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Item 1 – Cover Page



July 31st, 2011

Wilbanks Securities Advisory

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In accordance with Securities and Exchange Commission (SEC) Rule 204-3, this Brochure provides information about the qualifications and business practices of Wilbanks Securities Advisory, the “ADVISER”. If you have any questions about the contents of this Brochure, please contact us at 405-842-0202 Ext. 2 and/or at the email address of [Steve.Sharpe@wilsec.com](mailto:Steve.Sharpe@wilsec.com). Currently, our Brochure may be requested free of charge by contacting Steve Sharpe, Compliance Officer, at 405-842-0202 Ext. or request it by e-mail at his e-mail address above. Our Brochure is also available on our web site [www.wilsec.com](http://www.wilsec.com) also free of charge.

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.

Wilbanks Securities Advisory is a registered investment adviser, “Adviser”. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. Additional information about Wilbanks Securities Advisory also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 2 – Material Changes

The following are the material changes made to our Brochure since our last annual update dated May 24<sup>th</sup>, 2010, and this section discusses only these material changes.

1. The Securities Exchange Commission (SEC) required forms and formats pertaining to all Registered Investment Advisory (RIA) firms have changed. New language on some disclosures have been added, i.e. more personal disclosures and disciplinary action history is now required as well as expanded conflicts of interest language.
2. Annual notices to clients offering, free of charge, updated firm and representative disclosure brochures must include a summary of material changes and/or amendments.
3. Representatives of the firm that have client contact and provide investment advisory services for a fee or exercise discretionary authority over client's investment accounts are fiduciaries by SEC Rules and must now file and provide to clients a Supplemental Brochures for biographical, experience and credential disclosures, regulatory disciplinary histories, conflicts of interest and other firm and personal information.
4. The firm now allows representatives to charge fees in lieu of commissions in implementing and servicing pension plans, i.e. 401-K, profit sharing and other company sponsored retirement investment programs. Representatives performing such services are required to provide clients with their own supplemental brochure disclosure document to inform prospective and current clients with information regarding the services the representative will perform, the fees that they will charge, any conflicts of interest that exist as well as any required personal disclosures and other information. The firm has developed a fee agreement unique to the pension plans market that allows for specific disclosure of the fees representatives of WSA will charge. Finally, representatives must also provide a Department of Labor (DOL) disclosure, which may be contained in the representative's supplemental brochure disclosure document.
5. Some money management firms formerly utilized by the firm are no longer being used for client investment management.
6. The firm no longer allows representatives to charge fees based on performance or the net worth of the client as WSA has never billed such fees.
7. Fees for specialized services, covered in detail below, are now allowed to be charged in advance (but not by more than three months) or fees can be assessed after services are performed.
8. WSA no longer permits soft-dollar benefits to be received by the firm or by its representatives from custodial trading platform companies for trading volume.

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9. WSA does not allow any payment, directly or indirectly, for client referrals.
  10. Any direct or indirect vendor support or benefits received by representatives of WSA must be paid and processed through WSA and not from the vendor directly. Any such vendor support, as well as any due diligence trips to research a vendor, must be preapproved by WSA. Any conflicts of interest due to such vendor support must be disclosed in the Supplemental Brochure that WSA files for its representatives. The Brochure Supplements must be given to all prospective and current clients and then offered annually to WSA's clients.
  11. All Financial Plans must be preapproved by WSA regardless of whether a fee is charged or not.
  12. Any "Wrap-Fee" program offered to prospective and current clients of WSA must be accompanied with WSA's "Wrap-Fee Brochure" disclosure document, which is separate from this brochure disclosure.

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## **Item 4 – Advisory Business**

The Advisory business of the firm is as follows:

### **A. The Advisory Firm**

Wilbanks Securities Advisory, (WSA), also referred to as “WSA”, is owned by Aaron Wilbanks and Randall Wilbanks and has been providing advisory services for a fee since August 1996. A Fee based service program is any program under which a specified fee or fees not based directly upon transactions in a client’s account is charged for investment advisory services (which may include fees for financial plans and other specialized services, fees for portfolio management or fees for advice concerning the selection of other investment advisors, and fees for the execution of client transactions. Fees represent the overwhelming majority or all of the representative’s compensation through WSA as opposed to commissions.

### **B. Types of Investment Advisory Services Offered**

WSA, through its representatives, offers primarily financial planning and investment management to the public.

Representatives often provide advice to their clients through a written financial plan that includes analysis of client investment risks, investment time horizons, investment and personal goals and other factors pertaining to clients. Financial Plan recommendations, based on the client's goals and needs, are developed using data collected from the client. Financial Planning software tools may be utilized by the representative to develop client financial plans. Using this software, or risk analysis forms and other industry forms approved by WSA, the representative then assuages the needs and goals expressed by the client and places this in writing and into monetary terms. Fees may be charged for these plans, such fees will be in writing per a written fee agreement, and are based on the schedule included under Item 5 below.

Our overall investment strategy for individuals and families is a long-term financial plan balanced for safety, income, growth, risk and taxes. The objective is to help the client reach his/her financial goals. Short-term trading, short sales, Option Writing and spreads are not normally included in our strategy. These would be done only on a limited, case-by-case basis and then only by representatives with specialized skill and experience in such areas of investing. Specialized services for researching, recommending and/or tracking no-load mutual funds (except money market funds) may be provided by representatives of the firm for a flat fee. Other specialized services, i.e. brokering the sale of a business, business valuation, estate and tax planning services, securities analysis and investment research and guidance, and insurance planning and advice services may be performed.

Associated persons of WSA may recommend their clients seek legal counsel for the purpose of recommending a living trust or other legal work that may be needed in the estate planning or tax planning process. A Certified Public Accountant may also be recommended. A proper estate or

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tax plan is an integral part of the financial plan. Representatives of WSA may also provide real estate advice, mortgage planning and recommend one or more mortgage brokers to their clients as part of their financial planning service as well as advise client's in other areas.

The Advisor also provides money management services for a fee. Investment management represents the majority of WSA's business. Based on the client's financial plan and/or risk analysis, needs and goals assessment, Representatives of WSA develop, recommend and implement client investment portfolios and manage these investments over time per a fee agreement signed by the client. Different representatives may emphasize different investment disciplines. These investment styles and money management programs are described in item 8(e) in this brochure.

#### C. Client Investment Restrictions

Clients may elect to provide their representative with investment restrictions preventing a representative of WSA from purchasing certain types of securities on his or her behalf. Such client restrictions should be in writing and included in the fee-agreement.

#### D. Wrap-Fee Programs and Portfolio Management Services

Representatives of the Advisor may utilize investment management services offered to clients as part of a "Wrap-Fee Program" by which the client securities transactions are included and "wrapped" into the fee. Representatives of WSA do not manage money any differently under Wrap-Fee Programs than they do for non-wrap accounts. The only difference is whether the representative or the client pays for the client transaction charge. Any "Wrap-Fee" program offered to prospective or current clients of WSA must be accompanied with WSA's "Wrap-Fee Brochure" disclosure document, which is separate from this brochure disclosure.

#### E. Investment Assets Managed by WSA

As of Dec. 31<sup>st</sup>, 2010, WSA managed \$60,000,000 on a discretionary basis and \$47,000,000 on a nondiscretionary basis.

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## Item 5 – Fees and Compensation

### A. Fees for Financial Plans and Research:

**Fees for financial plans, product research and other specialized services are charged at an hourly rate of \$25 to \$300 (depending on the experience and credentials of the associated person providing the service); or 2) a negotiated flat fee; or 3) a combination of the above.**

Fees may be paid prior to or upon completion of the plan, as agreed but may not be paid more than 3 months in advance. If not paid in advance, fees in all cases are payable after the review is completed. Each associated person can waive the fees based on a case-by-case judgment of other compensation that may be received. The client may terminate the agreement with a thirty (30) day written notice; the client is obligated only for time actually expended on his behalf. A pro-rated refund will be made for fees paid in advance.

Compensation is also received, if the plan is implemented, by commissions received from life insurance companies or affiliated broker-dealer, Wilbanks Securities, Inc. Commissions earned may be credited to off-set fees that would otherwise be charged based on the fee agreement. Refunds, charge-backs and terminations are done on a basis of earned commission for actual premiums paid on product commissions paid by Wilbanks Securities, Inc. Commissions are only paid on earned business when they are received from various mutual funds, limited partnerships, real estate investment trusts, insurance companies, clearing broker/dealers and other vendors.

### B. Advisory Money Management Fees

WSA's fees for money management services are described in this section.

An annual fee (billed quarterly in advance or arrears) with the fee being based upon the dollar amount of assets under management is charged, unless stated differently in the client's fee agreement, with the following fee schedule for all product management programs:

The fee schedule applicable as of this Brochure is as follows:

Client Assets	Annual Fee (%) for all assets
On the first \$500,000	2.99%
Over \$500,000	2.50%
Over \$1,000,000	2.00%
Over \$2,000,000	Negotiable

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Representatives of the firm may charge lower fees than the above schedule based on the agreement with the client but never more. All fees are subject to negotiation, with some third-party money management firm exceptions. Third-party money management firms may be utilized in a representative's investment selection for clients. Such programs are approved by but not affiliated with WSA. Therefore, WSA can use internal or outside services to determine the asset allocation decisions. Associated persons represent WSA in presenting information to prospective clients relative to WSA's asset allocation service and solicit business for WSA. Up to 95% of the fees can be paid by WSA to the associated person for these services according to WSA's contract.

The firm now allows representatives to charge fees in lieu of commissions in implementing and servicing pension plans, i.e. 401-K, profit sharing and other company sponsored retirement investment programs. Representatives performing such services are required to provide clients with their own supplemental brochure disclosure document to inform prospective and current clients with information regarding the services the representative will perform, the specific fees that they will charge, any conflicts of interest that exist as well as any required personal disclosures and other information. The firm has developed a fee agreement unique to the pension plans market that allows for specific disclosure of the fees representatives of WSA will charge. Finally, representatives must also provide a Department of Labor (DOL) disclosure that describes all fees and costs plan sponsors will absorb in the retirement program, including third-party administration and reporting fees. This DOL disclosure may be contained in the representative's supplemental brochure disclosure document, which is required to be given to all prospective and current clients of WSA.

The specific manner in which fees are charged by WSA is established in a client's written agreement with WSA.

Unless the client account is part of a Wrap-Fee program, trades will also be charged of up to \$50 per stock, bond, mutual fund or Exchange Traded Fund (ETFs) transaction plus exchange fees if applicable. Generally, in fee-based accounts, trades are assessed to clients at cost, which is usually \$21 per trade or less plus a \$3 per transaction confirm fee. If an extraordinary amount of work is involved, the firm would allow the representative to assess trade charges up to the \$50 per trade plus cost maximum in fee-based accounts. In this case, the representative would receive a small commission in addition to any fees paid by clients. Unless part of a Wrap-Fee Program, WSA will pass all trade costs on to the client's account(s).

The Advisor will generally bill its fees on a quarterly basis. Clients may elect to be billed in advance or arrears each calendar quarter in this fee agreement. Clients may also elect to be billed directly for fees or to authorize WSA to directly debit fees from client accounts through its various account custodians. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis

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contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Additionally, as custodial investment platforms charge account closing fees, a termination fee based on WSA's cost to close the client's account will also be assessed. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

The advisor or Client(s) may terminate the contract at any time by providing a notice of termination through U.S. mail to the address listed on the contract or on ADV part II. The contract will be considered terminated at the close of business on the second business day following the day of WSA's receipt of notice.

WSA's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses. Trade costs shall be incurred by the client unless part of a "Wrap-fee" investment program. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to WSA's fee. ,

Wilbanks Securities Inc., an affiliated broker-dealer, effects securities transactions to implement financial planning recommendations made by the associated person of WSA when requested to do so by the client. A conflict exists between the interests of the investment adviser or associated person and the interests of the client because, as registered representatives of the broker-dealer, Wilbanks Securities, Inc., associated persons may receive commissions or other compensation for these securities transactions or for the sale of insurance or other products or services recommended in the plan. The receipt or potential to receive such compensation may affect the judgment of WSA and/or associated person in selecting products recommended due to commissions potentially received rather than being based on client's needs.

WSA monitors the recommendations in financial plans as well as the investments made in fee-based accounts by representatives and does not allow the earning of commissions on the same product sale where a fee will also be charged with some exceptions for 12b-1 trail commissions and certain securities trades. WSA reviews mutual fund investments in fee-based accounts that pay 12b-1 trail commissions for fund expenses clients will pay, fund performance history versus that of available no-load funds that do not pay 12b-1 commissions, the amount of the fee charged to the client by the representative, and other factors to determine the reasonableness of the representative placing client's assets in funds paying trail commissions while also charging a fee. WSA encourages representatives to offset and reduce client fees with any 12b-1 trail commissions earned on mutual funds in client fee-based accounts.

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In ERISA tax-qualified client investment accounts, fees must be reduced by 12b-1 trail commissions paid to WSA's broker-dealer affiliate, Wilbanks Securities, Inc., by law.

Though commissions may be charged in addition to fees paid by client, they are incidental to these fees and represent a very small part of the compensation to WSA's broker-dealer affiliate and to the representative as a general rule. In practice, advisory fees are most often reduced by WSA based on any ongoing 12b-1 trail commissions. There are very good reasons for any exceptions based on firm experience. Additionally, trades for client transactions in fee-based accounts executed through the affiliated Broker-Dealer of the Advisor, Wilbanks Securities, Inc., are usually reduced to the actual cost of the trade and therefore, generally no commission is paid to the broker-dealer or to the representative.

**THE FIRM OFFERS AND ENCOURAGES REPRESENTATIVES TO UTILIZE NO-LOAD MUTUAL FUNDS IN RECOMMENDATIONS MADE TO CLIENTS AND WHEN SELECTING FUNDS INTO WHICH THEY WILL PLACE CLIENT ASSETS ON FEE-BASED ACCOUNTS.**

Conflicts of interest also may exist in situations where representatives of the firm receive seminar and marketing expense payments, due diligence trips and other forms of support from product vendors. Such indirect compensation has the potential to taint the advice and investment selection of representatives. However, the firm has provided representatives with methodical training in using analytical software tools to objectively appraise product performance in most areas. The firm itself provides due diligence and product education to its representatives in some product areas. And, industry rules, as well as the firm's procedures, require any support received by representatives from product vendors be paid through WSA, which can then determine whether the representative has been impacted by the vendor support. Finally, any due diligence trip or other trip paid for the representative by a product vendor must be pre-approved by WSA in writing, with specific reasons provided as to the need for the trip, i.e. product education and training. Such education is needed and vital for representatives to understand and appraise certain investment products and programs.

By SEC Rule, all representatives charging fees are required to disclose any and all conflicts of interest in their Supplemental Brochure that must be given to clients. The firm monitors the sales activities and vendor support received of its representatives and instructs them to update their disclosure brochures accurately to reveal any conflicts. This is the firm's procedure for ensuring that all specific conflicts of interest are disclosed to prospective and current fee-based investment clients of WSA.

A disclosure is included in this brochure and in each financial plan so that the client is aware that they are under no obligation to implement the plan through Wilbanks Securities, Inc., the firm's affiliated broker-dealer, through which any commission would be paid on fee-based accounts.

Clients have the option to purchase investment products we sell through other brokers or agents not affiliated with WSA.

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No mark-ups in securities prices are allowed by WSA in fee-based accounts.

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

WSA does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

WSA provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, trusts, endowments, state governments, municipalities, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions.

WSA generally requires a minimum investment of \$25,000 to open a fee-based account, however, the firm does make exceptions. Some third-party money management firms utilized by but not affiliated with the firm have higher account minimums.

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

**Investing in securities involves risk of loss that clients should be prepared to bear.**

Wilbanks Securities Advisory offers the following types of money management services, some of which are provided through outside money management firms that are not affiliated in any way with Wilbanks Securities Advisory:

**STRATEGIC ASSET ALLOCATION-** Asset allocation is the process of allocating a certain percentage of your total investment funds to specific asset categories in such a way that you theoretically maximize returns for a given level of risk or provide the least amount of risk for the level of return needed. This money management discipline is based on the past being prologue to the future and uses past long-term returns to look forward in projecting the future. Asset allocation provides the ability to develop a systematic and rational approach to portfolio construction. WSA and associated persons do not make any guarantees to the performance of these programs.

At its core, asset allocation is diversification. This investment approach looks at the historical relationships among various asset classes. It identifies which asset classes tend to move in price together (positively correlated), move inversely in price (negatively correlated), and which

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assets classes have a random price relationship (randomly correlated)- The correlation among asset classes is important because by combining those asset classes that are either randomly correlated or negatively correlated, an efficient portfolio can be developed. An efficient portfolio is one that generates the maximum possible return for a given level of risk. Since all investors have a different risk tolerance, there are an infinite number of efficient portfolios.

WSA and the associated person's role is to determine a client's risk tolerance and personal goals and then develop a portfolio that is on the efficient frontier based on the knowledge that WSA and associated person has available at the time. The efficient frontier is calculated using an asset allocation software program. Though it does so infrequently, WSA or associated persons can insert projections for future returns for various asset classes to run these optimizations, rather than merely relying on past returns, due to changing markets and economic realities.

Due to some investment asset classes outperforming others over time, the percentages of client investments should be rebalanced annually at a minimum to ensure the proper investment allocation weightings are maintained at the original target mix, depending on tax consequences, trading costs and other considerations. In theory, rebalancing is really the systematic discipline of selling high and buying low, which can, over the very long-term, generate superior returns as opposed to merely holding the original portfolio of asset classes and statically maintaining this allocation. Studies have shown that the optimal time to rebalance the portfolio is either yearly or whenever one asset class moves more than, but at a minimum, 10 percent from its target weighting. These are the fundamentals of modern portfolio theory. Should a new risk tolerance appraisal indicate the need, the weightings of asset classes may also be changed.

Strategic Asset Allocation is a passive approach whose goal is not to beat the market but rather to develop a long-term investment policy using a core mix of assets. This approach uses historical data such as rates of return, standard deviations, and correlation coefficients as well as the economic outlook and future rates of return that are likely among asset classes as the basis for setting long-term investment policy. The portfolio is generally fully invested, but may not be fully invested at times of increased market risk.

This program is subject to full market and economic risk as it is a fully invested, buy and hold investment approach. Client investment losses can and will occur over extended periods, particularly in times of great economic weakness.

**TACTICAL ASSET ALLOCATION** - This is an active approach that attempts to beat the market. This approach believes that markets are inefficient and uses such approaches as sector rotation and market timing to change the asset allocation in hopes of generating excess returns. The decision of which sectors to rotate in and out of and when to time the market is based on the investment manager's view of expected returns for different asset classes. These decisions

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are usually based on some proprietary quantitative model developed by the manager that removes the emotional aspect of investing. WSA and associated persons do not make any guarantees of performance of these programs.

Investors are cautioned that investment studies show that the market timing and sector rotation styles of investing generate inferior returns compared to the strategic asset management approach over time due to the risks that investment assets will be in lower yielding investment alternatives when the equity markets move up substantially and clients would not participate in the gains.

**DYNAMIC ASSET ALLOCATION** - This is an active approach that attempts to adjust the asset allocation based on changes in an investor's situation or changes in the market. It could be called "on the fly" asset allocation because it uses recent results to adjust the client's portfolio (reactive) as opposed to tactical asset allocation which uses projections for future results to adjust the portfolio (proactive). It also attempts to maintain a minimum return on the portfolio as opposed to trying to hit home runs.

WSA and associated persons make no guarantee as to the performance of these programs. This program contains normal market risk when fully invested from which client investment losses could occur over extended periods, and, when not fully invested, it contains the risk of underperformance due to the stock market moving higher while funds are invested elsewhere and clients would not participate in the gains.

**Fee-Based Pension Advisory Services** - The firm now allows representatives to charge fees in lieu of commissions in implementing and servicing pension plans, i.e. 401-K, profit sharing, and other company sponsored retirement investment programs. Individual money management in these plans is the responsibility of the individual plan participant. Representatives of WSA may offer education, financial planning and investment advisory services to guide the investment selections and portfolio management of these plan participants.

**Stock and Bond Portfolio Management** - This investment program relies on the broker's judgment to develop a portfolio based on the investment objective of the client. The investment objectives are aggressive growth, growth, growth and income, income, and preservation of capital. For example, the portfolio structure would be more aggressive for an aggressive growth client objective and the portfolio structure would reflect more of an emphasis on aggressive growth stocks (those that are poised for dramatic stock price appreciation because of realized or expected sales, revenue, and/or profit growth). These portfolios generally have a greater degree of small and mid-size company stocks as opposed to large company stocks. Comparatively, a Growth and Income objective would generally contain more large capitalization stocks. For conservative clients who want more income and preservation of capital, the portfolio would reflect more of an orientation toward preferred stock, high- grade corporate bonds, high yield bonds, convertible bonds, government bonds, municipal bonds, and

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certificates of deposit. However, to beat inflation, some measure of stock ownership should be included in all portfolios in our opinion. So, again based on the judgment of the broker and his/her client and the client's tolerance for risk, some percentage of stocks may be included in income and preservation of capital investment objective portfolios.

The investment objective can be loosely adhered to by the broker, and, in times of greater risk, the broker may move some or all assets to cash investments to safeguard investment returns. Options and protective puts and collars (selling calls and buying puts) may be utilized for portfolio gain enhancement and protection. Short selling and margin may also be used at times. Stock and bond portfolios can also be either strictly or loosely based on asset allocation.

Stock and bond portfolio management may emphasize profit and return, disregarding tax efficiency. Clients of the Advisor may need to seek a tax professional's guidance before investing in this program. There are dramatic risks of loss in individual stocks, particularly when fully invested. Bonds have default and interest rate risk as well as other risks.

**Tactical Stock and Bond Portfolio Management** Tactical Stock and Bond portfolios will be managed according to either an aggressive or conservative investment posture. The goal here is to be tactical in pursuing gains in securities markets when the economy, company fundamentals, and technical charts dictate. Being fully invested at all times is **not** the goal of this program. The goal is to make money by maximizing gains relative to risk. Money markets and bonds are generally safer than stocks. Thus, heavy percentages of cash and bonds may be used for extended periods of actual or anticipated market turbulence. We reserve the right to sell securities and market indices short for up to 100% of the total portfolio. Aggressive portfolios may be margined up to 35% at any given time. Options and protective puts and collars (sell calls and buy puts) may be used to protect portfolio gains. Partial profits may be taken after significant run-ups. We reserve the right to average purchase into and out of securities positions, which may create more trades and trading costs. This program is in essence, "Market Timing". We may emphasize profit and return, disregarding tax consequences. Clients should seek appropriate tax advice before investing.

There are dramatic risks of loss when fully invested in stocks and bonds contain default and interest rate risks as well as other risks. There is also a risk that the money manager will have assets invested in other areas besides stocks when the stock market increases appreciably and clients would not participate in the gains.

**Strategic Capital Allocation Program** This program maintains the flexibility to invest client capital in the equity markets and other investment asset classes to the extent that the risk tolerance and investment objective of the client will allow when the money managers feel market conditions are favorable and to move client capital to money market funds or other safer investment asset classes when they feel market conditions are less favorable. This money management program is different than market timing in that, when fully invested in normal

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markets, client accounts are managed to maintain a structured and diversified portfolio per the client's stated investment objective. However, the representative may move client investments to safer alternatives when needed. This strategic flexibility allows the reduction of the overall time invested in investment markets while seeking to participate in market up trends and the returns of leading market indices. The primary focus is to maintain client's initial capital while attempting to reach their long-term investment objectives.

Various factors could trigger representatives to move investment amounts to cash and/or bonds and out of equities and other investments under this program, including economic contractions, recessions, client losses, market turbulence, terrorism incidents that cause market turbulence, a loss of economic confidence and other factors. Some representatives make such investment changes in client accounts once an investment has fallen by ten percent or more, which is referred to as a "stop-loss" approach. Some representatives of the firm have a higher stop-loss percentage that would trigger investment changes in client accounts. If a stop-loss is going to be used, it should be stated in the client fee-agreement specifying what the stop-loss should be. Having a stated stop-loss however does not in any way guarantee the client that losses will not exceed this stop-loss percentage amount before the representative can move the client's investments into safer alternatives, particularly during periods of severe market swoons.

This investment strategy contains full market risks of loss when fully invested. When stop-losses are triggered or when money managers determine that assets should be moved out of the stock market or other asset classes, there are risks that stocks or other investments could appreciate in value and clients would not participate in the gains.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of WSA or the integrity of WSA's management.

WSA, the firm, has no disciplinary history to report.

In 2006, based on findings during the 2005 audit, FINRA, the regulatory authority over broker-dealers, fined Wilbanks Securities, Inc., the affiliated broker-dealer of WSA, \$25,000 for not producing its e-mails within the time allowed and for not auditing all non-branch offices of its representatives according to an audit cycle in violation of investment related rules. In 2007, regarding similar matters, the Oklahoma Securities Department, in an administrative proceeding, also fined Wilbanks Securities, Inc. \$2500, it suspended Aaron Wilbanks for ten days, and, by agreement, Randall Wilbanks cannot perform supervisory compliance duties without re-qualifying as a securities principal.

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WSA's supervision is performed by Steven Sharpe and James Banks, neither of which have any disciplinary history. Aaron Wilbanks oversees their duties as the Chief Compliance Officer of WSA.

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

Management persons of WSA, Steven Sharpe, James Banks, Aaron Wilbanks and Randall Wilbanks are also registered with Wilbanks Securities, Inc., an affiliated broker-dealer. WSA's representatives are also all registered with Wilbanks Securities, Inc. though it is not required.

Wilbanks Securities Inc. effects securities transactions to implement financial planning recommendations made by the associated person of WSA when requested to do so by the client. A conflict exists between the interests of the investment adviser or associated person and the interests of the client because, as registered representatives of the broker-dealer, Wilbanks Securities, Inc., associated persons may receive commissions or other compensation for these securities transactions or for the sale of insurance or other products or services recommended in the plan. The receipt or potential to receive such compensation may affect the judgment of WSA and/or associated person in selecting products recommended due to commissions potentially received rather than being based on client's needs. The firm regulates this conflict by requiring that, as a general rule, representatives cannot charge commissions while also earning a fee with limited exceptions described under Item 5.

WSA recommends the money management programs of other registered investment advisory programs, which could create conflicts of interest. However, the firm and its representatives generally earn no more and most often less fees than if it managed client funds directly. The firm monitors the investment selections of its representatives and regulates the support they receive from such money management companies, if any, to ensure that client's interests are considered first and foremost and that representatives are not being financially induced to sell money management services due to receiving marketing, seminar or mailing support from such vendors. All such support must be paid through WSA. Generally, WSA and its representatives receive no financial support of any kind from other advisory firms though exceptions may be made.

Conflicts of interest could potentially exist in that some private program sponsors, limited partnerships, real estate investment trusts, equipment leasing programs, oil and gas programs and other vendors do pay Wilbanks Securities, Inc., the affiliated broker-dealer of WSA, due diligence and marketing fees and/or fees to attend the annual conference of the firm that its representatives also attend. The broker-dealer affiliate of WSA reduces this conflict by utilizing third-party due diligence and doing a significant amount of objective due diligence itself at a great expense to try, as best as it is capable, of bringing promising private programs to the attention of its representatives and their clients to provide them viable alternative investments and tax-advantaged programs for purposes of diversification in client's investment allocations. Most often the sale of these products is for a commission through the broker-dealer affiliate of

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WSA. If commissions are earned, no fees are allowed to be charged to the client. Some programs can be offered to clients for a fee, which would be in lieu of a commission for the sale of such products when done through WSA. Prospective and current clients of WSA are under no obligation to purchase these products through either WSA or its affiliated broker-dealer, Wilbanks Securities, Inc.

Associates Diversified Brokerage, Inc. (ADB) is an affiliated insurance agency of WSA and it provides insurance and annuity products for the representatives of the Adviser. A conflict could exist in that Associates Diversified Brokerage, Inc. and the representatives of WSA could receive commissions for the sale of insurance and annuity products to clients. However, the firm does not allow fees to be charged on the sale of insurance and fixed annuity products. These products may be recommended by representatives of WSA in financial plans. However, these products would not be sold through WSA. Clients are under no obligation to buy insurance and annuity products through ADB.

WSA and its affiliated broker-dealer, Wilbanks Securities, Inc., also have or have had relationships with banks and credit union institutions. Conflicts of interest could exist with these relationships in that commission business through Wilbanks Securities, Inc. or Associates Diversified Brokerage, Inc. could result from the referral of clients from the banks or credit unions. WSA mitigates this conflict by ensuring through its compliance oversight that generally clients do not pay commissions over and above their fees through the broker-dealer with limited exceptions and fees are not allowed on insurance and fixed annuity products. Prospective and current bank and/or credit union referred clients of WSA are under no obligation to purchase products through Wilbanks Securities, Inc., the broker-dealer of WSA or Associates Diversified Brokerage, Inc., the insurance affiliate of WSA.

WSA and the broker-dealer, Wilbanks Securities, Inc., have investment custodial platform arrangements with other broker-dealers and investment custodians. Conflicts of interest for directed brokerage do not exist in this situation as the firm accepts no directed brokerage payments from its custodian investment platform providers for placing client trades on its platforms.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

WSA has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading

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procedures, among other things. All supervised persons at WSA must acknowledge the terms of the Code of Ethics annually, or as amended.

WSA anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which WSA has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which WSA, its affiliates and/or clients, directly or indirectly, have a position of interest. WSA's employees and persons associated with WSA are required to follow WSA's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of WSA and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for WSA's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of WSA will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of WSA's clients. In addition, the Code requires pre-clearance of some transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between WSA and its clients.

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

WSA's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Steven Sharpe listed earlier in this brochure.

It is WSA's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. WSA will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross

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transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

Soft dollar benefits are not received by WSA and are not permitted by the firm. Neither WSA or any of its representatives received any soft-dollar benefits from its trading custodial platform providers for directing trades. WSA and its affiliated broker-dealer did receive benefits and services from these platform providers that are common to all customers of the investment platform custodians and their customers, which has nothing to do with directing trades.

WSA does not require any representative or their client to utilize one investment platform over another. WSA merely provides several different options for the representative and their client to choose from in terms of investment platforms.

WSA does not do directed brokerage business nor does it request this of clients. The firm does not allow clients to do directed brokerage.

WSA does not receive client referrals from its investment platform custodians.

WSA does allow block trading when representatives of the firm need to buy or sell the same security or fund in a number of accounts simultaneously. Clients should generally benefit from such practices as, the larger the trade, a better price can be sometimes be garnered for clients. For thinly traded stocks (securities without much trading volume) however, larger block trades could cause the price of the security to increase and clients may be higher prices than they otherwise would if the security were purchased client by client. WSA representatives rarely trade thinly traded securities and, when it does, it is usually at the request of one client. Therefore, as a general rule, the firm does not do block trading for thinly traded securities.

For securities purchased or sold through block trades, trade prices are averaged for a total average price and apportioned to clients according to the number of shares of the security each client owned or should own in their account based on the amount each client invested relative to all other clients purchasing the security.

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## **Item 13 – Review of Accounts (How We Regulate Our Representatives).**

### **A. Financial Plans**

It is the policy of Wilbanks Securities Advisory (WSA) and its affiliated broker-dealer, Wilbanks Securities, Inc., to review and pre-approve all written financial plans. This includes plans and recommendations made to pension plan sponsors. This review process is performed to ensure that representatives of the firm have included the required disclosure pages, that the planning software used by the representative is approved, and to verify that a plan contains reasonable assumptions regarding inflation, projected/assumed rates of return, that the proposed allocation of assets reflects the investment objective and risk tolerance of the client. A Risk Tolerance Questionnaire must be included as part of each non-group plan. Finally, no assurances of future success or future investment returns are made to clients. All financial plans delivered to clients are reviewed and pre-approved by WSA regardless of whether a fee was charged or not.

Mutual fund, product and specific investment recommendations made to clients are reviewed for reasonableness and to ensure that products recommended to clients are approved. The firm also reviews the risk tolerance analysis of the client and the stated investment objective, the tax bracket and age of the client as well as the stated goals and needs of the client and reviews the portfolio recommendations of the representative that may be included with financial plans for reasonableness in light of these factors. WSA also reviews and pre-approves any Financial Plan update performed for clients by representatives using the same review process.

WSA generally recommends to its representatives, though it is not a requirement, that they use the preferred Financial Planning Software vendors with which WSA is most familiar. These software packages include Allocation Master from Sungard, Planning Station from Sungard, Financial Profiles, Money Guide Pro, and, for analysis of pension investments, FI-360. Representatives of the firm may utilize other financial planning software packages that are very similar to these listed above.

To analyze and determine which investments to select for clients, representatives are trained by the firm to use sophisticated software tools such as Thompson Investment View. The firm also offers to its representatives other similar software, Morningstar Principia or Morningstar Workstation as well as other analytical tools. Software packages allow objective comparisons of three, five and ten year (if applicable) investment performance of mutual funds, variable annuity separate accounts, fund managers, investment turnover rates, past performance relative to peer group, investment style and purity, as well as other criteria.

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Current investors and potential customers of WSA should know that financial plans are to be used as guides only. They are not predictions of the future, they DO NOT in any way guarantee the client any rate of return nor do they make any promises that the client's goals and objectives will be achieved. The plan will never mirror the future exactly and could differ markedly based on the economy, interest rates, investment performance and other factors. Clients are encouraged to work with their financial planner representative each year or, as needed, to make adjustments to financial plans or investment plans based on actual experience.

#### B. Account Paperwork, Investment Allocations and Fees Charged

WSA also reviews the opening account paperwork for each client. This includes a review of the stated investment objective, risk tolerance, tax bracket, age of the client, and the stated goals of the client. The firm also reviews and monitors the initial investment allocation of clients by its representatives and examines client paperwork to ensure that the investment portfolio, as a whole, meets the clients stated investment objective and risk tolerance.

WSA initially reviews the client's fee agreement to ensure that the fees charged are within the firm's stated guidelines and are reasonable. WSA also periodically spot-checks the fees billed by its representatives in light of these client fee agreements and client investment account values for accuracy.

#### C. Client Account and Transaction Reviews

Client accounts managed for a fee are reviewed each calendar quarter (every three months) by the representative and by WSA to inspect as to whether the investment portfolio is suitable for the client based on the stated client investment objective and risk tolerance. Current stock and bond market conditions, as well as the state of the economy may also be considered by the representative or money management firm.

The firm reserves the right to allow representatives and outside money management firms the flexibility and the right to move client assets to safer investments, money market, cash and other investment instruments in times of stock and bond market turmoil provided that this is communicated to the client. Therefore, there may be periods where clients will technically be invested differently than the stated investment objective due to market turbulence.

However, most often representatives of the firm choose to maintain client investment portfolios through good times and bad in the stock and bond markets. When client's investments are allocated and apportioned correctly, this is a sound investment practice provided that clients have the risk tolerance for this approach. There are no guarantees that proper investment allocation will prevent market losses. Investing by its very nature involves substantial risk of loss. Clients can experience significant investment losses for protracted periods during economic downturns and times of market turbulence.

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Furthermore, all trades done in an advisory account are reviewed the next day to ensure suitability based upon the client investment objectives and risk tolerance. Any deviations are noted, discussed with the representative and corrected if necessary.

For representatives who manage stock and/or bond portfolios for a fee, WSA reviews the clients account for suitability of investments initially and then quarterly, and specifically inspects the frequency of trading, the trade amounts charged, the profitability of securities transactions and other investment management factors to ensure that representatives are not trading too frequently or causing the client unnecessary losses.

#### D. Representative Audits

WSA also physically audits its representatives and their offices at least once every three years and inspects the representative's client files to ensure that the quarterly review of accounts are being completed and that representatives are adhering to client's investment objectives within the dictates of the specific money management program selected by the client. WSA's representatives are also audited to ensure their compliance with securities industry rules and the firm's written supervisory procedures.

#### E. Continuing Education and Professional Development

The firm is also required to monitor the required continuing education of its representatives and it ensures that representatives receive both the training they are required to take and the education and development they need. Fee-based planners are encouraged to enter a program and make some annual progress to become a Certified Financial Planner (CFP), Chartered Financial Consultant (ChFC), Chartered Life Underwriter (CLU), or Certified Financial Analyst (CFA) and achieve the appropriate continuing education requirements of the designation. WSA also recommends to its representatives membership in the International Association for Financial Planning, Inc., International Association of Registered Financial Consultants, and/or the Institute of Certified Financial Planners. Attendance at training and product reviews conducted by product wholesalers as well as attendance at tax institutes and other third-party training programs is also encouraged by the Advisor. Finally, the Firm promotes professionalism through on-going education: e.g. The American College and the College for Financial Planning's continuing education courses.

WSA maintains an extensive compliance department that reviews financial plans and client accounts and the fees assessed to these accounts. This department keeps current on the constantly changing regulatory environment to ensure that the firm and its representatives are in compliance with federal and state securities regulations.

#### F. Client Statements and Reports

Clients who engage in money management will receive a quarterly statement from the account custodian which shows:

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1. Value of each account at quarter end.
  2. Number of shares owned and share value at the end of the quarter.

Depending on the program, clients may be provided with additional written reports from their representative or money management program regarding investment returns and investment policy. Extra fees may be charged for these additional written reports, which must be disclosed and authorized in the client's fee agreement. If a client is provided an additional report from a representative, it is required to be pre-approved by the firm's compliance department to ensure it contains the appropriate disclosures and that it is an approved report format.

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

WSA does not receive any economic benefits for providing investment advice or other advisory services to its clients from parties who are not clients that is not already disclosed. WSA does not pay for client referrals to third-parties directly or indirectly.

#### **Item 15 - Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. WSA urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

WSA usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account according to the money management program selected.

The fee agreement, as well as the account paperwork the client signs with investment custodians, allows the representative to trade for the client on a discretionary basis, which means that the client may not be informed of the investment decisions until after transactions have been made on behalf of the client. All limitations on discretionary authority would be detailed in the written agreement with the client, which forbids full power of attorney. Only limited power of attorney is permitted by WSA. The clients must sign the agreement to give the associated person limited

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discretion. The discretionary authority exercised by the associated person must then comply with the stated investment objective on the Advisor's new account form that has been signed by the client within the boundaries of the money management program chosen by the client.

When selecting securities and determining investment amounts, WSA observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, WSA's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to WSA in writing.

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

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

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

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about an adviser's financial condition. WSA 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.

WSA has been in business since August 1996, and is in sound financial condition.



Wilbanks Securities Advisory  
4334 Northwest Expressway, Suite 222  
Oklahoma City, OK 73116  
Phone (405) 842-0202

**Receipt of Form ADV, Part II (a) and Part II (b)**

I (we) acknowledge receipt of Wilbanks Securities Advisory's Form ADV Part II (a) Disclosure Brochure and Wilbanks Securities Advisory's ADV Part II (b) Representative Supplemental Brochure.

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Client Signature

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Date

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Client Signature

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Date

\_\_\_\_\_  
Print or Type Name(s)

\_\_\_\_\_  
Address

\_\_\_\_\_  
City, State, Zip

Witness:

\_\_\_\_\_  
Planner Signature

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Date