

# **Form ADV Part 2A Appendix 1: Wrap Fee Program Brochure**

## **Advisor Choice Program**

**March 30, 2024**

## **Regal Investment Advisors LLC**

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This wrap fee program 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 available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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 – Appendix 1 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 31, 2023, we have updated this Brochure to, among other things, reflect changes in the way we describe our advisory business, fees and compensation, methods of analysis, investment strategies and risk of loss, and financial industry activities and affiliations, and incorporated conforming changes throughout. Clients should carefully read this Brochure in its entirety.

For more information you may request a full copy of our current Brochure at any time, without charge, by calling 616-224-2204.

Additional information about Regal Investment Advisors is available via the SEC’s Investment Adviser Public Disclosure website at [adviserinfo.sec.gov](https://adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with Regal Investment Advisors who are registered, or required to be registered, as Investment Adviser Representatives of Regal Investment Advisors.

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## Item 4 Services, Fees, and Compensation

Regal Investment Advisors LLC is a registered investment adviser based in Kentwood, MI. We are organized as a limited liability company under the laws of the State of Michigan. John A. Kailunas, II, Brian D. Yarch, and Don Carlson are our principal owners.

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 a client or prospective client of our firm. Also, you may see the term Associated Person throughout this brochure. Our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Regal conducts its investment advisory business through a network of independent Investment Adviser Representatives ("IARs") who operate offices located throughout the United States. Regal oversees the advice and asset management services provided by our Associated Persons (including IARs). Your IAR will recommend products, platforms, or services within the scope of options Regal makes available to your IAR.

We offer portfolio management services through a wrap-fee program called the Advisor Choice Program("Program") as described in this wrap fee program brochure to prospective and existing clients. We are the sponsor and investment adviser for the Program. A wrap-fee program is a type of investment program that provides clients with asset management and brokerage services for one all-inclusive fee. If you participate in our wrap fee program, you will pay our firm a single fee, which includes money management fees, certain transaction costs, and custodial and administrative costs. You are not charged separate fees for the respective components of the total services. 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.

Prior to becoming a client under the Program, you will be required to enter into a separate written agreement with us that sets forth the terms and conditions of the engagement and describes the scope of the services to be provided, and the fees to be paid.

### Client Investment Process

We provide discretionary and non-discretionary portfolio management services in accordance with your individual investment objectives. If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. This authorization includes deciding which securities to buy and sell, when to buy and sell, and in what amounts, and the broker or dealer to be used for the purchase or sale of securities in accordance with your investment program, without obtaining your prior consent or approval for each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and/or through 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. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

Clients who establish a wrap fee account with Regal Investment Advisors must consent to a clearing/custodian broker-dealer that we have a clearing arrangement with. 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 the Program's clients:

- Fidelity Institutional Wealth Services (“Fidelity”) (as cleared through National Financial Services LLC) Schwab Institutional (as cleared through Charles Schwab & Co., Inc.), a division of Charles Schwab & Co., Inc. (“Schwab”)

We place all transactions associated with wrap fee accounts for execution through these executing broker-dealers. Each clearing broker-dealer offers services that include custody of securities, trade execution, clearance, and settlement of transactions. Each also provides services that are typically made available to institutional investment managers and generally are not offered to retail customers. These services include duplicate client statements and confirmations, access to block trading (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 and access to mutual funds with no transaction fees.

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 the broker-dealers listed above and the advisory fees charged under the applicable Advisor Choice wrap program.

### **Changes in Your Financial Circumstances**

In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. Furthermore, unless you indicate to the contrary, we shall assume that there are no restrictions on our services, other than to manage your account in accordance with your designated investment objectives. It is your responsibility to promptly notify us if there are ever any changes in your financial situation or investment objectives for the purpose of reviewing / evaluating / revising our previous recommendations and/or services.

### **The Program Fee**

We charge an annual "wrap-fee" for participation in the 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 Program. Our firm pays all trade expenses of trades placed on your behalf. Our Program 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 in 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.).

The total wrap fee you pay will vary by IAR. Furthermore, IARs determine advisory fees differently. For example, some IARs will household all or a subset of your managed accounts together to determine a fee breakpoint or charge a fee based on each account size. Additionally, some IARs have a flat fee assigned to the account regardless of account value. While other IARs set a tiered fee schedule. There are advantages and disadvantages to all fee structures, but each IAR sets their own variances within Regal's maximum allowable fee structure. This causes some clients to be treated in a more favorable manner than other clients when you do not receive tiered and/or householding or do not negotiate lower pricing with your IAR.

Regal has imposed a maximum allowable Program fee and is set forth in the following tiered fee schedule:

<u>Assets Under Management</u>	<u>Maximum Annual Fee</u>
\$0 - \$500,000	2.75%
\$500,001 to \$1,000,000	2.50%
\$1,000,001+	2.25%

The exact wrap fee is negotiated on an IAR-by-IAR, client-by-client, or account-by-account basis. These fees are disclosed to you in the investment advisory agreement that you sign in advance of services being provided. IARs have an incentive in determining the fee charged to you as they receive a percentage of the fee with the remaining amount of the fee retained by Regal. Your IAR will receive the same percentage of the fee regardless of which advisory program is selected.

As a client, you should be aware that the wrap fee charged by our firm may be higher (or lower) than those charged by others in the industry, and that it may be possible to obtain the same or similar services from other firms at lower (or higher) rates. A client may be able to obtain some or all of the types of services available through our firm's wrap fee program on an individual basis through other firms and, depending on the circumstances, the aggregate of any separately paid fees may be lower or higher than the annual fees shown above.

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. For the initial quarter of portfolio management services, the first quarter's fees will be calculated on a pro rata basis, which means the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

You may withdraw account assets on notice to our firm, and subject to the usual and customary securities settlement procedures. However, we design our portfolios as long-term investments and asset withdrawals may impair the achievement of your specific investment objectives.

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. Generally, we will receive a duplicate copy of your account statements.

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

### **Termination of Advisory Relationship**

You may terminate the wrap fee program agreement upon written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the wrap fee program 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.

Upon termination of accounts held at the participating broker-dealer/custodian, they will deliver securities and funds held in the account per your instructions unless you request that the account be liquidated. After the wrap fee program agreement has been terminated, transactions are processed at the prevailing brokerage rates/fees. You become responsible for monitoring your own assets and our firm has no further obligation to act upon or to provide advice with respect to those assets.

## **Wrap Fee Program Disclosures**

The benefits under a wrap fee program depend, in part, upon the size of the account, the management fee charged, and the number of transactions likely to be generated in the account. For example, a wrap fee program may not be suitable for accounts with little trading activity. To evaluate whether a wrap fee program is suitable for you, you should compare the Program Fee and any other costs of the Program with the amounts that would be charged by other advisers, broker-dealers, and custodians, for advisory fees, brokerage and other execution costs, and custodial services comparable to those provided under the Program.

In considering the investment programs described in this brochure, you should be aware that participating in a wrap fee program may cost more or less than the cost of purchasing advisory, brokerage, and custodial services separately from other advisers or broker-dealers, therefore our firm and Associated Persons may have the financial incentive to recommend the Program.

Similar advisory services may be available from other registered investment advisers for lower fees.

## **Additional Fees and Expenses**

The Program Fee includes the costs of brokerage commissions for transactions executed through the Qualified Custodian (or a broker-dealer designated by the Qualified Custodian), and charges relating to the settlement, clearance, or custody of securities in the account. The Program Fee does not include mark-ups and mark-downs, dealer spreads or other costs associated with the purchase or sale of securities, interest, taxes, or other costs, such as national securities exchange fees, charges for transactions not executed through the Qualified Custodian, costs associated with exchanging currencies, wire transfer fees, or other fees required by law or imposed by third parties. Client accounts will be responsible for these additional fees and expenses.

The wrap program fees that you pay to our firm for portfolio management 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. 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.

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.

## **Brokerage Practices**

If you participate in the Program, you will be required to establish an account with one of the broker-dealers/custodians listed above, all unaffiliated SEC-registered broker-dealers. If you do not direct our firm to execute transactions through one of these broker-dealers, we reserve the right not to accept your account. Not all advisers require their clients to direct brokerage. Since you are required to use a broker-dealer which we have an arrangement with, we may be unable to achieve the most favorable execution costs of your transactions. We believe that the broker-dealers with whom we have relationships with provide quality execution services based on several factors, including, but not limited to, the ability to provide professional services, reputation, experience and financial stability.

## **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 Fidelity Brokerage Services, LLC ("Fidelity") is reasonable in relation to the value of all the brokerage and research products and services provided 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 generally use such products and services in the conduct of our investment decision-making generally, 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 that is attributable making investment decisions and executing transactions is paid with commission dollars and 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 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 such broker-dealer as we would have paid had the broker-dealer provided such products and services.

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

### *Fidelity Program*

Regal Investment Advisors participates in the Client Commission Arrangement (the "Program") offered by Fidelity Brokerage Services, LLC ("Fidelity"). Fidelity offers independent investment advisors services which include custody of securities, trade execution, clearance, and settlement of transactions. We receive some benefits from Fidelity 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 Fidelity 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. Fidelity may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by Fidelity 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 Fidelity. Other services made available by Fidelity 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 does depend on the amount of brokerage transactions directed to Fidelity. 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 Fidelity for custody and brokerage services.

### *Schwab Institutional*

Schwab makes available to our firm other products and services that benefit our firm but may not benefit its clients' accounts. These benefits may include national, regional or specific to our firm, educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include

occasional business entertainment of personnel of our firm by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Also, there are other products and services which assist us in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of our firm's accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to our firm other services intended to help us manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to our firm by independent third parties. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. While, as a fiduciary, we endeavor to act in our clients' best interests, our firm's recommendation/requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to us of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **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 Wrap Accounts**

We will generally place trades for wrap account clients with Fidelity or Schwab. 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. 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 pay additional trading costs or fees due to "trade away" transactions.

## **Item 5 Account Requirements and Types of Clients**

We offer investment advisory services to individuals, trusts, estates, pension and profit-sharing plans, charitable organizations, corporations, and other business entities.

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 6 Portfolio Manager Selection and Evaluation**

We are the sponsor and sole portfolio manager for the Advisor Choice Program. Our firm does not utilize outside portfolio managers. Our firm and our Associated Persons act as portfolio managers for the wrap

fee program described in this Wrap Fee Program Brochure.

You will work with an IAR of our firm to identify your financial needs, investment objectives, tolerance for risk, and investment time horizon for each account to be established in the Program. Based on information you provide, we will assist you in identifying objectives in accordance with the risk profile that is suitable for the account. Each portfolio is constructed with a view to achieving certain objectives and risk profiles, and we will manage the account's assets to reflect the portfolio selected by you.

## **Advisory Business**

Please see the disclosures above regarding Services, Fees and Compensation, including the Wrap Fee disclosures.

## **Performance-Based Fees and Side-by-Side Management**

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. 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. Our fees are calculated as described 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.

## **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***

Involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends.

*Risk:* our charting analysis may not accurately detect anomalies or 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***

Involves analyzing 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 and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

*Risk:* 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***

A type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions.

*Risk:* 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.

### **Technical Analysis**

Involves studying past price patterns, trends, and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

Risk: The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or 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.

### **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.

Risk: Using a long-term purchase strategy generally assumes the financial markets will go up in the long term, which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

### **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.

Risk: Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

### **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.

Risk: Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited.

### **Option Trading/ Use of Leverage**

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. Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss. 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. 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. 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.

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.

## **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 consult with a tax professional prior to and throughout the investing of your assets.

## **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. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performances is in no way an indication of future performance.

## **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.

## **Item 7 Client Information Provided to Portfolio Managers**

The Advisor Choice wrap fee program is managed using asset allocation models and the recommendations of Associated Persons with Regal Investment Advisors LLC. (See "Portfolio Manager Selection and Evaluation" above). Our Associated Persons communicate directly with clients on a regular basis as needed in order to ensure your most current investment goals and objectives are understood and are followed. In most cases, we will communicate such information as part of our regular investment management duties. In addition, you may communicate personal information, instructions, and changes in your investment goals and objectives when market or economic conditions warrant such action directly to an Associated Person of Regal Investment Advisors LLC.

## **Item 8 Client Contact with Portfolio Managers**

There are no restrictions on your ability to contact your Advisor Choice wrap program portfolio manager(s). You should contact our firm or your advisory representative directly with any questions regarding your Program account.

## Item 9 Additional Information

### Disciplinary Information

On September 16, 2021, Regal Investment Advisors, John Kailunas and Brian Yarch settled without admitting or denying the findings with the SEC for not providing advisory service to certain advisory clients after the original IAR left Regal and did not disclose conflicts of interest arising from compensation received from an affiliated portfolio manager. The cited conduct was unintentional, and amounts paid pursuant to the Order have been distributed to affected clients. All payments related to the SEC Judgement have been paid in full.

Regal agreed to pay disgorgement of \$595,899, prejudgment interest of \$100,875, and a civil penalty of \$150,000, and to perform certain undertakings. Also, without admitting or denying the findings in the order, John Kailunas and Brian Yarch agreed to penalties of \$50,000 each, and Brian Yarch agreed to a limitation from acting in a chief compliance officer capacity, with the right to apply to act as a chief compliance officer after three years. Regal, Kailunas, and Yarch also agreed to cease-and-desist orders and to be censured.

### Other Financial Industry Activities and Affiliations

Regal Investment Advisors has several financial affiliations and relationships that result in conflicts of interests. These conflicts are described generally in this section and throughout this Brochure. Among other things, we take the following steps to address the conflicts outlined in this Brochure:

- Disclose to Clients that they are not obligated to purchase recommended investment products or implement recommended strategies by our IARs.
- Disclose the existence of material conflicts of interest, including the potential for Regal to earn compensation based on recommendations made to Clients.
- Collect, document, and review Client financial background information including but not limited to financial goals, net worth, income, objectives, and risk tolerance, to ensure that investment advice/recommendations are consistent with the client/investor's profile.
- Require that our Employees seek approval for outside employment or investment activities to ensure that any potential conflicts of interests are addressed and disclosed if necessary.
- Educate our advisors regarding their responsibilities as a fiduciary, including the importance of having a reasonable basis for the advice provided to Clients.
- Require IARs abide by and attest to the Regal's Compliance Manual and Code of Ethics on an annual basis.

For more details regarding our Code of Ethics, please refer to the Code of Ethics portion of this Brochure.

### 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, Brian D. Yarch, and Don Carlson, Managing Members of Regal Investment Advisors LLC are also owners and executive officers of Regal Holdings of America. Regal Holdings of America is the 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.

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 compensation charged by our affiliates are competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. Regal periodically evaluates the fees charged by our affiliates to ensure they remain generally competitive in the market. 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.

## **Code of Ethics**

We have adopted a Code of Ethics that sets the standard of conduct expected to comply with applicable securities laws. 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. We adhere strictly to these guidelines. 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.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

## **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. 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 mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Review of Accounts**

Regal monitors client account holdings on a continuous basis. IARs are responsible for providing investment advice and conducting ongoing reviews for client accounts. Clients are encouraged to meet with their IAR at least once per year to discuss any changes in personal or financial circumstances, suitability of the investments, risk tolerance and any new or revised account restrictions. Accounts are

reviewed on both a pre- and anticipated post-trade basis and may be reviewed individually or with other accounts assigned to similar strategies and/or models.

Triggering factors for additional reviews may include, for example, a client request, significant changes to a client's financial condition, risk tolerance or investment objectives, and/or changes in economic conditions, etc.

You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

## **Client Referrals and Other Compensation**

Please refer to the *Brokerage Practices* section for disclosures on research and other benefits we may receive resulting from our relationship with executing broker-dealers and custodians.

As disclosed above, persons providing investment advice on behalf of our firm are licensed insurance agents, and are registered representatives with Regulus Financial, 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 jurisdiction(s) where they operate. Incentive based compensation paid to any such employee will be contingent upon you, as 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 in litigation to recover damages on your behalf.