

---

**Item 1 - Cover Page**

# Brochure

## Herndon Plant Oakley Ltd.

IARD/CRD 44971

### Main Office

800 N. Shoreline Blvd Suite 2200 South

Corpus Christi, Texas 78401

[www.hpo.com](http://www.hpo.com)

361-888-7611

February 28, 2022

This Brochure provides information about the qualifications and business practices of Herndon Plant Oakley Ltd. (“HPO”, “Firm”, “us”, “we” or “our”]. When we use the words “you”, “your” and “client” we are referring to you as our client or our prospective client. We use the term “Associated Person” when referring to our officers, employees, and all individuals providing investment advice on behalf of HPO. If you have any questions about the contents of this Brochure, please contact us at 361-888-7611 or [bragan@hpo.com](mailto:bragan@hpo.com). 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.

HPO is a registered investment adviser. The registration of an investment adviser does not imply any level of skill or training. The oral and written communications made to you by HPO, including the information contained in this Brochure, should provide you with information to determine whether to hire or retain HPO as your adviser. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about HPO also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with, registered, and required to be registered, as investment adviser representatives of HPO.

---

## **Item 2 - Material Changes**

Please note that there were no material changes made to our Brochure since our last delivery or posting of the Brochure on the SEC's public disclosure website ("IAPD") located at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Notwithstanding that, this Brochure does include a number of minor editorial changes, updated DOL disclosures, expanded Investment Risks, and updated information on our assets under management.

In the future, we will deliver to our clients, within 120 days of the end of each fiscal year, a free, updated Brochure that either includes or is accompanied by a summary of material changes; or in the alternative, we will deliver a summary of material changes that includes an offer to provide a copy of the updated brochure and information on how our clients can obtain the brochure.

A copy of our Brochure may be requested at any time by contacting Elizabeth Ragan, Chief Compliance Officer, at 361-888-7611.

---

## Item 3 - Table of Contents

<b>Item 1 - Cover Page</b> .....	<b>i</b>
<b>Item 2 - Material Changes</b> .....	<b>ii</b>
<b>Item 3 - Table of Contents</b> .....	<b>iii</b>
<b>Item 4 - Advisory Business</b> .....	<b>1</b>
Ownership .....	1
Financial Services Offered .....	1
Investment Advisory Services .....	1
Financial Consulting and Planning Services.....	1
Investment Products .....	1
Assets Under Management.....	2
Branch Office .....	2
Retirement Accounts – DOL Disclosure .....	2
<b>Item 5 - Fees and Compensation</b> .....	<b>3</b>
Fees and Compensation.....	3
Types of Compensation .....	5
Compensation from Sale of Securities.....	5
Compensation from Sale of Insurance Products .....	5
Fee Payment Options .....	6
Direct debiting (preferred) .....	6
Pay-by-check .....	6
Valuation .....	6
Transaction Costs .....	6
Termination .....	7
<b>Item 6 - Performance-Based Fees and Side-By-Side Management</b> .....	<b>7</b>
<b>Item 7 - Types of Clients</b> .....	<b>7</b>
Overview .....	7
ERISA Clients .....	7
Account Minimums.....	8
<b>Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss</b> .....	<b>8</b>
Analysis Methods.....	8
Charting .....	8
Fundamental .....	9
Technical .....	9
Cyclical.....	9
Sources of Information.....	9
Investment Strategies .....	10
Investment Strategy Risks .....	10
General Risks.....	10
Long term Purchases (securities held at least a year) .....	11
Short term purchases (securities sold within a year).....	11
Trading (securities sold within 30 days).....	11

Options and Other Derivatives .....	12
Utilization of Alternative Investments .....	12
Other Investment Risks .....	12
Mutual Funds and ETFs.....	12
Risks Relating to Differing Classes of Securities .....	13
Small Capitalization Issuers.....	13
Money Market Funds.....	13
<b>Item 9 - Disciplinary Information .....</b>	<b>14</b>
<b>Item 10 - Other Financial Industry Activities and Affiliations .....</b>	<b>14</b>
Broker-Dealer.....	14
Insurance Broker .....	14
Herndon Plant Oakley Insurance Agency LC .....	14
Springwater Advisors .....	14
Oxbow Advisors.....	15
American Bank, N.A. ....	15
Other Activities .....	15
<b>Item 11 - Code of Ethics .....</b>	<b>15</b>
General .....	15
Personal Trading .....	16
Cross Trades.....	16
Insider Information.....	17
<b>Item 12 - Brokerage Practices.....</b>	<b>17</b>
General .....	17
Best Execution.....	17
Trade Practices .....	17
Soft Dollar Arrangements .....	18
Mutual Fund Share Class .....	18
<b>Item 13 - Review of Accounts .....</b>	<b>18</b>
Account Review .....	18
Statements .....	19
Trade Errors.....	19
<b>Item 14 - Client Referrals and Other Compensation.....</b>	<b>19</b>
Client Referrals .....	19
Vollero .....	19
Salient Advisors.....	19
Compensation.....	20
Broker-Dealer Activities.....	20
Insurance Agency Activities .....	20
Mutual Funds Charges.....	21
Cash and Money Market Funds .....	21
Margin Loans.....	21
<b>Item 15 - Custody.....</b>	<b>21</b>
Selection of Custodian.....	21
Invoicing .....	22
Statements .....	22

---

<b>Item 16 - Investment Discretion .....</b>	<b>22</b>
Discretionary Authority.....	22
Documentation of Discretion .....	22
Discretionary Management .....	23
<b>Item 17 - Voting Client Securities .....</b>	<b>23</b>
<b>Item 18 - Financial Information .....</b>	<b>23</b>
<b>Item 19 – Requirements or State Registered Advisors .....</b>	<b>24</b>
Principal Executive Officer and Management Persons: .....	24
Other Business Activities .....	24
Legal and Disciplinary Issues.....	25
Professional Liability Insurance .....	25
<b>Item 20 - Other Information.....</b>	<b>25</b>
Privacy Policy Summary.....	25
Business Continuity Plan.....	26

---

## **Item 4 - Advisory Business**

### ***Ownership***

We are an independent investment management firm owned by R. Brent Herndon, J. Ted Oakley and Phillip M. Plant.

### ***Financial Services Offered***

#### ***Investment Advisory Services***

Headquartered in Corpus Christi, Texas, we have served clients each day throughout Texas, the US and around the world on a personal, individualized basis, since 1998. With a broadly-based, well trained, knowledgeable and experienced staff working side-by-side with each partner, the financial needs and expectations of every client are analyzed and focused upon to shape the most productive results possible for today, tomorrow and years into the future.

HPO offers the following advisory services:

- Financial planning services
- Portfolio management services for individuals and/or small businesses
- Portfolio management for businesses or institutional clients (other than investment companies)
- Selection of other advisers

Additionally, we allocate managed assets among cash, stocks, and bonds with the selection of specific securities which will provide proper diversification and help meet your stated investment objectives. We may also advise directly and/or invest your funds through other investment advisors and/or third-party money managers.

#### ***Financial Consulting and Planning Services***

We provide general consulting and estate planning services, which includes additional monitoring services of recordkeeping, portfolio valuation and performance review. Our fee for the preparation and monitoring of these plans are negotiable based upon the services provided.

### ***Investment Products***

HPO offers advice on the following as well as the foreign equivalents of the following investment products:

- Equity securities (exchange-listed, over the counter, foreign issuers)
- Warrants
- Corporate debt securities
- Commercial paper

- 
- Certificates of deposits
  - Municipal securities
  - Investment Company Securities (variable life insurance, variable annuities, mutual fund shares)
  - United States government securities
  - Option contracts on securities
  - Interests in partnerships investing in real estate, oil and gas and others
  - Limited partnership interests.

Clients may impose restrictions on investing in certain securities or types/classes of securities.

### ***Assets Under Management***

As of December 31, 2021, HPO managed \$77,311,574 in client portfolio assets, all on a discretionary basis.

### ***Branch Office***

711 North Carancahua, Suite 100  
Corpus Christi, TX 78745  
Phone: 361-653-5312  
Fax: 361-883-8814

### ***Retirement Accounts – DOL Disclosure***

We are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act of 1974 (“ERISA”) and/or the Internal Revenue Code (“Code”), as applicable, when we provide investment advice regarding portfolio assets held in an IRA, Roth IRA, Archer Medical Savings Account, a Plan covered by ERISA, or a plan described in Section 4975(e)(1)(A) of the Code (collectively referred to collectively sometimes herein as (“Retirement Accounts”).

To ensure that HPO will adhere to fiduciary norms and basic standards of fair dealing with respect to Retirement Accounts, we are required to give advice that is in the "best interest" of the retirement client. The best interest standard has two chief components, prudence and loyalty. Under the prudence standard, the advice must meet a professional standard of care and under the loyalty standard, our advice must be based on the interests of our retirement clients, rather than the potential competing financial interest of HPO.

To address the conflicts of interest with respect to our compensation, we are required to act in your best interest and not put our interest ahead of yours. To this end, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);

- 
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
  - Avoid misleading statements about conflicts of interest, fees, and investments;
  - Follow policies and procedures designed to ensure that we give advice that is in your best interest;
  - Charge no more than is reasonable for our services; and
  - Give you basic information about conflicts of interest.

## **Item 5 - Fees and Compensation**

### ***Fees and Compensation***

We offer our services on a menu basis. Our fees are negotiable at the discretion of our advisory representative which generally results in different fees being charged for accounts similar in makeup and objectives. In making a final decision on the fee negotiated, a number of factors are taken into consideration, including other accounts related to, or affiliated with you, the securities held in the investment portfolio, investment objectives, the total assets under management on an aggregate basis and other factors that are deemed at the time to be relevant. These factors can result in lower fees being charged for accounts similar in makeup and objectives. Although many fees are individually negotiated, some common fees are included on our fee schedule for your review and described further below:

**Fee Schedule \***  
**See also Fee Payment Options in the paragraph below this chart**

Fee Type	Fee Cost	When Charged																																		
<b>Advisory Fees</b>	<p>Advisory Fees are a flat fee, determined in accordance with the annual fee schedule set forth below. The advisory fee shall be computed based upon the market value of the Assets under management for each Account (as of the last business day of the respective quarterly fee period, including any margin debt in the account) (the “AUM”), multiplied by the respective percentage set forth below next to the AUM, divided by 4.</p> <p><b><u>Equity and Balanced Accounts</u></b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">\$500,000-\$1,000,000</td> <td style="text-align: right;">1.50%</td> </tr> <tr> <td>\$1,000,001-\$5,000,000</td> <td style="text-align: right;">1.00%</td> </tr> <tr> <td>\$5,000,001-\$15,000,000</td> <td style="text-align: right;">.75%</td> </tr> <tr> <td>\$15,000,001- \$50,000,000</td> <td style="text-align: right;">.50%</td> </tr> </table> <p><b><u>Fixed Income – Conservative Strategy</u></b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">\$100,000-\$250,000</td> <td style="text-align: right;">.50%</td> </tr> <tr> <td>\$250,001-\$1,000,000</td> <td style="text-align: right;">.40%</td> </tr> <tr> <td>\$1,000,001-\$15,000,000</td> <td style="text-align: right;">.25%</td> </tr> <tr> <td>\$15,000,001- \$50,000,000</td> <td style="text-align: right;">.10%</td> </tr> </table> <p><b><i>Mutual Fund Advisory Accounts</i></b></p> <p><b><u>Income Portfolios</u></b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">First \$500,000</td> <td style="text-align: right;">.50%</td> </tr> <tr> <td>\$500,001 - \$1,000,000</td> <td style="text-align: right;">.40%</td> </tr> <tr> <td>\$1,000,001 +</td> <td style="text-align: right;">.25%</td> </tr> </table> <p><b><u>Growth &amp; Income Portfolios</u></b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">First \$500,000</td> <td style="text-align: right;">1.00%</td> </tr> <tr> <td>\$500,001 - \$1,000,000</td> <td style="text-align: right;">0.75%</td> </tr> <tr> <td>\$1,000,001 +</td> <td style="text-align: right;">0.50%</td> </tr> </table> <p><b><u>Growth Portfolios</u></b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">First \$500,000</td> <td style="text-align: right;">1.00%</td> </tr> <tr> <td>\$500,001 - \$1,000,000</td> <td style="text-align: right;">0.75%</td> </tr> <tr> <td>\$1,000,001 +</td> <td style="text-align: right;">0.50%</td> </tr> </table> <p><b>Advisory Fees are negotiable.</b></p>	\$500,000-\$1,000,000	1.50%	\$1,000,001-\$5,000,000	1.00%	\$5,000,001-\$15,000,000	.75%	\$15,000,001- \$50,000,000	.50%	\$100,000-\$250,000	.50%	\$250,001-\$1,000,000	.40%	\$1,000,001-\$15,000,000	.25%	\$15,000,001- \$50,000,000	.10%	First \$500,000	.50%	\$500,001 - \$1,000,000	.40%	\$1,000,001 +	.25%	First \$500,000	1.00%	\$500,001 - \$1,000,000	0.75%	\$1,000,001 +	0.50%	First \$500,000	1.00%	\$500,001 - \$1,000,000	0.75%	\$1,000,001 +	0.50%	Quarterly, in arrears
\$500,000-\$1,000,000	1.50%																																			
\$1,000,001-\$5,000,000	1.00%																																			
\$5,000,001-\$15,000,000	.75%																																			
\$15,000,001- \$50,000,000	.50%																																			
\$100,000-\$250,000	.50%																																			
\$250,001-\$1,000,000	.40%																																			
\$1,000,001-\$15,000,000	.25%																																			
\$15,000,001- \$50,000,000	.10%																																			
First \$500,000	.50%																																			
\$500,001 - \$1,000,000	.40%																																			
\$1,000,001 +	.25%																																			
First \$500,000	1.00%																																			
\$500,001 - \$1,000,000	0.75%																																			
\$1,000,001 +	0.50%																																			
First \$500,000	1.00%																																			
\$500,001 - \$1,000,000	0.75%																																			
\$1,000,001 +	0.50%																																			

<b>Financial Consulting and Estate Planning Services</b>	Our fee for these services is negotiable; however, they are generally a fixed fee and range between \$1,000 and \$100,000, depending on services provided.	Either a one-time fee periodically as services are provided or periodically as services are provided as agreed upon with each specific client.
--	--	--

***Types of Compensation***

Based on the managed account services provided by HPO, HPO is compensated by the following means:

- A percentage of assets under management
- Fixed fees (other than subscription fees)

***Compensation from Sale of Securities***

Our advisory representatives are also registered in a brokerage capacity as a registered representative of HPO. As such, the advisory representatives may receive distribution fees and 12b-1 fees from mutual funds in which client assets are invested. These fees and commissions are in excess of HPO’s advisory fees charged to the client. Receipt of these fees and commissions may create a conflict of interest by giving the advisory representative an incentive to recommend investment products based on compensation received by the advisory representative, rather than on the client’s needs. We seek to address this conflict of interest by disclosing to clients the receipt of fees and compensation by certain advisory representatives in connection with the execution of client transactions, by utilizing share classes of mutual funds that either minimize brokerage and or commissions from the sale of such share classes of mutual funds, waiving the receipt of such compensation and or providing a reduction in the advisory fees by the commissions earned. *Please refer to Item 10 - Other Financial Industry Activities and Affiliations and Item 14 - Client Referrals and Other Compensation for additional discussion of the conflict of interest and compensation related to these relationships.*

***Compensation from Sale of Insurance Products***

Some advisory representatives are also registered as insurance agents of HPO and insurance agents of Herndon Plant Oakley Insurance Agency LC, an affiliated insurance company. The insurance agents receive fees and commissions from the sale of insurance products, and this compensation is in addition to advisory fees charged by HPO to its advisory clients. Receipt of these fees and commissions creates a conflict of interest by giving the advisory representative an incentive to recommend insurance products based on compensation received by the advisory representative, rather than on the client’s needs. We seek to address this conflict of interest by disclosing to clients the receipt of fees and compensation by certain

---

advisory representatives in connection with the sale of insurance products, and insurance products are not included in the assets under management for the computation of advisory fees for any client. *Please refer to Item 10 - Other Financial Industry Activities and Affiliations and Item 14 - Client Referrals and Other Compensation for additional discussion of the conflict of interest and compensation related to these relationships.*

### ***Fee Payment Options***

As indicated in our advisory agreement with you, there are two options you may select to pay for our services:

#### ***Direct debiting (preferred)***

At the inception of the relationship and each quarter thereafter, we will notify your custodian of the amount of the fee due and payable to us through our fee schedule and contract. The custodian does not validate or check our fee, its calculation on the assets on which the fee is based. They will deduct the fee from your account(s) or if you have more than one account from the account you have designated to pay our advisory fees. Each month (or if there is no activity, each quarter), you will receive a statement directly from your custodian showing all transactions, positions and credits / debits into or from your account; the statements after the quarter end will reflect these transactions, including the advisory fee paid by you to us.

#### ***Pay-by-check***

At the opening of your investment account and each quarter thereafter, we issue you an invoice for our services and you pay us by check or wire transfer within 15 days of the date of the invoice.

### ***Valuation***

The valuation of securities and other instruments are generally determined by their last reported sale price on the principal market in which they are traded, if traded on a market for which transaction prices are publicly reported. Otherwise, other readily marketable securities and instruments are valued by the custodian, a pricing service utilized by the custodian or by other equitable means consistent with the fiduciary duty of the money manager to determine a fair market value. Consistent with the above, HPO does value securities for advisory portfolios.

### ***Transaction Costs***

Our advisory fees are exclusive of third-party brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Generally, we charge a Transaction Fee of \$12.00 per transaction, and such charge are disclosed in the investment advisory agreement and agreed to in advance by client.

Clients incur certain charges imposed by custodians, third-party brokers, third party investment manager 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. See also *Brokerage Practices and Referral Arrangements and Other Compensation* for a description of additional compensation received by us and for a description of factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

### ***Termination***

Our relationship with you may be terminated upon 30 days written notice. Since your fee is paid in arrears, no pro-ration of fees will occur upon termination of the agreement, however a final fee will be charged which will be prorated according to the number of days for which we provided our investment advisory services during the current quarter.

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

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) or engage in side-by-side management.

## **Item 7 - Types of Clients**

### ***Overview***

The clients of our Firm and its affiliates, who entrust us with their assets, share the similar investment objectives of achieving consistent investment returns with minimal portfolio risk. We offer portfolio management investment advice to the following types of clients:

- Individuals
- Families
- High net worth individuals
- High net worth families
- Pension and profit-sharing plans (other than participants)
- Charitable organizations
- Trusts
- Estates
- Private foundations
- Retirement plans

### ***ERISA Clients***

With regards to retirement plans that are subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), HPO generally assumes the role of a fiduciary with respect to such

---

ERISA plans. Additionally, the Responsible Plan Fiduciary for ERISA plans will be provided with an ERISA Fee and Services Disclosure pursuant to Section 408(b)(2) of ERISA, prior to the ERISA Plan engaging HPO for advisory services.

### ***DOL Disclosure***

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

### ***Account Minimums***

Client's managed assets shall consist initially of cash and securities with a minimum asset value (as valued by Advisor) of no less than \$50,000 for equity and fixed income portfolios and or \$100,000 for mutual fund portfolios, unless Advisor, in its sole discretion, agrees to accept a Client's managed assets with a lesser value.

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

### ***Analysis Methods***

Security analysis methods utilized by HPO include the following:

#### ***Charting***

Charting analysis seeks to identify resistance and support reference prices for decisions to buy (price hits the support) or sell (price hits the resistance). Through charting, the analysis seeks to identify price patterns and market trends in financial markets. Charting may apply to long-term investing or be used as a market-timing strategy, depending on the timeframe of the price charts. The risk involved in solely using this method is that only past performance data is

---

considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be assuming that past performance will be indicative of future performance and this may not be the case.

### ***Fundamental***

Fundamental analysis maintains that markets may misprice a security in the short run, but that the correct price will eventually be reached by the market. The fundamental analysis of a business involves analyzing a business's financial statements and health, management and competitive advantages, and competitors and markets. When applied to futures and forex, it focuses on the overall state of the economy, interest rates, production, earnings, and management. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

### ***Technical***

Technical analysis maintains that all information is already reflected in the stock price. Technical analysis is a discipline for forecasting the direction of prices through the study of past market data, primarily price and volume. Generally, technical analysis employs models and trading rules based on price and volume transformations, such as the relative strength index, moving averages, regressions, inter-market and intra-market price correlations, business cycles, stock market cycles or, classically, through recognition of chart patterns. The risk with this strategy is that markets do not always follow patterns and relying solely on this method may not work long term.

### ***Cyclical***

Cyclical analysis generally targets cyclical stocks for purchase of equity securities when the ratio of price-to-earnings (P/E Ratio) is low and sell them when the P/E Ratio is high (i.e. when earnings are peaking). The P/E Ratio is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to implement this strategy, it changes the very cycles that they are trying to take advantage of.

## ***Sources of Information***

The main sources of information that HPO uses to analyze these investment strategies is:

- Financial newspapers and magazines
- Research materials prepared by others
- Corporate rating services
- Annual reports, prospectuses, filings with the SEC
- Firm press releases

---

## ***Investment Strategies***

The investment strategies HPO uses to implement any investment advice given to clients includes the following:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Short sales
- Margin transactions
- Option writing, including covered options, uncovered options or spreading strategies

## ***Investment Strategy Risks***

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

### ***General Risks***

***Lack of Diversification:*** Portfolio investments may be concentrated, and diversification may be limited. There are no limits with respect to position sizes. Any assets or combination of assets that can be held in a securities account can be purchased or sold.

***Liquidity:*** The Accounts will be invested in liquid securities. It is possible, however, that securities become less liquid during the holding period.

***Cash and Cash Equivalents:*** Accounts may maintain significant cash positions from time to time and the client will pay the Investment Management Fee based on the net asset value of the Account, including cash and cash equivalents. Furthermore, the Account may forego investment opportunities to hold cash positions if we consider it in the best interests of the Accounts.

***Leverage:*** We may use leverage in investing. Such leverage may be obtained through various means. The use of short-term margin borrowings may result in certain additional risks to Accounts. For example, should the securities pledged to a broker to secure a margin account decline in value, a margin call may be issued pursuant to which additional funds would be required to be deposited with the broker or the broker would require a mandatory liquidation of the pledged securities to compensate for the decline in value. We might not be able to liquidate assets quickly enough to pay off the margin debt and the Accounts can suffer additional significant losses as a result of such default. Although borrowing money increases returns if returns on the incremental investments purchased with the borrowed accounts exceed the borrowing costs for such accounts, the use of leverage decreases returns if returns earned on such incremental investments are less than the costs of such borrowings.

---

***Interest Rate Fluctuation:*** The prices of securities in which the Advisor invests are sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs of borrowed securities and leveraged investments.

***Long term Purchases (securities held at least a year)***

***Liquidity:*** The portfolio may be invested in liquid securities and or illiquid securities. You should be aware that liquid securities may become less liquid during the holding period.

***Short term purchases (securities sold within a year)***

***Market Risks:*** The success of a significant portion of the program will depend, to a great extent, upon correctly assessing the future course of the price movements of the securities traded. There can be no assurance that the trading program will be able to predict accurately these price movements. Additionally, over time, the effectiveness of the trading program may decline, including due to other market participants developing similar programs or techniques.

***Trading (securities sold within 30 days)***

***Market Risks:*** The success of a significant portion of a trading program will depend, to a great extent, upon correctly assessing the future course of the price movements of the securities traded. There can be no assurance that the trading program will be able to predict accurately these price movements. Additionally, over time, the effectiveness of the trading program can decline, including due to other market participants developing similar programs or techniques.

***Trading is Speculative:*** There are risks are involved in trading securities. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument markets and such intervention (as well as other factors) may cause these markets to move rapidly.

***Turnover:*** Our trading activities may be made on the basis of short-term market considerations. The portfolio turnover rate could be significant, potentially involving substantial brokerage commissions, and related transactional fees and expenses.

***Margin Transactions - Leverage:*** We use leverage in investing. Such leverage may be obtained through various means. The use of short-term margin borrowings may result in certain additional risks to Accounts. For example, should the securities pledged to a broker to secure a margin account decline in value, a margin call may be issued pursuant to which additional funds

---

would be required to be deposited with the broker or the broker would require a mandatory liquidation of the pledged securities to compensate for the decline in value. We might not be able to liquidate assets quickly enough to pay off the margin debt and the Accounts may therefore also suffer additional significant losses as a result of such default. Although borrowing money increases returns if returns on the incremental investments purchased with the borrowed accounts exceed the borrowing costs for such accounts, the use of leverage decreases returns if returns earned on such incremental investments are less than the costs of such borrowings.

### ***Options and Other Derivatives***

We purchase or sell options, warrants, equity related swaps or other derivatives that trade on an exchange. Both the purchasing and selling of call and put options entail risks. An investment in an option may be subject to greater fluctuation than an investment in the underlying securities. The effectiveness of purchasing or selling stock index options as a hedging technique depends upon the extent to which price movements in the portion of the Accounts' hedged correlate with price movements of the stock index selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular security, whether an Account realizes a gain or loss will depend upon movements in the level of security prices in securities markets generally rather than movements in the price of a particular security.

### ***Utilization of Alternative Investments***

Alternative investment products, including hedge funds, commodity hedged accounts and managed futures, involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager.

## ***Other Investment Risks***

### ***Mutual Funds and ETFs***

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains, in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a

---

fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### ***Risks Relating to Differing Classes of Securities***

Different classes of securities have different rights as creditor if the issuer files for bankruptcy or reorganization. For example, bondholders' rights generally are more favorable than shareholders' rights in a bankruptcy or reorganization.

#### ***Small Capitalization Issuers***

Such companies may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

#### ***Money Market Funds***

You could lose money in MMFs. Although MMFs classified as government funds (i.e., MMFs that invest 99.5% of total assets in cash and/or securities backed by the U.S government) and retail funds (i.e., MMFs open to natural person investors only) seek to preserve value at \$1.00 per share, they cannot guarantee they will do so. The price of other MMFs will fluctuate and when you sell shares they may be worth more or less than originally paid. MMFs may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits. Moreover, in some circumstances, money market funds may be forced to cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings are liquidated and distributed to the fund's shareholders. This liquidation process could take up to one month or more. During that time, these funds would not be available to you to support purchases, withdrawals and, if applicable, check writing or ATM debits from your account.

---

## **Item 9 - Disciplinary Information**

There is no material information or facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management.

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

### ***Broker-Dealer***

In addition to our investment advisor registration, we are registered as a broker-dealer with the SEC and various state jurisdictions, and a member firm of the Financial Industry Regulatory Authority (“FINRA”). *See Brokerage Practices and Client Referrals and Other Compensation for a discussion of the conflict of interests and compensation related to these relationships.*

### ***Insurance Broker***

HPO is licensed as an insurance broker and agency; however, insurance activities are not generally performed through HPO, but through our affiliate, Herndon Plant Oakley Insurance Agency LC. This licensing is in addition to our registration as a registered investment advisor and broker-dealer. The Firm devotes less than 1% of their time to this activity. Clients are not obligated to use us as their insurance broker or agent or to use any recommended insurance company for any recommended insurance transaction. *See Client Referrals and Other Compensation for a discussion of the conflict of interests and compensation related to these relationships.*

### ***Herndon Plant Oakley Insurance Agency LC***

HPO is affiliated with Herndon Plant Oakley Insurance Agency LC (“HPO Insurance Agency”), which is licensed as an insurance broker and agency in the state of Texas and provides analysis of and recommends the purchase and sale of certain insurance products. HPO Insurance Agency generally receives compensation or other forms of compensation in connection with such sales. HPO devotes less than 1% of its time to this activity. Clients are not obligated to use HPO Insurance Agency as their insurance broker or agent or to use any recommended insurance company for any recommended insurance transaction. *See Client Referrals and Other Compensation for a discussion of the conflict of interests and compensation related to these relationships.*

### ***Springwater Advisors***

Herndon Plant Oakley is affiliated with Springwater Advisors, LLC (“Springwater”) through common ownership and control. Springwater is registered as an investment advisor with the state of Texas. Phillip Plant is the Managing Member and Elizabeth Ragan is the Chief Compliance officer of Springwater Advisors. Phillip Plant provides investment advisory services through both HPO and Springwater; however new clients of Phillip Plant are generally

---

placed on the Springwater advisory platform. To this end, the advisory clients of both firms receive the same advisory services and pay the same fees to minimize any conflict of interest resulting from Phillip Plant providing investment advice through two separate investment advisers.

### ***Oxbow Advisors***

Herndon Plant Oakley is affiliated with Oxbow Advisors, LLC (“Oxbow Advisors”) through common ownership and control. Oxbow Advisors is registered as an investment advisor with the SEC and various state jurisdictions. James Theodore Oakley is the Managing Member of Oxbow Advisors and provides all investment advisory services solely through Oxbow Advisors.

### ***American Bank, N.A.***

We have an arrangement with American Bank, N.A., a national bank association, in which we are engaged in the business of providing investment advisory and brokerage services to the customers of American Bank, N.A. from a shared bank location in Texas. Those services are provided by HPO, utilizing the D/B/A of “*American Investment Services*”.

### ***Other Activities***

HPO and certain of its principal executive officers engage in the following activities:

- As a broker or agent, effecting securities transactions through HPO for compensation for advisory clients of HPO and registered investment advisers, investment managers or sub-advisors who do not otherwise designate another brokerage firm to perform such services.
- As a broker, effecting agency cross transactions through which client securities are sold to or bought from a brokerage customer.
- Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- Buying or selling for securities for its account that it also recommends to clients.

## **Item 11 - Code of Ethics**

### ***General***

We have adopted a Code of Ethics for all of our advisory professionals 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 procedures, among other things. All advisory professionals must acknowledge the terms of the

---

Code of Ethics annually, or as amended. We require transaction confirmation and quarterly reporting. A written copy of our Code of Ethics is available upon request, free of charge, by contacting Elizabeth Ragan.

We anticipate that we will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which we or our affiliates and/or clients, directly or indirectly, have a position of interest. This will only be done in appropriate circumstances, consistent with clients' investment objectives and consistent with our fiduciary duty.

### ***Personal Trading***

HPO and our related persons purchase and sell securities for their own accounts. To prevent conflicts of interest, all employees of HPO must comply with our Code of Ethics, which imposes restrictions on the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons.

Our employees and advisory professionals are required to follow our Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of our Firm and its affiliates trade for their own accounts in securities which are recommended to and/or purchased for our clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of our Firm 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. 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 pursuant to the Code of Ethics to reasonably prevent conflicts of interest between us and our clients.

Certain affiliated accounts trade in the same securities with client accounts on an aggregated basis when consistent with HPO'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. We 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.

### ***Cross Trades***

We may trade agency cross transactions between broker dealer and advisory clients for our investment advisory client to accommodate the needs of our clients by attempting to minimize transaction costs or by providing liquidity with respect to certain securities. An agency cross 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. It is our policy to conduct such transactions to be consistent with our duties to our clients and after prior approval has been obtained from you as required.

### ***Insider Information***

Further, the Code of Ethics and Supervisory Procedures impose certain policies and procedures concerning the misuse of material non-public information that are designed to prevent insider trading by any officer, partner, or associated person of HPO.

## **Item 12 - Brokerage Practices**

### ***General***

We are registered as a broker-dealer with the SEC and various state jurisdictions and a member firm of FINRA. Our broker-dealer activities comprise approximately 70% of our business activities with the remaining 30% estimated to be spent on our investment advisor activities.

We anticipate that we will generally be designated by you as the broker-dealer for the execution of securities transactions which are directed by us; however, you have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us.

### ***Best Execution***

We will seek to obtain the best combination of price and execution for such transactions; however, orders for the execution of transactions in your portfolio through us, while complying with Section 28(e) of the Securities Exchange Act of 1934, may not always be as favorable as those that could be obtained if transactions were executed through another broker-dealer. Additionally, in engaging in cross transactions, we will follow procedures designed to ensure that all parties to the transaction receive at least as favorable a price as would be received if the transaction were executed on the open market.

We have no obligation to seek the lowest commission cost or charge the lowest advisory fee.

### ***Trade Practices***

When we trade the same security in more than one client account, we generally attempt to batch or bunch the trades in order to create a block transaction. Generally, buying and selling in blocks helps create trading efficiencies, prompt attention and desired price execution. We will place all or substantially all transactions to purchase or sell common stocks with your “directed” broker, when applicable. (See the discussion below entitled, “*Directed Brokerage*”). Whenever possible, we will attempt to batch trades for clients who use the same directed brokers in order to create a block transaction.

---

Because each client differs in portfolio size, investment objective, equity exposure and the extent of the relationship with their broker, we do not negotiate commission discounts on the block transaction itself. In making this determination, the portfolio manager may consider a number of factors, including, but not limited to the Client's investment objectives and policies, investment guidelines, liquidity requirements, legal or regulatory restrictions, tax considerations, and the nature and size of the bunched order. You may request additional information on trade aggregation practices by contacting us at the phone number or email at the cover page of this document.

### ***Soft Dollar Arrangements***

Herndon Plant Oakley Ltd. receives from our custodian, Wells Fargo Clearing Services, LLC ("Wells Fargo"), without cost, software and support which allow us to better monitor and service client accounts. We receive software and support without cost because we render investment advisory services to clients that maintain accounts with certain custodians. Soft dollar benefits are not limited to those clients who have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups of clients. Any research and recommendations provided by the executing and clearing broker is used to service all accounts.

### ***Mutual Fund Share Class***

When recommending investments in mutual funds, it is our policy to review and consider available share classes. The Firm's policy is to select the most appropriate share classes based on various factors including but not limited to; minimum investment requirements, trading restrictions, internal expense structure, transaction charges, availability and other factors. When considering all the appropriate factors we attempt to select a share class that is the 'lowest cost' share class so as address our duty to obtain best execution. However, in order to select the most appropriate share class, HPO may select retail, institutional or other structured share classes when appropriate that have a higher cost. Institutional share class mutual funds typically have lower cost than other share classes and generally do not have an associated 12b-1 fee, leading to a lower overall expense ratio than share class A, B, or C shares of the same mutual fund.

## **Item 13 - Review of Accounts**

### ***Account Review***

We review our investment advisory accounts and managed portfolios frequently, and more specific review made no less frequently than annually. We do not have a limitation on the number of client accounts assigned to any particular account officer, nor is there a precise sequence or review schedule. All portfolios are reviewed continuously, rather than periodically. Accounts are reviewed by the following: Brent Holt, Investment Adviser Representative and or Phillip Plant, Partner.

---

## ***Statements***

Reports are furnished to all clients on a quarterly basis. In addition, all clients receive separate monthly accounting reports from their portfolio custodian detailing all cash and asset transactions and activity. In general, meetings with clients are held quarterly or less frequently, according to the stated desires of each client. Reports include an analysis of all assets under management, and current and historical performance. We urge you to carefully review such statements and compare such official custodial records to the account statements that we or your money manager provides to you. Our statements generally vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## ***Trade Errors***

While we will attempt to correct trading errors as soon as they are discovered, we are not responsible for poor executions or trading errors committed by the brokers with whom it transacts, unless such errors resulted from our negligence, fraud or willful misconduct.

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

### ***Client Referrals***

#### ***Vollero***

We had a referral arrangement with Vollero Beach Capital Partners, LLC (“Manager”) and Vollero Beach Associates LLC (“Vollero”) to introduce or refer prospective investors to the Manager, Vollero or each of the private investment funds. We receive compensation for such prior referrals as agreed upon in writing, and disclosed to the respective clients; however, clients are no longer referred to Vollero.

#### ***Salient Advisors***

We have a referral arrangement with Salient Advisors, L.P. (“Manager”) and Salient Partners, L.P. (“Salient”) to introduce or refer prospective investors to the Manager, Salient or each of the private investment funds. We will receive compensation for such referrals as agreed upon in writing and disclosed to the respective clients.

#### ***Chilton Capital***

We have a referral arrangement with Chilton Capital. We will receive compensation for such referrals as agreed upon in writing and disclosed to the respective clients.

#### ***Cleveland Capital Management***

We have a solicitation arrangement with Cleveland Capital Management, LLC (the “Managing Member”), the managing member of Cleveland Capital, L.P. (the “Cleveland Capital Fund”) in which we are acting as a non-exclusive solicitor. We will receive a solicitation fee for such referrals that is payable from the advisory fees earned by the Managing Member

---

from its management of the Cleveland Capital Fund. Such solicitor fee is disclosed to the respective advisory clients at the time such clients subscribe for an interest in the Cleveland Capital Fund. The value of the Cleveland Capital fund will not be utilized to compute advisory fees paid to HPO by the respective advisory clients, nor will the solicitor fee that is paid to HPO by the Managing Member result in higher advisory fees paid by the client to the Managing Member for its management of the Cleveland Capital Fund.

## ***Compensation***

### ***Broker-Dealer Activities***

In our capacity as a broker-dealer, HPO is generally used to execute portfolio transactions for investment advisory clients at the discretion of the client. These transactions will be conducted subject to proper, and customary, disclosure including but not limited to compensation received by us and the Associated Person. Compensation is received by us, as a broker-dealer, when portfolio transactions are effected on behalf of our investment advisory clients by either us or your third-party money manager. Therefore, HPO generally receives compensation as a result of acting in one or both capacities. To that end, advisory professionals generally charge an advisory fee and a transaction fee. This creates a conflict of interest as there is an incentive for advisory professionals to recommend securities based on the brokerage compensation received, rather than on your needs. Notwithstanding such conflict of interest, we address our fiduciary duty by making recommendations only where it is the best interest of clients, after consultation with the client, charging a nominal transaction fee on transactions (*See Item 5, Fees and Compensation – Transaction Costs*) and utilizing no-load mutual funds on investment portfolios managed directly by HPO. Finally, it should be noted that the transaction costs are in addition to the advisory fee charged to you, and they do not offset the advisory fees paid for the management of your investment portfolio.

### ***Insurance Agency Activities***

HPO is licensed as an insurance agency in the state of Texas. Additionally, some advisory professionals are licensed insurance agents through us or Herndon Plant Oakley Insurance Agency LC in the state of Texas and have contracts and or appointments with various insurance companies. To the extent insurance products are purchased thorough us, our affiliate Herndon Plant Oakley Insurance Agency LC, or our advisory professionals by advisory clients, the Advisory Professional(s) and HPO will be paid a commission by the insurance company who issues the policy. This creates a conflict of interest as there is an incentive for them to recommend insurance products based on the compensation received, rather than on your needs. Notwithstanding such conflict of interest, we address our fiduciary duty by utilizing insurance products only where it is the best interest of clients, and after consultation with the client.

---

### ***Mutual Funds Charges***

To the extent mutual funds are utilized by third-party managers, and such mutual funds are purchased through us, we may receive distribution and Rule 12b-1 fees from the issuers of such mutual funds, and this would be in addition to the advisory fee paid to such third-party manager. To the extent HPO directly manages your investment portfolio, and we recommend mutual funds for your portfolio, those mutual funds will be in no load mutual funds that do not pay 12b-1 fees. You are advised that, in addition to the annual advisory fee set forth above, some mutual funds in which assets are invested can incur separate other related expenses.

### ***Cash and Money Market Funds***

If an investment advisory client utilizes us as the broker-dealer, our selection of money market mutual funds, or comparable investments in which to hold cash reserves in your account is limited to certain investments. The selection includes money-market, municipal money-market and government money-market funds, and the issuers of funds pay us a distribution fee in our capacity as a broker-dealer. This compensation is in addition to other fees, etc. received from client accounts.

Additionally, cash balances arising from the sales of securities, redemption of debt securities, dividend and interest payments and funds received from clients are invested automatically on a daily basis. When securities are sold, funds are deposited on the first business day after settlement date. Funds placed in a client's account by personal check usually will not be invested until the second business day following the day that the deposit is credited to the client's account. Due to the foregoing practices, we may obtain federal funds prior to the date that deposits are credited to client accounts and thus realize some economic benefit because of the delay in investing these funds. Where an unaffiliated broker-dealer or other entity acts as custodian of the client's account assets, we have no control over the manner in which the cash reserves will be handled. The client and/or custodian will make that determination. This compensation is historically minimal in relation to all other compensation earned by us.

### ***Margin Loans***

Should you utilize Wells Fargo Clearing Services LLC (Wells Fargo) for margin loan financing, we will receive interest sharing compensation related to such margin loans.

## **Item 15 - Custody**

### ***Selection of Custodian***

In our capacity as a broker-dealer, we clear our securities transactions on a fully disclosed basis through Wells Fargo. As a result of that relationship, Wells Fargo Clearing Services LLC (Wells Fargo) is the custodian for our clients electing to use our trade execution platform and as such, Wells Fargo holds all customer funds and/or securities on behalf of our clients and customers,

---

and as a customer of ours, you are deemed a brokerage customer for purposes of the Securities Investor Protection Act.

Wells Fargo was selected as the executing and clearing broker based upon, among other things, its financial solvency and credibility, its level of customer service, its trade execution capability, its managed account trading desk and its reputation.

You will be required to pay custodian fees and will incur brokerage and other transaction costs in the course of our management of your accounts. *See Item 12 - Brokerage Practices, Item 10 - Other Financial Industry Activities and Affiliations, and Item 14 - Client Referrals and Other Compensation for a discussion of how we make brokerage decisions that affect client accounts and the related compensation we earn.*

### ***Invoicing***

HPO is deemed to have custody of the funds and securities due to its authority to make withdrawals from client accounts to pay its advisory fee. However, a surprise examination is not required because HPO has written authorization from each client to deduct advisory fees from the account held with the qualified custodian and each time a fee is directly deducted from a client account we send the qualified custodian an invoice or statement of the amount of the fee to be deducted from the client's account.

### ***Statements***

You should receive at least quarterly statements from the broker dealer, bank or other qualified custodian(s) that holds and maintains your investment portfolio assets. We urge you to carefully review such statements and compare such official custodial records to the account statements that we or your money manager provides to you. Our statements vary from custodial statements due to accounting procedures, settlement versus trade date reporting and other reporting format issues.

## **Item 16 - Investment Discretion**

### ***Discretionary Authority***

We usually receive discretionary authority from you at the outset of an advisory relationship. That discretionary authority allows us to make determinations regarding the securities that are to be bought and sold, as well as the quantities of such securities.

### ***Documentation of Discretion***

Discretionary authority is provided in our contract with each client. Additionally, we maintain a Limited Power of Attorney for all our discretionary accounts for the purpose of directing and or

---

effecting investments, for the direct payment of fees and or the payment of commissions, custodial fees and or other charges incurred by the managed account.

### ***Discretionary Management***

In all cases, however, such our discretion is to be exercised in a manner consistent with the stated investment objectives for the particular account. Thus, when selecting securities and determining amounts, we observe the investment policies, limitations and restrictions of the clients for which it advises. Additionally, in many cases, the discretion is subject to mutually agreed upon investment guidelines relative to the client's portfolio.

Client investment guidelines may or may not limit the scope of potential investments. As a result, clients can impose restrictions on investing in certain securities or types of securities. Within client guidelines and instructions, our advisory professionals make decisions as to the nature and quantity of securities to be bought or sold. Investment guidelines and restrictions must be provided to our Firm in writing.

### **Item 17 - Voting Client Securities**

As a matter of Firm policy and practice, we do not have any authority to and do 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. We may provide advice to clients regarding the clients' voting of proxies. Clients receive their proxies directly from the custodian of their account or from a transfer agent. Please contact your custodian or transfer agent with any questions.

### **Item 18 - Financial Information**

We are required to provide you with certain financial information or disclosures about financial condition which would impede our ability to provide the advisory services described herein. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

---

## **Item 19 – Requirements or State Registered Advisors**

### ***Principal Executive Officer and Management Persons:***

#### ***Russell “Brent” Herndon, Limited Partner***

Received a B.S. in Industrial Distribution from Texas A&M University in 2000.

His business experience includes:

Herndon Plant Oakley Ltd., Limited Partner / Principal from 01/1998 - present

Herndon Plant Oakley Inc., Partner, from 10/1998 to Present

Herndon Plant Oakley Insurance Agency LC, Partner, from 11/2001 to Present

#### ***Phillip “Phil” M. Plant, Limited Partner***

Received a BBA in Economics from St. Mary’s University in 1970.

His business experience includes:

Herndon Plant Oakley Ltd., Limited Partner / Principal, from 01/1998 to Present

Herndon Plant Oakley Insurance Agency LC / Partner, from 11/2001 to Present

Springwater Advisors, LLC, Managing Member, from 03/2009 to Present

Herndon Plant Oakley Inc., Partner, from 10/1998 to Present

#### ***James “Ted” Oakley, Limited Partner***

Received a BBA from Texas Tech University in 1974.

His business experience includes:

Herndon Plant Oakley Ltd., Limited Partner / Principal from 01/1998 – present

Herndon Plant Oakley Inc., Partner, from 10/1998 to Present

Herndon Plant Oakley Insurance Agency LC / Partner, from 11/2001 to Present

Oxbow Advisors, LLC, Principal Owner, Managing Member from 10/2007 to present

American Bank, Director from 03/2005 to present

#### ***Elizabeth “Beth” Ragan***

She studied at St. Petersburg College in St Petersburg, Florida and her business experience includes:

Herndon Plant Oakley Ltd., Managing Director /CCO from 08/1998 - present

Springwater Advisors, LLC, CCO from 03/2009 to present

Oxbow Advisors, LLC, Partner from 02/2011 to present

### ***Other Business Activities***

Our investment professionals engage in other business activities besides providing investment advice through HPO. See Item 10 - Other Financial Industry Activities and Affiliations, and the Brochure Supplements for additional information on those other business activities of our investment professionals. The other business activities of our investment professionals account for approximately 50% of their time.

---

### ***Legal and Disciplinary Issues***

In addition to the information provided herein by HPO on its advisory business, officers and management, and other business activities, we are required to disclose all material facts regarding whether we or a management person of ours has:

- An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving: (i) an investment or an investment-related business or activity; (ii) fraud, false statement(s), or omissions; (iii) theft, embezzlement, or other wrongful taking of property; (iv) bribery, forgery, counterfeiting, or extortion; or (v) dishonest, unfair, or unethical practices.
- An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following: (i) an investment or an investment-related business or activity; (ii) fraud, false statement(s), or omissions; (iii) theft, embezzlement, or other wrongful taking of property; (iv) bribery, forgery, counterfeiting, or extortion; or (v) dishonest, unfair, or unethical practices.

There is no material information or facts regarding any legal or disciplinary events that would be material to your evaluation of the above-mentioned persons, with the exception of James Oakley. With respect to Mr. Oakley settled (i) a NASD action in December 1989 alleging violations of Article III, Section 1 of the Rules of Fair Practice in that Mr. Oakley engaged in private securities transactions outside the scope of his employment with Rotan Mosle, Inc. without prior written notification thereof to his employer in contravention of the Board of Governors interpretation with respect to private securities transactions. Mr. Oakley was censured, fined \$16,000.00 and assessed costs of \$930.27; and (ii) settled an arbitration action in May 1999 for \$50,000.00 with the mutual understanding that this was a resolution of a disputed claim with no attribution of fault to Dain Raucher Incorporated of its broker, Mr. Oakley.

### ***Professional Liability Insurance***

HPO does not maintain professional liability insurance coverage covering our investment advisory.

## **Item 20 - Other Information**

### ***Privacy Policy Summary***

At HPO, we do not disclose nonpublic personal information about our individual clients or former clients except as permitted by law. We restrict access to nonpublic personal information about you (that we obtain from your account and your transactions) to those employees who need to know that information to provide products or services to you or to alert you to new, enhanced or improved products or services we provide. We maintain physical, electronic and

---

procedural safeguards that comply with federal standards to safeguard your nonpublic personal information.

### ***Business Continuity Plan***

HPO has developed a Business Continuity Plan to address how the Firm will respond to events that may disrupt its business. Since timing and impact of disasters is unpredictable, the Firm will have to be flexible in responding to the events as they occur.

If after a significant business disruption, you cannot contact us as you usually do at 361-888-7611 or 1-800-888-4894 or [bragan@hpo.com](mailto:bragan@hpo.com), you should call our alternative number 512-386-1088 or go to our web site at [www.hpo.com](http://www.hpo.com). If you cannot access us through either of those means, you should contact our clearing firm, Wells Fargo, at 800-727-0304 or on the internet at <https://www.wellsfargoclearingservicesllc.com/index.htm> for instructions on how it provides custody services, order execution, order comparison, order allocation, access to customer funds and securities, and clearance and settlement services.

This Plan is designed to permit our Firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption. The Business Continuity Plan covers data back-up and recovery, mission critical systems financial and operational assessments, alternative communications, alternate business locations, bank and counter-party impact, regulatory reporting and the assurance of prompt access to funds and securities for our customers.

Varying Disruptions – Significant business disruptions can vary in their scope, such as emergencies affecting only a single building housing our Firm, the business district where our Firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our Firm or a building housing our Firm, we will transfer our operations to an emergency-ready local site, moving a select group of trained employees and expecting to recover and resume business within four hours. In a disruption affecting our business district, city, or region, we will move appropriate staff to a site outside of the affected area to be able to communicate with the custodian(s) on behalf of our clients. In either situation, we plan to continue in business, transferring operations to our clearing firm(s) if necessary.