ROYAL
INVESTMENT
ADVISORS

Who we are not

Royal Investment Advisors, LLC (Royal) is a new---and we think different---Investment Advisor. For that reason, we may be best described by "who we are not." We are not:

- ❖ A traditional buy and hold manager
- ❖ A "manager of managers"
- ❖ Long only
- ❖ Market timers

Our investment philosophy begins with an overriding objective of "downside protection," which we believe is the key to building wealth over the long term. This belief has been reinforced over the past decade during which many investors experienced ***two*** "once in a generation" financial market declines/crashes. (See Exhibit I) Due to a variety of factors, we believe that the frequency and severity of future market declines will intensify, making protecting a client's net worth as important as growing it.

Losses are too hard to recover from

To illustrate the importance of "downside protection" refer to Exhibit II. If, at the end of 2007, an investor had $100,000 invested in an S&P 500 index fund, their $100,000 would have been worth approximately $62,250 at the end of 2008.That's a decrease of about 38%. In order to get back to "even"---$100,000, at the end of 2013, an investor would have to earn 10% per year compounded for the next 5 year period. And that's to just get back to even!

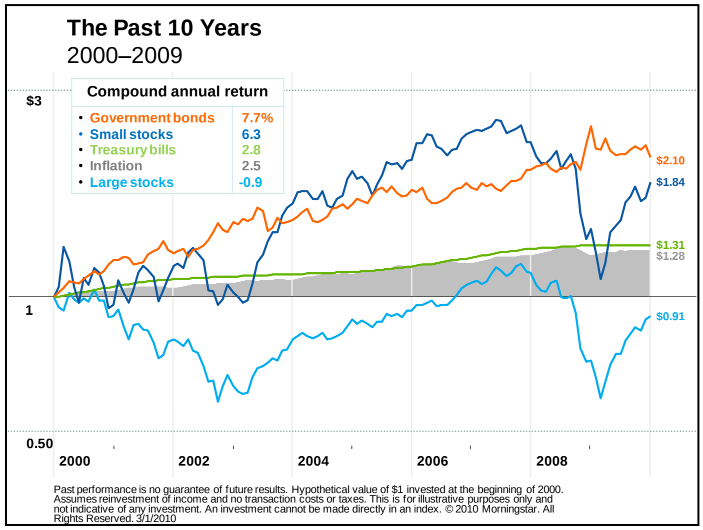

Exhibit I

Post 2008 Breakeven Matrix												
	YE 2007	YE 2008	YE 2009	YE 2010	YE 2011	YE 2012	YE 2013	YE 2014	YE 2015	YE 2016	YE 2017	YE 2018
5%	100,000	62,250	65,363	68,631	72,062	75,665	79,449	83,421	87,592	91,972	96,570	101,399
10%	100,000	62,250	68,475	75,323	82,855	91,140	100,254	110,280	121,308	133,438	146,782	161,461
20%	100,000	62,250	74,700	89,640	107,568	129,081	154,898	185,878	223,053	267,664	321,196	385,436

Exhibit II

The problem with following the crowd

The unfortunate reality is that many investors have demonstrated behavior that is the exact opposite of what they had hoped for. That is, instead of "buying low and selling high" (or at least higher) they have bought high and sold lower. Exhibit III shows inflows of money into stock-based mutual funds over the period 2000-2009. As you can see, more and more money flowed into funds just prior to significant drops in the market and out of funds just prior to the "rebounds."

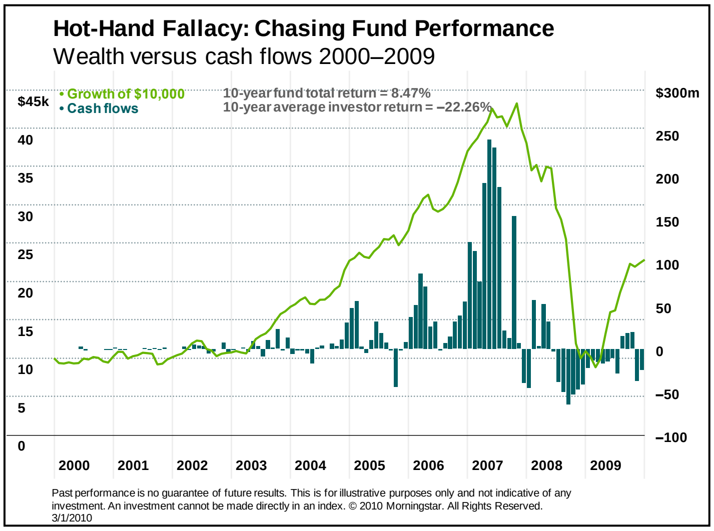

Exhibit III

Our approach to investing

Before we take on the responsibility of managing a client's investments, we devote considerable time determining which of our portfolios---if any---is best suited for the client. We do not want to be all things to all people and will only work with a client once they understand and are comfortable with our philosophy and approach to investing. For investors who do, we offer 4 distinct portfolios:

- Conservative
- Balanced
- Core Growth
- Growth *Plus*

And, while there is nothing new or unique about the names of these portfolios, we believe that the way they are managed offers a compelling alternative to traditional buy and hold, "strategic" asset allocation investment managers.

Our Growth *Plus* portfolio is only available to "qualified" investors. Regulators define qualified as an investor with at least $750,000 under management or a net worth of at least $1.5 million.

All of our portfolios use Exchange Traded Funds (ETFs) as the primary funding vehicle. Our "downside protection" is provided through a disciplined risk management structure employing an options overlay strategy. We describe this approach as providing "guardrails" for a portfolio in an attempt to capture reasonable upside returns while minimizing downside risk. Over time, we believe this dynamic approach can provide positive returns regardless of market conditions.

Exchange Traded Funds

The underlying foundation of our portfolios is ETFs. ETFs have been available to invest in since 1993 and, over the past several years, have become an increasingly popular alternative to traditional mutual funds. (See Exhibit IV) The first ETF was nicknamed "Spider" (SPDR) and was designed to track the performance of the S&P 500 stock index. Most ETFs today are legally classified as open-end companies (i.e. mutual funds) or Unit Investment Trusts and typically invest in the securities (stocks or bonds) of companies that are included in a market index.

Because of this, ETFs are often described as being "just like indexed mutual funds", but there are several key differences which may make ETFs more attractive than mutual funds:

- First, even when compared to index funds, which generally have the lowest expense ratios of all mutual funds, ETFs, as a group, tend to have lower overall expenses. (See Exhibit V)
- Second, unlike mutual funds, which are valued at the close of the market each day, ETFs "trade" throughout the day and can be bought or sold in "real time."
- Third, many of the larger, more liquid ETFs have options (more on options later) available on them.

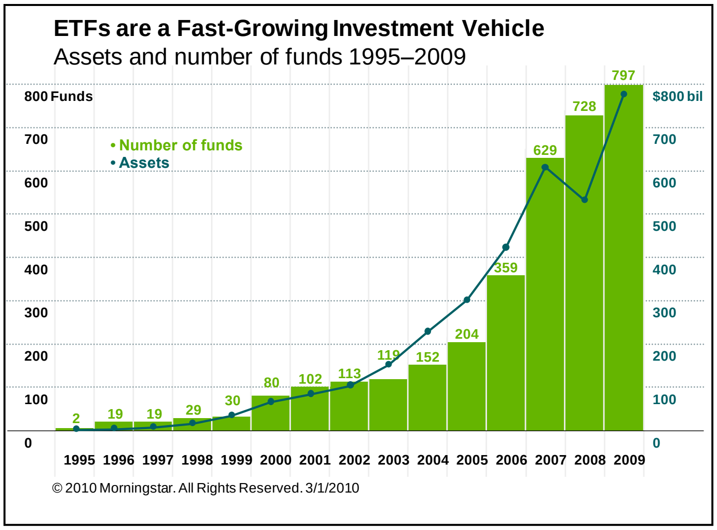

Exhibit IV

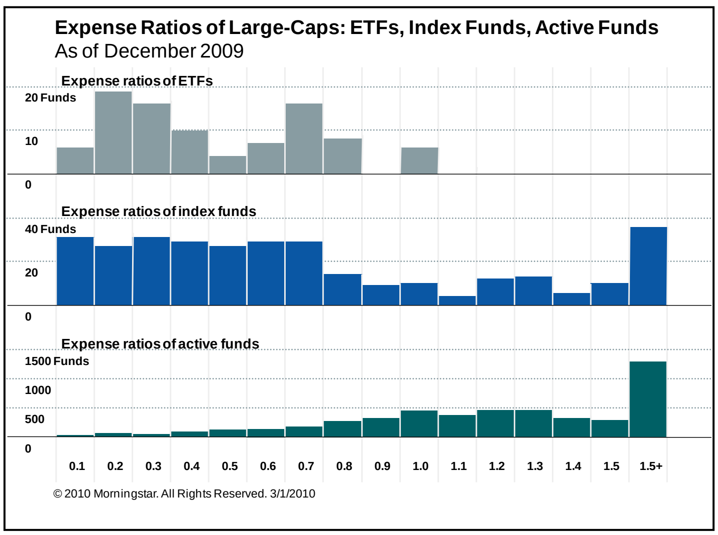

Exhibit V

- ❖ Fourth, ETFs are “transparent”---that is, if an ETF is tied to a particular index, its holdings will match that particular index as closely as possible. Although indexed mutual funds share this characteristic, actively managed mutual funds only disclose their holdings quarterly and, depending on the fund, the underlying holdings could vary significantly from quarter to quarter leaving the investor in a position where he or she doesn’t really know what they own.
- ❖ Fifth, and finally, ETFs are generally more tax efficient than mutual funds. This is because when you purchase shares in an ETF, you establish your own unique tax basis based upon the price you pay for the shares. When the shares are sold, your gain or loss is measured against that price. Conversely, within a mutual fund, you can experience “phantom” income, where gains that were experienced within the fund become yours as a fund shareholder even though you may not have owned shares in the fund for the entire period during which the gain was realized. For example, in 2008 when the financial markets experienced a sharp decline in value, some mutual fund investors who sold shares and experienced an economic loss on the sale of their shares, still had capital gain income distributed to them by the fund based on gains experienced within the fund over time.

Options

In general, an option is the right to buy or sell a particular security at a predetermined price for a fixed period of time. One of the first uses for options was in the 1600s when Dutch tulip growers used options as a way to ensure that they would be able to get a set price for their flowers prior to planting them. Modern day options come in two varieties: puts and calls. A put option gives its owner the right to ***sell*** a security at a particular price during a particular timeframe. A call option gives the owner the right to ***buy*** a security at a particular price during a particular timeframe.

The price of an option is usually a fraction of the underlying security. Generally, there are three ways we use options in client accounts: as a way to hedge, as a way to magnify returns and, by selling options, as a way to generate additional income.

A ***hypothetical*** example of one of the ways we employ options as part of our risk management would be as follows:

- Despite the huge run up in stock prices since the March 2009 market lows, we have a positive view on the performance of the S&P 500 for 2010.
- However, we are also aware the markets can be volatile and that market conditions change quickly.
- We decide to invest a portion of a client's portfolio in an ETF that tracks the S&P 500.
- In order to protect against potential decrease in value, we establish a "floor" or price below which we would no longer want to be invested in the S&P 500.
- We buy a put (the right to sell) at that "floor" price on the S&P 500 in a quantity that approximates the investment in the S&P 500 ETF.
- To cover the cost of buying the put, we sell a call (the right to buy) on the S&P 500, again in a quantity that approximates our investment the S&P 500 ETF.

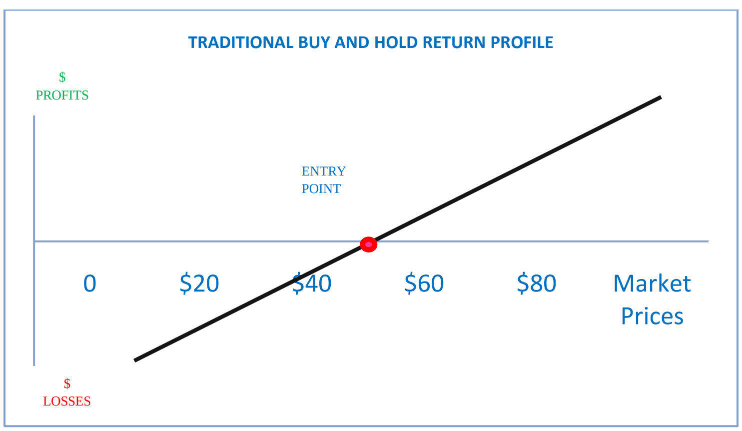

Exhibit VI

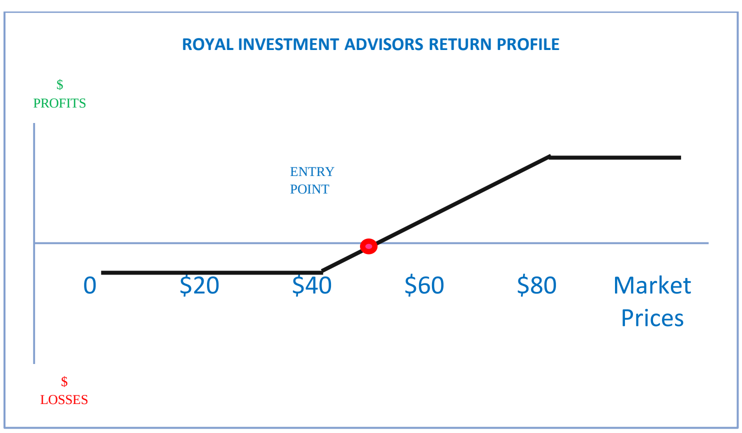

Exhibit VII

In this simple example, what we're attempting to do is to identify the downside risk at the outset of the investment and pay for this downside protection by being willing to give up some of the potential upside by agreeing to sell the S&P 500 ETF at what might be something less than its peak price. The difference between our strategy and a traditional "buy and hold" strategy is illustrated in Exhibits VI and VII.

Becoming a Client

If, after meeting with us, you decide to "hire" Royal to manage all or a portion of your investments, we will execute an Investment Advisory Agreement defining our relationship. We would then open a discretionary advisory brokerage account in your name with Interactive Brokers LLC (IB), member NYSE, FINRA, SIPC. We choose IB as our custodian because of their very low expense structure and because they are one of the world's largest market makers in options. Clients receive detailed quarterly "paper" statements from IB and have 24/7 access to view their account activity through the IB website.

Our fee structure is based on an annualized percentage of assets under management (AUM) and varies based on the amount invested and the type of account. Fees are calculated and deducted daily from client accounts by IB.

We manage individual, joint, trust and retirement (IRAs, SEPs) accounts.

Our minimum account size is currently $100,000. Accounts can be funded with cash and/or a transfer of securities from another custodian.

Our Track Record

Royal registered as an Investment Advisor with the Illinois Securities Department in August 2009 and began to manage client accounts in February 2010. As a new firm, we do not have a performance "track record" that we can share with prospective clients and, unfortunately, can't advertise performance results from previous employers. Some managers use "back tested" performance to illustrate what their returns ***might*** have been over a trailing period of years….we don't think this is a valid way to judge a manager. Instead, we think the focus should be on the experience and qualifications of the people who own the firm and manage the accounts.

The two members of Royal responsible for managing client accounts are Russell A. Kelley, President and Managing Member and Matt Kruyswyk, CFA, Chief Investment Officer and Portfolio Manager.

Kelley began his career in the financial planning and investment management business in 1983. He spent over 20 years with The Ayco Company L.P. where he held a variety of positions leading to Senior Vice President and Partner. Ayco was acquired by Goldman Sachs & Co. in 2003. Kelley left Ayco in late 2005 and later was a Vice President and Managing Director in Fidelity Investments Large Corporate Retirement Plan Group working with a number of Fidelity's largest 401(k) clients.

Kruyswyk also has over 25 years in the investment management arena. He earned his Chartered Financial Analyst designation in 1992. He has both "buy" and "sell" side experience working with institutional and individual clients. Kruyswyk began his career at L.F. Rothschild in 1983 and has worked at JP Morgan, Brinson Partners, Wachovia Securities and Deerfield Capital. He has extensive experience in equities, emerging markets, fixed income and options. He has had direct responsibility for managing billions of dollars of client assets.

For more information, or to arrange a meeting, contact Russ Kelley at 847.749.0426, email rkelley@royalinvestmentadvisors.com. Our offices are located at 3701 Algonquin Road, Suite 350, Rolling Meadows, IL, 60008.