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## **Allegiance Financial Advisors Inc.**

12108 East Paradise Drive  
Scottsdale, Arizona 85259  
(480) 443-1837

### **FORM ADV, Parts 2A and 2B Investment Adviser Brochure And Brochure Supplement**

Date of Issue: March 8, 2012

*This brochure provides information about the qualifications and business practices of Allegiance Financial Advisors Inc. If you have any questions about the contents of this brochure, please contact us by phone at (480) 443-1837 or by e-mail at [tom.jeffries@cox.net](mailto:tom.jeffries@cox.net). 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 Allegiance Financial Advisors Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

#### **Material Changes:**

In section 2.A., Investment Supervisory Fees, we have eliminated the requirement for a minimum quarterly fee for new clients.

In section 4, Types of Clients, we have reduced the minimum amount of assets that we generally expect new clients to place under our supervision to \$500,000.

There have been no other significant changes to our business practices since our brochure was last revised on March 1, 2011.

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**Item 1: Description of Our Advisory Business**

Allegiance Financial Advisors Inc. is an Arizona corporation. The corporation was founded August 14, 1994. The principal owners of the corporation are Otto T. (Tom) Jeffries and Mary E. Jeffries.

We manage investment portfolios for our clients. As of December 31, 2011, we manage \$44,500,000 of client assets on a discretionary basis. We do not accept non-discretionary accounts.

- We assist clients to establish an Investment Policy that is appropriate for their personal circumstances.
- Clients sign a Limited Power of Attorney that permits us to buy and sell securities in their various brokerage accounts.
- We buy and sell securities at our discretion so as to manage the client portfolios within the asset allocation targets and other constraints specified in the client's Investment Policy.
- We construct and manage portfolios of individual stocks and bonds. We purchase some mutual funds and exchange-traded funds (ETF's), primarily for non-US equity and emerging market allocations. Bond mutual funds are also used in situations where liquidity is required or a diversified individual bond portfolio is impractical.
- We occasionally use option contracts and futures contracts to implement particular strategies or asset exposures for certain clients.

In addition to investment matters, we also advise clients regarding Financial Planning topics that may be appropriate to their circumstances (e.g. income taxes, life insurance needs, retirement, and estate planning).

**Item 2: Fees and Compensation****2.A. Investment Supervisory Fees**

Investment supervisory fees are based on a percentage of the client's investment assets and are not negotiable. Investment supervisory fees are billed quarterly following the end of each calendar quarter for the period just ended. The quarterly fees are calculated as the sum of the following:

- 0.25% of the first \$500,000
- 0.20% of any amount between \$500,000 and \$1,000,000
- 0.15% of any amount between \$1,000,000 and \$2,000,000
- 0.10% of any amount above \$2,000,000

Fees are deducted from client accounts and transferred to Allegiance. Clients receive an invoice showing the calculation of the fees and the amount deducted from their brokerage account. In certain circumstances (e.g. qualified retirement plans where the fees are paid by the employer) the fee is not deducted from the client account.

**2.B. Other Fees**

We charge new clients an initial planning fee and, rarely, we undertake a special project for a client. Fees for such work are based on hourly rates or a fixed amount for the specific task assignment. Such fees are negotiable and determined considering the complexity of the work and the time required. Fees for special projects are paid upon completion of the work. Allegiance Financial Advisors Inc.'s hourly rates for professional services range from \$120 to \$300 per hour.

**2.C. Written Contract**

Each client relationship is undertaken with a written contract. The fee arrangement is specified in each individual contract. Contracts may be terminated without penalty, at any time, by either party, by written notice.

**2.D. No Other Compensation**

We accept no compensation, or benefits of any kind, from brokers, mutual fund companies, or other financial services companies. The fees paid by our clients are our only source of income.

**2.E. Other Client Expenses**

Clients will incur other expenses associated with the management of their investments, in addition to the fees paid to Allegiance. The brokerage firms having custody of the client's assets charge transaction fees (or a mark-up) for the purchase and sale of securities. Mutual fund companies charge fees and expenses for the management of the fund to the fund shareholders. Please refer to Item 9, Brokerage Practices in this brochure for additional information on this subject.

**Item 3: Performance-based Fees**

Performance-based fees provide for the investment advisor to receive a share of the investment gains of the client as part of the advisor's compensation. We do not accept performance-based fees.

**Item 4: Types of Clients**

We provide services to individuals, their related family trusts, and small business retirement plans. New clients will generally be expected to place a minimum of \$500,000 under our management.

**Item 5: Methods of Analysis, Investment Strategies, and Risk of Loss****5.A. Methods of Analysis**

We evaluate securities using traditional, fundamental valuation techniques. We select securities that we judge to be attractive on a risk-adjusted basis, while considering the diversification constraints of the overall portfolio.

**5.B. Investment Strategy**

We seek returns commensurate with long-term investment in a diversified portfolio of equity and income securities. We attempt to structure each portfolio so as to obtain the highest level of expected return for the client's chosen level of expected risk, given our capital market expectations. Short-term trading profits are not normally pursued.

**5.C. Risk of Loss**

Clients are exposed to all risks relating to investment in securities including but not limited to stock market risk, bond market risk, inflation risk, and

manager risk. Stock market risk and bond market risk refer to the possibility that securities prices may decline over short or even extended periods of time. These declines can be large. Securities prices are affected by the health of the global economy and the health of our US economy. The prices of securities issued by individual companies are also affected by the performance of their management, employees, suppliers, competitors, and customers. Companies, and even countries, can fail, defaulting on their bonds and wiping out the value of their stocks. Manager risk refers to the possibility that an investment advisor may fail to execute the relevant investment strategy effectively.

A well-diversified portfolio can mitigate, but not eliminate, these risks. The riskiness of a portfolio depends on the portfolio structure, which is selected by the client according to their risk tolerance.

## **Item 6: Disciplinary Information**

### **6.A. Criminal or Civil Court Proceedings**

Neither Allegiance Financial Advisors Inc., nor any related persons, has ever been the subject of any court proceedings, other than minor traffic violations.

### **6.B. SEC or Other Regulatory Authority Administrative Proceedings**

Neither Allegiance Financial Advisors Inc., nor any related persons, has ever been the subject of any regulatory authority proceedings, other than routine examinations which were concluded without significant issues.

### **6.C. Self-regulatory Organization (SRO) Proceedings**

Neither Allegiance Financial Advisors Inc., nor any related persons, has ever been the subject of any SRO proceedings.

## **Item 7: Other Financial Industry Activities and Associations**

We have no relationships with other financial industry participants that are material, either to our advisory business or to our clients.

**Item 8: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading****8.A. Code of Ethics**

Allegiance Financial Advisors Inc. and any related persons will at all times comply with the Code of Ethics and Standards of Professional Conduct established by the CFA Institute. Compliance requires that one:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity of and uphold the rules governing capital markets.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

An electronic copy of the entire Standards of Practice Handbook, published by the CFA Institute will be provided on request.

**8.B. Personal Trading**

We implement the same fundamental strategy in our personal portfolios that we recommend to clients. Accordingly, most of the securities held in client accounts are also held in our personal portfolios. Conversely, most of the securities held in our personal portfolios are also held in client accounts.

When buy or sell transactions are processed for the same security for more than one account, the transactions for our personal accounts are always

processed last. Thus, the market moving effect of our transactions negatively affects our personal accounts most and client accounts least.

Cross trades are never executed between clients and the owners or employees of Allegiance.

## **Item 9: Brokerage Practices**

### **9.A. Broker Dealer Relationships**

In all activities with custodians or broker dealers, Allegiance acts exclusively for the clients. We may recommend a custodian or broker dealer to clients, but only where the overall balance of services, costs and execution are reasonable and competitive for the clients. We may execute bond trades away from the client's primary broker to obtain better pricing or different security offerings.

- Allegiance does not seek and will not accept soft dollar compensation from broker dealers or other entities.
- Allegiance does not seek client referrals from broker dealers.
- Allegiance does not participate in discount product or services purchase arrangements sponsored by broker dealers.
- All owners and employees of Allegiance are prohibited from seeking or accepting gifts, or preferential treatment of any kind, from companies who provide services to our clients.

### **9.B. Aggregation of Trades (Block Trades)**

Orders to purchase or sell securities are placed on individual client accounts. Block trades are not used for stock purchases or sales.

When the same security is to be purchased or sold for more than one client account on the same day, and the prices obtained may vary (e.g. exchange traded stocks), random numbers are assigned to the client accounts to determine the order in which transactions will be entered. Transactions for owners and employees of Allegiance are always entered after all client orders have been entered.

We do not believe that entering block trades for exchange traded securities would be advantageous for our clients.

Block trades are occasionally used for the purchase of fixed income securities. On these occasions the securities will be allocated to each



applicable client account at the same average price. If less than the desired quantity (partial fill) is obtained on a given day, a common sense allocation to client accounts is performed. If any of our personal accounts are involved, they will receive a zero allocation unless all client accounts have received 100% of their desired quantity.

## **Item 10: Review of Accounts**

### **10.A. Internal Reviews**

The President of our firm formally reviews all client accounts at the end of each calendar quarter in advance of reporting to clients. Accounts are reviewed weekly to monitor client deposits and withdrawals, bond maturities, dividends and interest received, performance of individual stocks, and asset allocation vs. targets. Additional reviews are performed prior to the purchase of a new security or the sale of a current holding.

### **10.B. Client Reviews**

Our standard practice is to meet in person with each client at least once each year. In some cases the meeting is held via telephone. In some cases the client chooses to decline the meeting.

The annual review addresses changes to the client's personal and financial situation, historical performance of the portfolio that we manage for the client, our capital market expectations, and alternative risk and return expectations for the portfolio going forward. Other topics may be discussed depending on the needs or desire of the client (e.g. retirement planning, education funding, life insurance needs, and estate planning actions).

### **10.C. Client Reporting**

We send written reports to clients after the end of each calendar quarter.

The report includes:

- the overall performance of the portfolio;
- the performance of each asset class in the portfolio compared to the benchmark for that asset class;
- the allocation of the portfolio among asset classes compared to the targets specified in the client's Investment Policy;
- a brief commentary on the current investment environment;
- an invoice for services performed during the past quarter.

**Item 11: Client Referrals and Other Compensation**

We do not provide compensation to anyone for client referrals.

We do not receive compensation from anyone other than our clients.

**Item 12: Custody**

We do not have custody of client funds or securities.

Client assets are held in brokerage accounts, or other investment accounts, registered to the clients. Clients provide a Limited Power of Attorney that authorizes us to buy and sell securities in the accounts and see any information about the account that we may need to supervise and manage the account. Clients also authorize us to have our fees deducted from their accounts and transferred to us.

We do not provide account statements to clients. Clients receive account statements directly from the brokerage firm, or other custodian, holding their assets. Clients should carefully review those statements.

**Item 13: Investment Discretion**

All clients give us the authority to buy and sell securities in their accounts without discussing individual transactions with them.

Clients may place limits on our actions by specifying such limits in their Investment Policy. Typically, the client's investment policy specifies the percentage of the portfolio that may be allocated to each asset class. For example, the target range for bond investments may be 45% to 55% of the portfolio. Occasionally, clients specify that we not sell a particular stock holding, or that we not buy a particular industry segment (e.g. tobacco stocks).

Beyond the constraints specified in the Investment Policy, clients may instruct us from time to time to purchase a particular stock that we would not otherwise purchase, or to sell a stock that we would prefer to hold.

**Item 14: Voting Client Securities**

We do not have authority to vote client securities. Proxy material or other solicitations are sent to the clients directly from the brokerage firm, or firms,

holding their accounts. Clients may contact us at any time, by telephone or e-mail, if they have questions about their securities holdings.

**Item 15: Financial Information**

There is no financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

**Item 16: Requirements for State-registered Advisers****16.A. Principal Executive Officers and Management Persons**

Otto Thomas Jeffries, Chief Investment Officer and President

Year of Birth: 1945

Education:

- St. John's University, Collegeville, Minnesota, Bachelor of Arts, 1967
- University of Minnesota, Minneapolis, Minnesota, Graduate studies in business, finance, and economics, 1968—1970
- CERTIFIED FINANCIAL PLANNER™ designation awarded April 24, 1995

CERTIFIED FINANCIAL PLANNER™ or CFP® is a professional designation granted by Certified Financial Planner Board of Standards, Inc.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

Complete an advanced college-level course of study addressing the financial planning subject areas as determined by the CFP Board, and attain a Bachelor's Degree from a regionally accredited United States college or university;

Pass the comprehensive CFP® Certification Examination. The examination is administered in 10 hours over a two-day period.

Complete at least three years of full-time financial planning-related experience, and agree to be bound by CFP Board's Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

- Chartered Financial Analyst designation awarded September 14, 2001

Chartered Financial Analyst or CFA is a professional designation granted by the CFA Institute.

To earn the CFA designation, one must have four years of qualified investment work experience, become a member of the CFA Institute, pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct on an annual basis, apply for membership to a local CFA member society, and complete the CFA Program.

The CFA Program is organized into three levels of graduate-level study on various investment management topics, each level culminating in a six-hour exam. Completing the Program takes most candidates between two and five years.

Business Background:

- President, Allegiance Financial Advisors Inc., August 1994 to the present

## Brochure Supplement

*This brochure supplement provides information about the Advisory Personnel of Allegiance Financial Advisors Inc. Please contact Tom Jeffries if you have any questions about the contents of this supplement.*

*Additional information about Otto T. Jeffries and Michael J. Konen is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

### Item 1: Advisory Personnel

Otto T. (Tom) Jeffries is an Investment Advisor Representative employed by Allegiance Financial Advisors Inc. Tom may be reached by phone at (480) 443-1837 or by e-mail at [tom.jeffries@cox.net](mailto:tom.jeffries@cox.net)

Michael J. (Mike) Konen is an Investment Advisor Representative employed by Allegiance Financial Advisors Inc. Mike may be reached by phone at (602) 758-4233 or by e-mail at [mkonen@cox.net](mailto:mkonen@cox.net)

### Item 2: Educational Background and Business Experience

#### Mr. Jeffries

Refer to Item 16.A. Principal Executive Officers and Management Persons on page 11 of the brochure.

#### Mr. Konen

Year of Birth: 1956

Education:

- University of Illinois, Champaign, IL, Bachelor of Science, Chemical Engineering, 1978
- Oklahoma State University, Stillwater, OK, Masters, Business Administration, 1987

Prior to joining Allegiance, Mr. Konen was an executive with Different by Design, Inc. providing high end cabinets and furniture to the commercial and residential industry. Since 1991, he has served on the Board of Directors of Desert Schools Federal Credit Union (DSFCU), a \$2.9 billion credit union headquartered in Phoenix, Arizona. In addition he serves (since 2001) on the Board of

Managers of a subsidiary, Desert Schools Financial Services, which provides various financial services to the members of DSFCU. Mr. Konen continues to serve on these Boards.

**Item 3: Disciplinary Information for Mr. Jeffries and Mr. Konen**

There are no legal or disciplinary events to disclose.

**Item 4: Other Business Activities for Mr. Jeffries and Mr. Konen**

There are no other business activities to disclose.

**Item 5: Additional Compensation for Mr. Jeffries and Mr. Konen**

There is no additional compensation to disclose.

**Item 6: Supervision of Advisory Personnel**

Mr. Jeffries is the owner of Allegiance Financial Advisors and supervises himself.

Mr. Konen is supervised by the Chief Compliance Officer of Allegiance Financial Advisors who is Otto T. Jeffries.

**Item 7: Requirement for State-registered Advisors – Mr. Jeffries and Mr. Konen**

There are no additional legal or disciplinary events to disclose.