

# **ALLBRIGHT FINANCIAL ADVISORS, INC.**

## **PART 2A OF FORM ADV**

### **THE BROCHURE**

March 2012

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This brochure provides information about the qualifications and business practices of Allbright Financial Advisors, Inc. ("AFA"). If you have any questions about the contents of this brochure, please contact Bill Allbright at 214-691-5900.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about AFA is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

AFA is registered with the SEC as a Registered Investment Adviser; however, this does not imply, reflect or assume any degree or particular level of expertise, skill or training.

## Material Changes

AFA's most recent update to Part 2 of Form ADV was made in March 2012. AFA's business activities have not materially changed since the date of the last filing, March 2011. In 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by AFA in prior to 2011.

This Item will discuss only specific material changes that are made to the Brochure and a summary of such changes. We will also reference the date of our last annual update of our brochure. We will provide clients with a new Brochure based on changes or new information, at any time, without charge.

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## Advisory Business

AFA has been in business of providing financial advisory and consulting services since March 16, 2000. Bill Allbright is the sole owner and sole investment adviser representative ("IAR") of AFA. AFA provides services to the following types of clients: individuals, trusts, estates, qualified retirement (pension, 401(k) and profit sharing) plans, charitable trusts and corporations or other business entities such as family limited partnerships. AFA files as a Registered Investment Advisor with the SEC due to the size of its assets under management. (This does not imply or assume any degree of a particular level of expertise.)

AFA's services are customized and unique to each specific client served by AFA. These types of services are based on a client's situation and needs. These services typically include one or more of the following:

- asset allocation analysis,
- investment asset implementation and management (including investment research and selection),
- investment performance monitoring and tracking,
- retirement cash flow planning,
- retirement financial decision consultation analysis (e.g. alternative pension pay-out selection, 401(k) rollover or investment mix/selection, stock option exercises, and the like),
- estate planning,
- education funding planning, and
- income tax planning.

Some of these services are defined as financial planning type services. Clients are free to impose restrictions on making investment recommendations such as avoidance of alcohol or tobacco investments.

AFA does provide qualified retirement plan consulting services to company management in their oversight responsibility for employee retirement plans. These include 401(k) plans and defined benefit plans. This service entails assistance with investment fund evaluation and selection for 401(k) plans and the on-going monitoring of these funds. For defined benefit plans this entails asset allocation analysis, liability management and performance monitoring.

The delivery of these services (and their related financial products and services) may occur through AFA's relationship with other parties described as follows:

*Products and Services offered through Raymond James Financial Services, Inc. ("RJFS"):*

AFA's IAR (Bill Allbright) is registered with RJFS, a Financial Industry Regulatory Authority ("FINRA") Broker/Dealer. RJFS is affiliated with Raymond James & Associates, Inc. ("RJA") (a NYSE member firm) Both RJFS and RJA are subsidiaries of Raymond James Financial (a NYSE listed firm - symbol: RJF). The majority of AFA's clients utilize the services, products, custodial and brokerage services of RJFS.

Asset Management Services ("AMS"):

Managed Money Platform -

**Raymond James Consulting Services ("RJCS"):** Certain clients may contract to access money manager services thorough RJCS a division of RJA. The use of RJCS provides for access to third party (unrelated) money managers that manage portfolios of individual stocks and/or bonds for clients on a sub-advisor basis. If utilized, the charges paid by a client will include an amount paid to AFA's IAR as a licensed securities representative of RJFS. This amount is disclosed in writing to a client before the hiring of a RJCS manager(s).

**Eagle Asset Management, Inc. ("Eagle"):** Eagle is a Registered Investment Adviser and wholly owned subsidiary of RJA. Eagle also manages portfolios of individual stocks and/or bonds for clients. If a client hires Eagle as a money manager, the charges paid by a client will include an

amount to be paid to AFA's IAR as a licensed securities representative of RJFS. This amount is disclosed in writing to a client before hiring Eagle as a manager.

**Freedom Program:** Freedom is a turnkey approach that provides a broad range of asset allocation models utilizing mutual funds and exchange traded funds. Mutual funds are recommended by the RJA Mutual Fund Research Department and the Due Diligence department of AMS. The program is fee based (e.g. fees are charged based on a percentage of the account value). The Freedom program has ongoing research coverage of the funds and annual rebalancing of the managed portfolios. There is a minimum investment of \$50,000 for this account.

Independent Fee Based Platform -

**Passport Accounts:** AFA provides a fee-based account (termed a "Passport" account) through RJFS. Asset based fees are charged on Passport account assets. This allows clients to be provided with ongoing investment advice, asset allocation services and monitoring of securities holdings. There is a minimum account size of \$25,000 for this service. AFA's IAR will manage the account, on a non-discretionary basis, according to the client's goals and objective. The client is provided with quarterly portfolio summaries and performance analyses. This type of account can be utilized to buy, sell or otherwise trade stocks, bonds, mutual funds (at net asset value), options and preferred stocks. Nominal transaction fees are charged on such account.

The structure and nature of the various accounts (RJCS, Eagle, Freedom and Passport) are considered to wrap fee type programs in that commissions are not charged. The client fee is paying for custody, trades, management expertise and reporting in a bundled format. In such instance, a portion of the wrap fee maybe received by Mr. Allbright in his function as a licensed registered representative of RJFS.

AFA is considered to manage client assets on a non-discretionary basis. As of December 31, 2011, AFA provided client asset management services on a total amount of \$298,773,771 in client assets for 89 clients.

### **Fees and Compensation**

Clients may engage the services of AFA to perform specific services for a client on a:

- (1) Per hour charge ranging from \$250 to \$450 per hour;
- (2) Fixed fee on a limited engagement basis; or
- (3) Percentage of assets monitored ranging from 0.50% to 2.00% per annum.

Fees are negotiable and are based on account size and the needs and desires of each client. Clients are billed:

- (1) On a monthly basis as time is incurred if a per hour engagement;
- (2) One-half the fixed fee, if a limited engagement, with the balance due at the conclusion of a specific engagement; or
- (3) On a quarterly basis if a percentage of assets method for monitoring or tracking client assets (see specifics below).

A client may terminate the services of AFA and receive a refund of any unearned fees paid at any time. If a refund request is made, AFA will stop working on the engagement and refund any monies

paid by the client, less an amount based on the work performed. Such amount to be deducted is based on per-hour charges ranging from \$250 - \$450 per hour, depending on the type of service provided.

If assets are monitored or tracked, the fee varies depending on the services to be rendered, the type and size of assets being monitored and the custody relationship utilized. The fee may be calculated by the custodian and billed to the client account provided the client provides written authorization permitting the fee to be paid directly from their account. In addition, the custodian must provide the client a statement, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid to the AFA's IAR. Otherwise, the fee is billed direct to the client. AFA does not, at any time, possess a power of attorney or other document giving AFA the right to obtain possession of or appropriate client funds or securities except for billing purposes.

For RJFS asset based accounts, fees are paid quarterly in advance based on the last business day value of the preceding quarter. For partial months in a quarter, fees are based on the number of days the account was opened during the quarter. Terminated accounts receive a refund of fees paid in advance based on the remaining number of days in the quarter. This refund is taken by the custodian, charged back to the AFA's IAR, and credited to the client.

For Passport accounts, nominal trade execution transaction charges are paid to RJFS. Equity trades are charged a \$30 charge (\$9.95 effective 4/2/12). Options, Bonds and Preferred Stocks are charged \$50 (\$30 effective 4/2/12). Mutual Fund trades have a \$30 charge; however some open-end mutual fund families have an agreement with Raymond James that allows for a No Transaction Fee ("NTF") purchase. For Mutual Funds that provide RJFS with a 12b-1 fee that fee is credited to the client account as a fee offset. Such Mutual Fund related fees are paid only when provided in the Mutual Fund's prospectus. As a licensed RJFS representative, AFA's IAR does not receive any part of these payments. For a list of fund companies that have agreed to participate in the NTF program, please contact AFA by phone at (214) 691-5900, or by sending a written request to AFA at its business address.

Mutual Funds may, from time to time, direct trades through RJFS as consideration for the broker/dealer processing Mutual Fund transactions for the client. In addition to the transaction charge, the client will incur a charge in the amount of \$4.95 per transaction for handling and postage charges. The client may also incur charges for other account services provided by RJA not directly related to the execution and clearing of transactions. These include: IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

The annual advisory fee for Passport accounts ranges from 0.50% to 1.75%. Fees are determined based on the size of the account and the nature of the services provided. Fees are paid quarterly in advance based on the last business day of the previous quarter. A full description of all fees and services is provided in the Passport Account Agreement executed by a client. This agreement is summarized as follows: When an account is opened, the asset-based fee is billed for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly asset-

based fee is paid in advance, is based on the account asset value on the last business day of the previous calendar quarter, and becomes due the following business day. Clients authorize and direct RJA as Custodian to deduct asset-based fees from their account. Client also authorize and direct the Custodian to send at least quarterly a statement that shows all amounts disbursed from their account, including fees paid to AFA's IAR. The client's brokerage statement will show the amount of the asset-based fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated.

The annual advisory fees charged in the Freedom or Passport programs are in addition to the management fees and operating expenses charged by open-end, closed-end and/or exchange-traded funds. If a client intends to hold fund shares for an extended period of time, it may be less expensive for the client to purchase fund shares outside of these programs. Clients may be able to purchase mutual funds directly from their respective fund families without incurring the Adviser's advisory fee.

Shares of certain mutual funds offered in these programs may impose short-term trading charges (typically 1%-2% of the amount originally invested) for redemptions made within a short period of time. These short-term charges are imposed by the mutual funds (and not RJFS or AFA) to deter "market timers" who trade actively in the fund's shares. These charges, operating expenses and management fees may increase the overall cost to the client by 1%-2% (or more) and are detailed in each fund's prospectus.

A client's total cost of each of the services provided through these programs could be different if purchased separately. Cost factors may include the client's ability to:

- Obtain the services provided within the programs separately from any of the mutual fund sponsors,
- Invest and rebalance the selected mutual funds without the payment of a transaction charge, and
- Obtain performance reporting comparable to those provided within each program.

When comparing costs, the combination of multiple mutual fund investments, advisory services, custodial and brokerage services available through each program may not be available separately. Clients may be required to have multiple accounts, sign numerous documents and incur various fees. If an account is not actively traded or the client qualifies for reduced sales charges, the fees in these programs may be more expensive than if utilized separately.

AFA's IAR may have a financial incentive to recommend a fee-based advisory program rather than having client's pay separately for investment advisory services, brokerage, performance reporting and other services. A portion of the annual fee charged in fee based programs is paid to AFA's IAR. This may be more than what would be received under an alternative program or if these services were paid for separately. AFA's IAR may have a financial incentive to recommend a particular account program over another. AFA's IAR does not receive a financial incentive to recommend and sell proprietary mutual funds versus non-proprietary funds. However, because compensation structures vary by product type, AFA's IAR may receive higher compensation for certain product

types. In addition, the AFA's IAR may receive incentive compensation for utilizing a particular account program.

AFA believes the charges and fees offered within each fee-based program are competitive and reasonable when compared to alternative programs available through other firms and/or investment sources. However, AFA makes no guarantee that the aggregate cost of a particular program is lower than that which may be available elsewhere.

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

AFA does not charge any performance based fees. AFA may have a conflict of interest in connection with the side-by-side management of accounts with different fee structures. Some of these conflicts are addressed above. AFA does, however, adhere to a policy of managing conflicts in an appropriate and fully disclosed manner. AFA places the client objectives and needs ahead of its own.

#### **Types of Clients**

AFA provides services to the following types of clients: individuals, trusts, estates, qualified retirement (pension, 401(k) and profit sharing) plans, charitable trusts and corporations or other business entities such as family limited partnerships. Certain minimum dollar amounts may be required for a client to participate in RJCS, Freedom or Passport accounts as described above but AFA does not set any specific minimum dollar amount for its clients. AFA does however, reserve the right to determine the nature and type of clients it chooses to work with.

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

AFA measures investors goals, risk tolerance and time horizon through an interview process and questionnaire. This effort is to determine investment strategies or plans that, in AFA's judgment, are best suited to fit the Client's needs. In providing its services and recommendations, AFA looks to the long-term unless the client's objectives are strictly short-term. After AFA evaluates the Client's financial needs, AFA will design investment and risk management strategies to help each Client achieve his or her financial goals.

If AFA provides specific investment strategies, this information may be based upon a number of concepts as determined by the type of investor. AFA's investment recommendations reflect certain principles and considerations. A client's collective investment accounts and assets are considered as a single integrated portfolio. Recommendations are typically made to diversify the portfolio across several asset classes. Tax efficiency is important but is not the sole consideration in developing a strategy. Close attention is paid to investment expenses and numerous other factors related to investment recommendation and selection.

Investment strategies may include long-term and short-term purchases depending upon the individual needs of the client. The concept of asset allocation, or spreading investments among a number of asset classes (domestic stocks, foreign stocks; large cap stocks, mid cap, small cap stocks; corporate bonds, municipal bonds, CDs and government securities), is a dominant strategy. Asset allocation seeks to achieve the most efficient diversification of assets, to lessen risk without sacrificing the effectiveness of the portfolio to satisfy the client's objectives. Since AFA believes that

risk reduction is a key element to long-term investment success, asset allocation principles are a key part of the firm's overall approach in preparing advice for Clients.

In general, AFA does not recommend individual company stocks or select funds focused on specific sectors unless diversification or economic factors merit them. AFA's recommendations provide exposure to these sectors through funds that invest in broad asset classes. AFA may recommend and implement a strategy of specific issue laddered bonds and CD's for the fixed income portion of a client's portfolio.

The major asset classes AFA commonly recommends are U.S. Large Capitalization Stocks, U.S. Mid Capitalization Stocks, U.S. Small Capitalization Stocks, Foreign Stocks, Alternative Asset Classes and Strategies, Short and Intermediate Fixed Income Securities, Cash and Cash Equivalents. Excluding retirement plan investment options, we generally recommend no-load mutual funds, or load fund purchased at net asset value through the RJCS Freedom or Passport platform and Exchange-Traded Funds (ETF's) that represent either an index or managed portfolio of individual securities diversified within the target asset class. When recommending a specific fund, some of our criteria are as follows: pure no-load funds, load-waived funds, expense ratio, performance, style, tenure, market capitalization, turnover ratio, tax efficiency, cyclical, periodic and since inception investment returns and risk.

Recommendations for or purchases of investments will be based on publicly available reports and analysis. In the case of mutual funds, recommendations will be based on reports and analysis of performance and managers. In the case of ETF's consideration will be made based on expense ratio, asset class, trading volume, and structure. In some instances, AFA will utilize certain computerized and other models for asset allocation. AFA also utilizes many sources of public information to include financial news and research materials.

Investing in securities involves risk of loss that clients should be prepared to bear. AFA does not guarantee performance or results.

AFA encourages the strategy of regular portfolio rebalancing. Periodic rebalancing is a disciplined way to, over time, sell (relatively) high and buy (relatively) low and maintain the overall portfolio's risk profile. AFA typically reviews and evaluates client portfolios no less than quarterly to determine asset allocation percentages and rebalancing needs. Depending on the client's individual circumstances and market conditions, AFA may undertake more frequent review and rebalancing.

### **Disciplinary Information**

In October of 2006 the Texas Securities Board determined that AFA had failed to properly register its IAR, Bill Allbright, in 2002 when investment advisors were required to transition file by electronic means disclosure of individual IARs. As a result of this oversight, AFA's IAR, Bill Allbright, was not appropriately registered from 2003 until 2006. This failure to file an appropriate disclosure document resulted in an agreed to non-financial (no fine) reprimand and censure against AFA in November 2006. This lapse was unintentional and due to an administrative error. Numerous State of Texas Investment Advisors did not electronically file the requisite form for their individual investment advisor representatives during this time frame and were likewise reprimanded.



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

AFA's sole IAR, Bill Allbright, is registered with RJFS, a FINRA Broker/Dealer that is in turn affiliated with RJA (a NYSE member firm) where a portion of client funds and securities may be held. Notwithstanding the fact that officers and individuals of AFA are registered with RJFS, AFA is solely responsible for any investment advice rendered.

AFA's IAR may, in their individual capacities as registered representatives of RJFS, refer clients to Eagle Asset Management, Inc. ("Eagle") or Asset Management Services - Raymond James Consulting Services ("RJCS") and receive commissions on securities transactions placed by Eagle or RJCS through RJFS. Eagle is a Registered Investment Adviser and wholly owned subsidiary of RJA. RJCS is a division of RJA.

AFA's IAR is licensed to sell insurance products through various insurance companies. This insurance business may be placed through Raymond James Insurance Group ("RJIG"), a wholly owned subsidiary of RJA. RJIG is an independent general insurance agency. Insurance commissions may be received by AFA's IAR through this and other insurance company relationships. This includes commissions received on variable insurance products required to be placed through RJIG.

### **Conflicts**

Due to the securities and insurance licenses held by AFA's IAR, a conflict exists. A client may be encouraged to utilize services and or products only available through such securities and or insurance relationships. AFA's IAR may implement the investment decisions of a client and execute the corresponding transactions. In such capacity, as a licensed securities and/or insurance agent, AFA's IAR may participate in and receive commissions or fees on the investments in which a client invests. They may also receive other commissions, considerations and fees from sponsors of investments in which Client invests if allowed and appropriate under existing laws and regulations. In the event AFA's IAR is acting in the capacity as a registered representative any fees or commissions will be disclosed as required by federal and state securities laws. AFA may have a CONFLICT OF INTEREST in preparing any recommendations to the extent that some of the alternatives presented for a client's consideration concern securities or insurance of which AFA's IAR may receive commissions or other compensation if such items are purchased by a client.

**Cash Rule Conflict:** If a client's cash in the Passport program exceed 20% of the total market value of the account at the time of billing, this cash amount will be included for fee purposes only if the account did not exceed 20% in cash at the end of the previous quarter. Otherwise the balance in excess of 20% will not be included in the value of Client's account for fee purposes. This fee billing provision is designed to equitably assess advisory fees to client assets for which an ongoing advisory service is being provided. This exclusion of excess cash from the advisory fee will benefit clients holding substantial cash balances (as a percentage of the total individual account value) for an extended period of time. However, this provision may pose a financial disincentive to a financial advisor, as the portion of cash or money market investments will not be included in the asset-based fee charged to the account. This may cause a financial advisor to reallocate a client account from

cash or money market investments to advisory fee eligible investments to avoid the application of this provision so that a fee is received on the full asset value in a client's account(s).

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

Restrictions are placed on related persons for buying and selling securities that are being recommended to clients through procedures in force with RJFS. Clients are always given priority in the execution of any such transactions. AFA shall at all times be in total compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. AFA has adopted a firm wide policy concerning compliance with such Act. This policy makes each associated person of Adviser and Adviser's employees aware of the provisions of the Act.

In September 2004 AFA adopted a detailed Compliance Procedure Manual that includes a detailed Code of Ethics applicable to Adviser's business. AFA's adopted Code of Ethics is designed to prohibit potential conflicts of interest and includes the following general principles:

1. No employee or officer of AFA shall, in connection with the purchase or sale of securities, directly or indirectly:
  - a. Employ any device, scheme or artifice to defraud;
  - b. Make any untrue statement of a material fact or omit to state a material fact;
  - c. Engage in any act, practice, or course of business which would operate as a fraud or deceit; or
  - d. Engage in any manipulative practice;
2. The interests of clients are paramount and all employees or officers of AFA must conduct themselves in such a manner that the interests of clients take precedence over all others;
3. All personal securities transactions by employees or officers of AFA must be accomplished in such a way as to avoid any conflict between the interest of the clients and the interest of any employee or officer of AFA; and
4. All employees or officers of AFA must avoid actions or activities that allow personal benefit or profit from their position with regard to clients.

A copy of AFA's Code of Ethics will be provided to a client at no cost on request.

### **Brokerage Practices**

By virtue of AFA's related person relationship to RJFS, AFA clients may (but are not required to) utilize the services of RJFS by establishing an account with RJFS and clearing securities transactions through RJA. Not all advisers require clients to use a specific brokerage firm but AFA utilizes the services of RJFS for the following reasons: (1) as a matter of client convenience, (2) because RJFS's costs are competitive and reasonable under the circumstances, and (3) AFA clients can benefit from certain investment buying power relationships RJFS has in place (e.g. lower minimums, no-transaction fee mutual funds, omnibus account capability, etc.) Commissions are reasonable in view of other full-service brokerage firms. Commissions are disclosed to the client and are subject to negotiation. Research and support is provided to AFA from RJFS and its affiliates. AFA does not receive any soft-dollar benefits from the use of RJFS, its affiliates or any other brokerage firm. AFA can aggregate client trades in a block trading format however due to the customization of client portfolios by client it is rarely used, if at all. Clients do benefit from the capability AFA's IAR have with regard to open order and limit order purchasing and selling of certain listed securities.

**Review of Accounts**

Client accounts are reviewed at least quarterly with reports/recommendations being provided to clients. Information is based on client monthly statements, information provided by manager(s) and performance analysis prepared by AFA or one of its service providers.

Clients will receive monthly statements from custodian/brokerage firms and will be provided with quarterly performance and asset allocation analysis from AFA, if these services are utilized. Other reports may be provided based on client request or need, based on the agreement with the client.

**Client Referrals and Other Compensation**

AFA does not directly or indirectly compensate any person for client referrals.

**Custody**

All clients' accounts are held in custody at either RJFS or with unaffiliated broker/dealers or banks. AFA may be allowed to debit advisory fees from such accounts. For this reason AFA is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Most account statements from the custodian are provided to clients on a monthly basis. Clients should carefully review these statements, and should compare these statements to any account information, performance or quarterly reports provided by AFA to its client.

**Investment Discretion**

AFA does not have authority to determine, without specific client consent, the securities to be bought or sold in a client account. Any securities restriction or limitations which might be placed on AFA by a client are "client specific" and, to the extent that they exist, are detailed at the opening of the client's account.

**Voting Client Securities**

As a matter of firm policy and practice, AFA does not have any authority to and does not vote proxies on behalf of its clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios. AFA may provide advice to clients regarding the clients' voting of proxies, if requested.

**Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about AFA's financial condition. AFA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.