

Form ADV Part 2A

March 26, 2012

Item 1 – Cover Page

Pin Oak Investment Advisors, Inc.

SEC File Number: 801 – 35858

510 Bering, Suite 100

Houston, TX 77057

713-871-8300

www.pinoak.com

Contact: Barrett Rouse, Chief Compliance Officer

This brochure provides information about the qualifications and business practices of Pin Oak Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact Pin Oak at 713-871-8300. The information in this brochure has not been approved or verified by the United States Securities Exchange Commission or by any state securities authority, nor does registration imply a certain level of skill or training. Additional information about Pin Oak Investment Advisors is also available on the SEC's website at www.advisorinfo.sec.gov.

Item 2 - Statement of Material Changes – This is an updated ADV Part 2A for 2012 in accordance with our annual filing requirement. It contains no material changes from the previous version.

Item 3 - Table of Contents

1) Cover Page -----	1
2) Material Changes -----	1
3) Table of Contents -----	2
4) Advisory Business Summary-----	3
5) Fees and Compensation -----	5
6) Performance-Based Fees-----	6
7) Types of Clients -----	7
8) Methods of Analysis, Investment Strategies and Risk of Loss-----	8
9) Disciplinary Information -----	8
10) Other Financial Industry Activities and Affiliations -----	9
11) Code of Ethics, Participation or Interest in Client Transactions and Personal Trading-----	9
12) Brokerage Practices -----	10
13) Review of Accounts-----	14
14) Client Referrals and Other Compensation -----	15
15) Custody-----	15
16) Investment Discretion -----	16
17) Voting Client Securities -----	16
18) Financial Information -----	17

Item 4 - Advisory Business Summary

- A. Pin Oak Investment Advisors, Inc. (the “Company”) is a corporation located in Houston, TX and was founded by Barrett Rouse, its principal owner, in 1989.
- B. Investment Management Services - The Company provides discretionary investment services to its clients based on the individual needs and objectives of each client. The Company may also offer financial planning and general consulting services. Investment solutions may include any of the following based on what is most appropriate for the client:
- Individual stocks
 - Corporate bonds
 - Municipal bonds
 - Mutual Funds
 - United States Government Securities
 - Partnerships that own real estate, oil or gas securities
 - Partnerships that own hedge funds
 - Certificates of Deposit
 - Warrants
 - Options
 - Foreign Securities

The Company may rarely invest in other types of securities not listed above and may exclude certain securities or security types per client request or based on client’s individual situation.

Financial Planning and Consulting - The Company also offers financial planning and general consulting services on a fee for service basis as described below (see Item 5).

The Company may also recommend the services of other professionals like attorneys, accountants, insurance agents, lenders, bankers, etc. when warranted. The client is not obligated to act on such a recommendation and has sole authority in all such third-party professional relationships. Clients are encouraged to investigate and determine on their own whether or not to accept any such recommendation.

Pin Oak Premier Select - The Company also serves as investment manager and general partner to Pin Oak Premier Select Fund, LP (POPS), a Delaware limited partnership. POPS is offered to eligible clients by means of private placement memoranda. The Company manages POPS in accordance with the investment objectives and policies set forth in the offering memorandum.

The primary objective of POPS is to preserve and grow capital through opportunistic investments in private hedge funds, public securities, and to lesser extent private securities.

The Company may recommend that qualified clients invest in POPS as a part of their investment portfolio. Such recommendations will only be on a non-discretionary basis. Clients are not obligated to invest in POPS, nor are other services conditional upon their participation in POPS. A comprehensive set of terms and conditions for investing in POPS are described in the fund's offering memorandum and subscription documents. POPS investors may withdraw all or part of their capital account balance at the end of each calendar quarter provided that they have held their investment for at least one year and have provided 90 days advanced notice.

Private investment funds (like POPS) involve additional risks that are disclosed in the private placement documents. Among these risk factors are limited liquidity (see also withdrawal conditions above), the potential for significant loss of capital, decreased transparency, and a lack of daily pricing on the underlying investments. Thus, POPS is not appropriate for all clients nor will all clients be qualified or eligible for an investment in POPS. Clients choosing to invest in POPS must be willing to accept these risks.

- C. The Company tailors its investment advisory services to the needs of each client. Before advising a client, an advisor representative will speak with the client to determine their needs, objectives and circumstances before advising them in a manner consistent with that discovery. The Company may exclude certain securities or types of securities per a client's request.
- D. The Company does not participate in wrap fee programs.
- E. The Company had approximately \$160,000,000 in assets under management on a discretionary basis and \$0 in assets under management on a non-discretionary basis as of December 31, 2011.

Item 5 - Fees and Compensation

- A. Management Fees - The Company provides its investment management services on a fee-only basis. That fee is an annual fee (divided and charged quarterly) based on a percentage of the market value of the assets managed for each client as described below:

Market Value of Portfolio	Annual Fee (%)
First \$500,000	1.25%
\$500,000 - \$2 Million	1.0%
\$2 Million - \$5 Million	0.8%
Over \$5 Million	0.6%

* In addition to the asset-based fee above, each client is charged an annual administration fee of \$250.

The Company's annual fee includes investment management services on the enrolled assets. The Company may also furnish advice to clients on matters not involving securities, offer financial planning services to its clients, and provide general consulting services for its clients upon request. In most circumstances, these services are provided to the Company's clients without charge. In the event such services require an inordinate amount of time, as determined by the Company, a negotiated fixed fee or hourly fee will be charged as described below.

Performance-Based Fees – see Item 6

Fee for Service - The Company may also choose to furnish financial planning services and general consulting services on a fee for service basis. Such fees generally range from \$1000 to \$5000 on a fixed fee basis, and from \$50 to \$250 on an hourly rate basis, depending on the nature and complexity of the services provided. Specific terms of any stand-alone service will be established in advance and agreed upon in a Financial Planning and Consulting Agreement. Financial planning clients are billed when the financial plan is presented to the client. Fees are due and payable upon the receipt of the bill. A retainer fee may be required at the outset of such an engagement.

- B. Fees are normally deducted directly from the managed accounts by the custodian, and then remitted to the Company. Where this is not possible, the Company will bill the client

directly. Billing is conducted quarterly after the end of each quarter, and calculated based on the market value on the last business day of the quarter.

- C. Brokerage charges charged by the broker-dealer are not included in the Company's fee. These may include brokerage costs, commissions, transaction fees, mutual fund fees and custodian fees. The Company can sometimes help reduce these expenses by combining the orders of several clients into a single transaction and splitting the cost accordingly. As a fee-only provider, the Company does not receive any portion of these fees.
- D. The Company charges fees at the end of each quarter after they are earned. If the advisory contract is terminated in writing before the end of the billing period, only the pro-rata portion will be charged based on the number of days services were provided. Since management fees and any profit-based allocation charged to an investor's account are charged in arrears, they are not refundable.
- E. Neither the Company nor its representatives accept compensation or commissions from the sale of securities or other investment products.

Item 6 - Performance-Based Fees

The Company may enter into performance-based fee arrangements with certain clients as appropriate. To qualify for a performance-based fee arrangement, a client must either demonstrate a net worth of at least \$1,500,000 or must have at least \$750,000 under management immediately after entering into a management agreement with us. Performance-based fees will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisors Act of 1940 and/or applicable state regulations. The fees will not be offered to any client residing in a state in which such fees are prohibited. For qualified clients who prefer a performance-based fee structure rather than a fixed-rate fee, Pin Oak may offer alternate fee arrangements as follows:

Alternative Fee Schedule #1: Hybrid Fee

For qualified clients opting for the Hybrid Fee schedule, the Company receives management fees of 0.1% of the client's account balance at the end of each quarter. The Company also receives a quarterly profits-based allocation equal to 3.75% of the clients' quarterly net profit subject to a high water-mark. These fees are in place of, not in addition to, the asset-based fee detailed in Item 5.

Alternative Fee Schedule #2: Performance fee

For qualified clients opting for the Performance Fee, the Company receives a quarterly profits-based allocation equal to 6.25% of the clients' quarterly net profit subject to a high water-mark. This fee is in place of, not in addition to, the asset-based fee detailed in Item 5.

POPS Fee Schedule

This fee arrangement is for qualified investors in POPS. POPS is offered to eligible clients by means of private placement memoranda. For qualified clients investing in POPS, the Company receives management fees of 0.25% of each partner's capital account balance at the beginning of each quarter. The Company also receives an annual profits-based allocation equal to 10% of each partner's annual net profit subject to a high water-mark. These fees are in place of, not in addition to, the normal investment management fees detailed in Item 5.

Clients should be aware that performance-based fee arrangements may create an incentive for us to recommend investments which may be riskier, more speculative, or even more conservative than those which would be recommended under a different fee arrangement. Furthermore, since not all clients participate in a performance-based fee arrangement, we may have an incentive to favor or disfavor accounts that do pay such fees. The client must understand the performance-based fee method of compensation and its risks prior to participation. For POPS investors, this conflict is mitigated by the fact that assets managed on a fixed fee basis are managed independently from POPS. For other qualified investors this risk is mitigated by setting the performance-based fee structures at levels that are not anticipated to be excessive, but consistent with the increased risk of periods of lost revenue to the Company. Management fees charged to an investor's account are not refundable.

Item 7 - Types of Clients

The Company provides investment advice primarily for clients with a minimum of \$750,000. The Company's clients generally include the following:

- Individuals
- Retirement plans
- Trusts
- Estates
- Charitable organizations
- Business entities

The Company's minimum dollar amount for new clients can be raised or lowered at the sole discretion of the Company.

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

A. Methods of Analysis -

The Company uses primarily fundamental and cyclical analysis to choose securities for investment. Fundamental analysis is a method of security evaluation that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and forecasted future prospects. The goal of these forecasts is to both identify investments priced lower than the Company believes they should be, and identify a catalyst for their continued growth. Cyclical analysis is the examination of historical trends in prices, forces, and indicators and their relationship to one another, and then applying the result to make forecasts. These forecasts are used with the goal of adjusting for the risk and opportunities of the current environment.

The Company primarily uses a strategy of Long Term Purchases (where securities are held at least one year.) The Company retains the right to utilize Short Term Purchases, Short Sales, Margin Transactions, and Options strategies as warranted.

B. While the Company's methods of analysis and investment strategies do not present any unusual risks, every method of analysis has inherent risks. Our securities analysis methods rely on the assumption that companies, rating agencies, and other publicly available sources of information provide accurate data. There is the possibility that our analysis may be compromised by inaccurate or misleading information. There are also no assurances that our forecasts will be correct or will lead to the desired results.

The Company's primary investment strategy - Long Term Purchases - is a fundamental investment strategy. As the name suggests, longer term investment strategies require longer time horizons, and accurate longer term forecasts can be more challenging to achieve.

The Company does not primarily recommend a particular type of security, instead opting for a diversified investment approach utilizing various equities, bonds, mutual funds and/or exchange traded funds, and hedge funds via the previously described partnership (POPS).

Item 9 - Disciplinary Information

The Company has no reportable disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

- A. Neither the Company nor its management persons are registered, or have an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- B. Pooled Investment Vehicle – As disclosed above, the Company serves as investment manager and general partner to a private pooled investment vehicle: Pin Oak Premier Select (POPS). The Company and its affiliates may have financial interests in POPS. Affiliates of the Company intend to maintain significant investments in POPS.
- C. The Company does not receive compensation directly or indirectly from investment advisors that it recommends or selects for clients.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- A. The Company has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest. That code contains the Company's policies and procedures intended to ensure that all activity, including trading, by its employees avoids potential conflicts of interest. The code is also intended to avoid abuse of the Company's position of trust and responsibility toward its clients, as well prevent misuse of material non-public information. A copy of the code is available to any client or prospective client if requested.
- B. As disclosed above, the Company serves as investment manager and general partner to a private pooled investment vehicle: Pin Oak Premier Select (POPS). The Company and its affiliates may have financial interests in POPS. In general, affiliates of the Company intend to maintain significant investments in POPS.

POPS may co-invest with third parties or otherwise participate in pooled investment vehicles with others if the Company determines that such investments or arrangements represent the best way to access a particular investment opportunity. Partners of POPS or affiliates of the Company may manage or have direct investments in these pooled investments as well. Additionally, POPS may invest in private securities in which investors in POPS serve as board members, officers, employees, or investors. These relationships may create a real or perceived conflict of interest between the Company and its clients. However, potential conflicts of interest are mitigated by the fact the affiliates of the Company and POPS partners do not receive any fees or compensation from POPS from their involvement in these investments. Additionally, with respect to any private investment, affiliates of the Company and partners of POPS that are directly involved in these specific investments do

not receive any benefits relative to the other partners in POPS. Yet in transactions involving several related parties, the Company could have a real or perceived conflict of interest.

- C. The Company and its related persons may buy or sell securities the Company also recommends for clients. The securities the Company purchases and sells usually trade enough volume that the Company does not reasonably expect its orders for itself or its related persons to have a noticeable impact on the price of the securities. Nonetheless, the Company and its related persons do not place orders for themselves ahead of client orders, nor are their investments in those securities inconsistent with the advice the Company provides to clients. The Company has a written policy in place to monitor transactions of its related persons to identify and avoid abusive practices such as front-running and scalping which could negatively impact the value of a client's investments.
- D. The Company and its related persons may buy or sell securities the Company also recommends for clients at or about the same time that the Company or its related persons buy or sell the same security. As mentioned above, the securities the Company purchases and sells usually trade enough volume that the Company does not reasonably expect its orders for itself or its related persons to have a noticeable impact on the price of the securities. Nonetheless, the Company and its related persons do not place orders for themselves ahead of client orders, nor are their investments in those securities inconsistent with the advice the Company provides to clients. The Company has a written policy in place to monitor transactions of its related persons to identify and avoid abusive practices such as front-running and scalping which could negatively impact the value of a client's investments.

Item 12 - Brokerage Practices

- A. The Company allows its clients to determine where to custody their assets, and as such must direct the Company as to which broker-dealer to use.

The Custodian and Brokers - The Company does not maintain custody of client assets although it may be deemed to have custody of your assets if you grant authority to withdraw assets from your account (see *Item 15 – Custody*, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. The Company may request that clients direct us to use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. The Company is independently owned and operated and is not affiliated with Schwab. The custodian will hold your assets in a brokerage account and buy and sell securities when instructed to. While most of the Company's clients use Schwab, you will decide whether to do so and will open your account with a custodian by entering into an account agreement directly with them. The Company does not open the account for you, but may assist you in doing so. Even though your account is maintained at a particular custodian, the Company can still use other brokers to execute trades for your account as described below (see “*Your Brokerage and Custody Costs*”).

How Brokers/Custodians are Selected - The Company seeks to use a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. Considered are a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to the Company and other clients
- Availability of other products and services, as discussed below (see *“Products and Services Available From Schwab”*)

Your Brokerage and Custody Costs - For clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. This commitment benefits you because the overall fees you pay are lower than they would be otherwise. In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that is executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, Schwab executes most trades for your account. The Company has determined that having Schwab execute most trades is consistent with the duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *“How Select Brokers/Custodians are Selected”*).

Products and Services Available From Schwab - Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms. They provide the Company and its clients with access to its institutional brokerage— trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help the Company manage or administer clients' accounts, while others help manage and grow the business. Schwab's support services generally are available on an unsolicited basis (The Company doesn't have to request them) and at no charge as long as clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If clients collectively are less than \$10 million in assets at Schwab, Schwab may charge the Company quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services.

Services That Benefit You - Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which you might not otherwise have access or that would require a significantly higher minimum initial investment by clients. These services are used to service all of the Company's clients and are not directly allocated based on which accounts paid the commissions. Schwab's services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You - Schwab also makes available other products and services that benefit the Company but may not directly benefit you or your account. These products and services assist in managing and administering clients' accounts. They include investment research, both Schwab's own and that of third parties. Such Research may be used to service all or a substantial number of clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of fees from clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only The Company - Schwab also offers other services intended to help manage and further develop business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide other benefits, such as occasional business entertainment of our personnel.

Examples of services used by the Company provided by or through brokers are:

- Trade execution
- Financial data
- Pricing data
- Access to analysts
- Written research (proprietary and third party)
- Portfolio management tools
- Industry guidance

Interest in Schwab's Services - The availability of these services from Schwab is a benefit because the Company does not have to produce or purchase them, nor have to pay for Schwab's services so long as clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. The \$10 million minimum may create an incentive to recommend that you maintain your account with Schwab, based on an interest in receiving Schwab's services that benefit the Company's business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. The Company believes, however, that the selection of Schwab as custodian and broker is in the best interests of clients. This selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How Brokers/Custodians are Selected*") and not Schwab's services that benefit only the Company. The Company has \$160 million in client assets under management, and does not believe that collectively maintaining at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

Brokerage Client Referrals - The Company receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through participation in their Schwab Advisor Network ("SAN"). SAN is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with the Company. Schwab does not supervise the Company and has no responsibility for the Company's management of clients' portfolios or other advice or services. The Company pays Schwab fees to receive client referrals through SAN. Participation in SAN may raise the potential for conflicts of interest discussed below.

The Company pays Schwab a fee on all referred client accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to another custodian. The Participation Fee paid by the Company is a percentage of the value of the assets in the client's account. This fee is paid to Schwab for so long as the referred client's account remains in custody at Schwab. The Participation Fees are billed to the Company quarterly and may be increased, decreased or waived by Schwab from time to time. This fee is paid by the Company and not by the client. The Company charges clients referred through SAN a fee that is no higher than similar clients not referred through SAN.

The Company pays Schwab a Non-Schwab Custody Fee if a referred client's account is not maintained at or is transferred from Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. This only applies if the decision to move the assets was not solely the client's decision. This Non-Schwab Custody Fee would be paid by the Company, not the client, and is a one-time fee. This fee is greater than the Participation Fee that the Company would normally pay in a full year, so the Company has a disincentive from recommending a client move their assets from Schwab.

The Participation and Non-Schwab Custody Fees are based on the amount of assets in accounts of clients of the Company who were referred by Schwab and those referred clients' family members living in the same household. Thus the Company will have incentives to encourage household members of clients referred through SAN to maintain custody of their accounts at Schwab.

- B. The Company may aggregate clients' trades when placing an order for the same security for multiple clients at the same time. This means the Company may place a single order for all the shares which are then properly allocated among the individual accounts. When possible, this reduces the transaction cost for clients since a single transaction fee is charged and each client only pays their pro rata share. The per-share price will be averaged and allocated among the accounts proportionately.

Item 13 - Review of Accounts

- A. The Company's representatives review client accounts on an ongoing basis, and recommend an audience with each client quarterly to review the portfolio. Portfolio reviews include an examination of the portfolio's diversification and the composition of the individual holdings that comprise it. This includes a judgment as to the appropriateness of the portfolio for the client's objectives and circumstances as most recently conveyed to the Company's representative by the client. It is the client's responsibility to notify the Company's representative if there are any material changes in their circumstances.
- B. The frequency of reviews may be effected by the strategy being used, market conditions, and triggering events in a portfolio. Securities the Company recommends are continually monitored as to news, price changes, change in fundamentals and any other material changes in the security. Changes in a security or changes in the Company's outlook on a security may trigger a review of the client portfolios. A few examples of events that could trigger a portfolio review by a representative or analyst are:
- News on an investment the Company recommended
 - Significant price movement over a period of time
 - Abrupt and notable price movement of a security
 - A change in expectations for the market
 - A change in expectations or the direction of interest rates
 - A notable newsworthy event
 - A change in law or political climate
 - An event or news regarding a debt issuer
 - A change in client goals or circumstances

- C. In addition to the account statements issued directly to clients by the custodian(s) of the assets, the Company issues a quarterly written statement and letter detailing the clients' holdings, performance, and current commentary on the market.

Item 14 - Client Referrals and Other Compensation

- A. The Company receives an economic benefit from Schwab in the form of support products and services it makes available to independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit advisors, and the related conflicts of interest are described above (see Item 12). The availability of Schwab's products and services is not based on the Company giving particular investment advice, such as buying any particular securities for clients.

As stated above, the Company receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through their Schwab Advisor Network ("SAN"). SAN is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with the Company, which pays Schwab fees to receive client referrals through SAN. The Company's clients do not pay more for investments transactions or assets maintained at Schwab as a result of this arrangement. The clients do not pay more to the Company under this arrangement than would any similar client of the Company that was not referred via SAN. There is no commitment or enticement for the Company to invest any specific amount or percentage of client assets in any particular securities, funds or other investment vehicles as a result of participation in this program.

The support and services received by the Company from Schwab are the same for clients custodied at Schwab regardless of whether they were referred via SAN.

- B. Neither the Company nor its representatives directly or indirectly compensate any person who is not a supervised person of the Company, for client referrals.

Item 15 - Custody

Under government regulations, the Company is deemed to have custody of your assets if, for example, you authorize the Company to instruct Schwab to deduct advisory fees directly from your account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. You are also urged to compare Schwab's account statements to the periodic portfolio reports you will receive from the Company.

Item 16 - Investment Discretion

The Company exercises discretionary authority to manage securities accounts on behalf of its clients. In order to assume this authority, the client signs an Investment Advisory Agreement and a Power of Attorney granting the Company's representatives the ability to place trades and make inquiries on their behalf. Per request of a client, the Company can also assume limited withdrawal authority. This allows the Company to request funds be payable to and delivered directly to the client or directly to another account also owned by the same client. In both cases, the payee or receiving account must also be in the name of the client. The client may request to restrict, within reason, purchases or sales of specific securities or security types in their account.

Item 17 - Voting Client Securities

Proxy Voting Requirement – The Company's standard investment management agreement does not grant it authority to vote by proxy on clients' behalf. Unless delegated this authority in writing, each client maintains exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. The Company has accepted authority from many of its clients to vote by proxy for them when requested in writing. Clients are responsible for instructing each custodian of the assets, to whom they should forward copies of all proxies and shareholder communications relating to the client's investment assets.

Proxy Voting Policy – The Company has a written policy for voting on behalf of clients. This Proxy Voting Policy helps ensure that client interests are served in the best way possible when voting by proxy for you.

Requesting a copy of the Policy - To obtain a copy of our Proxy Voting Policy, send us a written request: 510 Bering, Suite 100, Houston, TX 77057

Issues on Which We Vote

The Company votes by proxy on these kinds of issues:

- Routine
 - Examples:*
 - o Election of officers
 - o Ratification of outside auditors
- Non-routine

In cases where the Company's total share holdings in the affected company are very small (less than or equal to one-half of one percent of shares outstanding), it may opt to vote as recommend by the management of the company

In cases where the total holdings are not very small (greater than one-half of one percent of shares outstanding), the Company will vote as recommended by our Proxy Voting Policy.

Conflicts of Interest - Sometimes there may be a conflict of interest in voting by proxy.

Example: The Company agrees to vote by proxy about the securities of a certain company, yet some of the senior executives of that company are clients.

Resolution:

In this instance, the following are the steps we usually take to resolve the issue:

- If we hold more than 0.5% of the outstanding shares of the company we vote according to the recommendations of our Proxy Voting Policy.
- If we hold less than 0.5% of the outstanding shares of the company we vote as recommended by the management of the company.

Item 18 - Financial Information

- A. The Company does not require or solicit prepayment of fees six months or more in advance.
- B. The Company is unaware of any condition that is reasonably likely to impair its ability to meet contractual commitments to clients.
- C. The Company has not been the subject of a bankruptcy petition.