pay an individually negotiated fee that includes a performance fee based on quarterly net profits. In order to qualify for a performance based fee arrangements require a minimum account balance of \$1 million, or an account balance of at least \$750,000 and total net worth of \$1.5 million.

Performance fee arrangements include an annual management fee, plus a performance fee equal to 20% of any amount that exceeds the time-weighted average of the S&P 500 index on annual basis. Performance fees are negotiable and any such accounts are managed on a discretionary basis. In such cases, a “high water mark” ensures that if there are losses since inception of the account, those losses will be recaptured before a performance fee may be charged for subsequent quarters. In addition to the fee charged by Regal Advisory, the client will pay all ticket charges imposed by Regal Securities, as well as fees charged by mutual fund managers and fees for any additional services requested by the client.

Advisors managing performance based accounts while at the same time managing accounts without performance fees may constitute a conflict of interest in that a performance fee might provide incentive to the Advisor to favor that account to the disadvantage of other non-performance based accounts. In addition, the Advisor may have an incentive to trade more aggressively in order to earn a performance fee. Regal seeks to minimize potential conflicts of interest by monitoring trading activity utilizing an electronic surveillance system to ensure trading activity is consistent with a clients stated investment objectives and risk tolerance. In addition, Advisors are required quarterly to provide a written statement detailing the account management relationship.

## **Item 7 – Types of Clients**

Regal provides portfolio management services to individuals, corporations and business entities, pension and profit-sharing plans, charitable institutions, foundations, endowments, estates and trusts.

IARs may impose minimum account sizes for individually managed accounts. In each case, the minimum is negotiable. In addition, the sponsors of other programs offered by Regal Advisory impose minimums, which are often subject to negotiation. At present, the minimums imposed by those sponsored programs are as follows:

The minimum account size is \$50,000 per account, unless otherwise specified (limited exceptions may apply).

**AssetMark:** The minimum investment required in the AssetMark programs is generally:

- \$50,000 for mutual fund/ETF/variable annuity accounts
- \$250,000 for consolidated managed accounts
- \$500,000 for individually managed accounts.

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

Our investment strategy begins with an understanding of a client's financial goals. Advisors use demographic and financial information provided by the client on the Client Profile Form. Information includes detailed information regarding the client's financial condition, investment objectives and risk tolerance and is used in determining an appropriate plan for the client's assets. Investment strategies ordinarily include long- or short-term purchases of stock portfolios, mutual funds and fixed income securities.

Investment recommendations are based on an analysis of the client's individual needs, and are drawn from research and analysis. Security analysis methods may include fundamental analysis, technical analysis, charting and cyclical analysis. Information for this analysis may be drawn from financial newspapers and magazines, research materials prepared by others, annual reports, corporate filings, prospectuses, company press releases and corporate ratings services.

It is important to note that investing in securities involves certain risks that are borne by the investor. For any risks associated with Investment Company products, please refer to the prospectuses for additional details about these risks. Our investment approach constantly keeps the risk of loss in mind. These risks include, but are not limited to:

Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

### **Item 9 – Disciplinary Information**

It is Regal Advisory's policy to disclose to its clients and prospective clients all facts that might be material to an evaluation of Regal Advisory's integrity. Although Regal Advisory has not been the subject of any material legal or disciplinary events, Regal Advisory voluntarily discloses the following regulatory action against its affiliated broker/dealer, Regal Securities:

- On December 23, 2009, Regal Securities signed a Letter of Acceptance, Waiver and Consent with FINRA for the purpose of proposing a settlement of alleged rule violations regarding deficiencies in Regal Securities' anti-money laundering (AML) program. Regal Securities received a censure and paid a fine to FINRA in the amount of \$50,000. As a result, Regal Securities has implemented tighter internal controls and increased supervision to monitor its AML policies and procedures.

The aforementioned event resulted in no harm or losses to customers of Regal Securities or clients of Regal Advisory.

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

Regal Advisory is affiliated with Regal Securities, which is effectively registered as a general securities broker/dealer with the SEC, FINRA, and various state regulatory agencies. As a broker/dealer, Regal Securities may have trade errors that result in a profit or loss to Regal Securities. Regal Securities has controls in place to limit such trade errors.

Certain IARs are separately licensed as insurance agents/brokers for various independent insurance companies. These individuals may spend as much as 50% of their time with these aforementioned non-advisory activities. In their capacities as registered representatives or as independent insurance agents, clients will be charged separately from their advisory services.

Regal Securities is also licensed to sell insurance products. For those advisory clients who wish to use insurance products to attain their goals, Regal Securities is dually licensed as an insurance agency and can process insurance transactions if the advisor is appropriately licensed and has the appropriate Errors and Omissions (E&O) insurance. No Regal Advisory client is obligated to purchase any recommended insurance products.

Regal recommends that clients establish brokerage accounts with Penson Financial Services, Inc., a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Regal may recommend that clients establish accounts at Penson, it is the client's decision to custody assets with Penson. Regal is independently owned and operated and not affiliated with Penson.

Item 12 includes additional details regarding brokerage practices and related disclosures.

#### **Item 11 – Code of Ethics**

Regal has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Regal must acknowledge the terms of the Code of Ethics annually, or as amended.

Advisors of Regal may buy or sell securities that are recommended to clients. Regal's employees and persons associated with Regal are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Regal and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Regal's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Regal will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Regal's clients. In addition, the Code requires pre-approval of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Regal and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Regal's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Regal will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

Regal's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Dave Garcia or Gina Bokios at our main number.

#### **Item 12 – Brokerage Practices**

For Regal client accounts maintained in its custody, Penson generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Penson or that settle into Penson accounts. Penson may make products and services available to Regal that benefit Regal but may not directly benefit its clients' accounts. Many of these products and services are used to service all or a substantial number of Regal accounts. Some of these products and services provided by Penson includes software and other technology that (i) provides access to client account data (such as trade confirmations and account statements); (ii) facilitates trade execution and allocates aggregated trade orders for multiple client accounts; (iii) provides pricing, charts and other market data; (iv) facilitates payment of Regal fees from its clients' accounts; and (v) assists with back-office functions, recordkeeping and client reporting.

Advisors may suggest Regal Securities for broker/dealer services to clients. Factors for such recommendation would be when transaction compensation is seen as a benefit to the client. For broker/dealer services, the Adviser or its associated persons may receive compensation for such transactions, where such compensation is separate and distinct from Adviser's compensation related to its investment advisory services. Commissions paid to advisers for broker/dealer services may be higher or lower than those paid by other brokers.

Trades executed through Regal Securities, Regal Advisory's affiliated Broker/Dealer, will be charged transaction fees. Fees may vary by product and by Advisor. Advisors transaction fees are individually negotiated based on the Advisor's total production. All clients of a particular Advisor will pay the same ticket charge; however, clients of another Advisor may pay a higher or lower ticket charge depending on their negotiated rates. As a result, transactions in such accounts may result in higher transactional costs, greater spreads or less favorable net prices and best execution may not be achieved. Transaction fees will be charged per the schedule below:

Equity	Option	Mutual Fund	UIT	Bonds	Asset Backed Securities	CDs
\$9-\$20	\$9-\$20 min, \$0.75-\$1.50/contract	\$15-\$24	\$25-\$30	\$20-\$25 plus up to \$1 per bond	\$50	0-\$50

#### **Item 13 – Review of Accounts**

Regal Advisory, through the Clearing Agent or its agent, will transmit to clients (and where appropriate to the applicable investment advisor) the following reports:

- Trade confirmations reflecting all transactions in securities; provided, however, that periodic statements of account activity may be furnished in lieu of transaction by transaction confirmations to the extent and in the manner permitted by Rule 10b-10 under the Exchange Act; and
- A statement of account activity at least quarterly.
- Performance Report from Orion Adviser Services, LLC

IARs are responsible for performing quarterly review of the account and for consulting with their clients. Triggering factors that may trigger an account review include, but are not limited to, the following: investment objectives, targeted allocation, current allocation, suitability, performance, number of trades, monthly distributions, concentrated positions, diversification, and outside holdings. Accounts may also be subject to a secondary review by a designated supervisor. Such supervisory reviews will be done on a periodic basis; however, not less than annually. The supervisor will oversee the selected accounts for the same triggering factors as mentioned above.

Performance reports, through an outside vendor, Orion Financial Services, LLC (“Orion”), will be sent quarterly to Regal Advisory clients. The IAR will have access to the Orion performance report and will be required to review it quarterly. Not less than annually, the IAR will contact the client and discuss the account and related performance. Such IAR will request current information to determine whether there have been any changes in their profile information. The client agrees to inform the IAR in writing of any material changes in their profile or the client’s financial circumstances that might affect the manner in which client’s assets should be invested. Client may contact the IAR during normal business hours to consult with the IAR concerning the management of the client’s account(s).

Each client has the ability to impose reasonable restrictions on the management of his/her account, including the designation of particular securities or types of securities that should not be purchased for the account, or that should be sold if held in the account. If a client’s instructions are unreasonable or Regal Advisory, or, if applicable, an IAR believes that the instructions are inappropriate for the client, Regal Advisory will notify the client that, unless the instructions are modified, it may cancel the instructions in the client’s account. A client will not be able to provide instructions that prohibit or restrict the investment adviser of an open-end or closed-end mutual fund or ETF with respect to the purchase or sale of specific securities or types of securities within the mutual fund.

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

Regal does not compensate for client referrals.

#### **Item 15 – Custody**

Clients should receive statements at least quarterly from Penson, the qualified custodian that holds and maintains your investment assets. Regal urges you to carefully review such statements and compare the official custodial records to the account statements that we may

provide you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

Regal usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Clients must authorize such discretion in the advisory agreement. When selecting securities and determining amounts, Regal observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Regal in writing.

#### **Item 17 – Voting Client Securities**

Regal does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive their proxies or other solicitations directly from their custodian or transfer agent. Clients should contact their IAR if they have any questions and/or to obtain this information.

#### **Item 18 – Financial Information**

Registered Investment Advisers are required to provide you with certain financial information or disclosures about Regal's financial condition. Regal has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceeding.

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

Robert Villaflor, David Garcia, and Skaiste Aksomitaitė serve as principal executive officers. The following describes their formal education and business background:

Mr. Robert Villaflor is President of Regal Advisory Services, Inc., and a Senior Vice President and the Head of Business Development for Regal Securities, Inc. Mr. Villaflor started with Regal in 1993 and has a diverse background from having held multiple positions throughout the firm. He has worked on the trade desk as both a broker and as the Trade Desk Manager. He has also worked in Compliance and was the Branch Manager of their largest office. More recently, Rob served as the Chief Operating Officer of Regal Securities. He received his undergraduate degree in finance from Marquette University and has an MBA from DePaul University, and has his Series 7, 24, 55, and 63 licenses.

Mr. David Garcia (born 1972) is Chief Compliance Officer of Regal Advisory Services, Inc. (2010-present) and Compliance Officer at Regal Securities, Inc. (1998-present). He holds a Bachelor of Science from Valparaiso University (1995). He has successfully passed the FINRA examinations Series 7, 4 and 24, and the NASAA examinations Series 63 and 66.

Mrs. Skaiste Aksomitaite (born 1979) is the Secretary and Treasurer for Regal Advisory Services, Inc. (2005-present). Mrs. Aksomitaite is also the Vice President and Financial and Operations Principal (FINOP) for Regal Securities. Prior to Regal, she was an office manager at National Securities Corporation (2004-2005) and an analyst assistant at Suprema Securities (2001-2002). Mrs. Aksomitaite holds a Bachelors degree in International Business from Concordia International University Estonia (2002) and an MBA degree in Finance from Concordia University Wisconsin (2004). She passed the FINRA examination Series 27 and the NASAA examination Series 65.

Advisors may manage accounts with performance based fees. Advisors may manage accounts with performance based fees. Performance-based fees may create an incentive for the Advisor to recommend an investment that may carry a higher degree of risk to the client. Please see Item 6 for more information regarding risks associated with performance based fees and how these fees are calculated.

### **Privacy Policy**

We collect nonpublic personal information about you from the following sources: Information we receive on applications, questionnaires, web site, or other forms and information about your transactions with our affiliates, others, or us. We do not disclose any non-public information about our current or former customers to anyone, except as permitted by law or in order to provide the current services. Our employees have limited access to your personal information based on their responsibilities to provide products or services to you. Be assured that we maintain physical, electronic and procedural safeguards in compliance with federal standards to protect your information.