

---

**Item 1 - Cover Page**

**Brochure**  
**Herndon Plant Oakley Ltd.**  
**Main Office**  
**800 N. Shoreline Blvd Ste 2200**  
**Corpus Christi, Texas 78401**  
**361-888-7611**  
**March 30, 2012**

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 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 United States Securities and Exchange Commission 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 all of the “material changes” made to this Brochure as of March 30, 2012, and since our last delivery or posting of the Brochure on the SEC’s public disclosure website (IAPD) [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov), are set forth below:

- Item 7 - Types of Clients - ERISA Clients was modified to reflect that HPO generally assumes the role of a fiduciary with respect to ERISA plans.
- Item 10 - Other Financial Industry Activities and Affiliations - Oxbow Advisors was inserted to reflect HPOs affiliation with Oxbow Advisors, LLC.

In addition to the material changes set forth above, additional changes reflected in this version of this Brochure include a number of minor editorial changes and an update to our assets under management as of December 31, 2011.

Currently, our Brochure may be requested by contacting Beth Ragan, Chief Compliance Officer at 361-888-7611.

---

## Item 3 - Table of Contents

Item 1 - Cover Page .....	i
Item 2 - Material Changes.....	ii
Item 3 - Table of Contents .....	iii
Item 4 - Advisory Business.....	1
Ownership.....	1
Services Offered .....	1
Investment Products .....	1
Additional Office .....	2
Education .....	3
Item 5 - Fees and Compensation.....	3
Fees and Compensation.....	3
Type of Compensation .....	4
Fee Payment Options.....	4
Direct debiting (preferred).....	4
Pay-by-check .....	4
Valuation .....	5
Transaction Costs .....	5
Termination.....	5
Item 6 - Performance-Based Fees and Side-By-Side Management .....	5
Item 7 - Types of Clients .....	6
Overview .....	6
ERISA Clients .....	6
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Analysis Methods .....	6

---

Charting .....	6
Fundamental.....	6
Technical.....	7
Cyclical .....	7
Sources of Information .....	7
Investment Strategies .....	7
Investment Strategy Risks.....	8
General Risks.....	8
Long term Purchases (securities held at least a year) .....	8
Short term purchases (securities sold within a year).....	8
Trading (securities sold within 30 days).....	9
Margin Transactions .....	9
Option writing, including covered options, uncovered options or spreading strategies .....	9
Item 9 - Disciplinary Information .....	10
Item 10 - Other Financial Industry Activities and Affiliations .....	10
Broker-Dealer .....	10
Insurance Broker .....	11
Springwater Advisors .....	11
Oxbow Advisors .....	11
American Bank, N.A. ....	11
Other Activities .....	11
Item 11 - Code of Ethics .....	12
General.....	12
Personal Trading .....	12
Cross Trades .....	13

---

Insider Information .....	13
Item 12 - Brokerage Practices .....	13
General.....	13
Best Execution.....	14
Trade Aggregation Practices .....	14
Directed Brokerage .....	15
Soft Dollar Arrangements .....	15
Item 13 - Review of Accounts .....	16
Account Review.....	16
Statements .....	16
Trade Errors .....	16
Item 14 - Client Referrals and Other Compensation .....	16
Client Referrals.....	16
Telemus.....	17
Vollero.....	17
Salient Advisors.....	17
The Ainbinder Company .....	17
Compensation .....	17
Broker-Dealer Activities .....	17
Insurance Agency Activities .....	18
Mutual Funds Charges .....	18
Cash and Money Market Funds .....	18
Margin Loans.....	18
Item 15 - Custody.....	19
Selection of Custodian .....	19
Statements .....	19

---

Item 16 - Investment Discretion.....	19
Discretionary Authority.....	19
Documentation of Discretion.....	19
Discretionary Management .....	20
Item 17 - Voting Client Securities .....	20
Item 18 - Financial Information .....	20
Item 19 - Other Information.....	20
Privacy Policy Summary .....	20
Business Continuity Plan .....	21
Performance Presentation Standards.....	21
Brochure Supplement(s)	

---

## **Item 4 - Advisory Business**

### ***Ownership***

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

### ***Services Offered***

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.

### ***Investment Products***

HPO may offer 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

- 
- Currencies
  - Derivatives
  - Private placements
  - Limited partnership interests.

### **Managed Program**

We provide both discretionary and non-discretionary investment advisory services to you through the Herndon Plant Oakley Ltd. Managed Account Program (Managed Program)

### **Wrap Program**

We provide discretionary investment advisory services to you through the Managed Program that utilizes a comprehensive single fee (i.e., all-inclusive fee covers costs of commissions, research, etc.). See our ADV Part 2 Appendix 1 Wrap Fee Program Brochure for additional details.

### **Non-Wrap Program**

In addition, we provide discretionary advisory services on a non-wrap arrangement through our managed program. We provide investment management services to you predominately through asset allocation strategies aimed at Long-term Growth (equity), Growth & Income (balanced) and Income (fixed income) portfolios in separately managed portfolios.

### **Collective Trust**

We have a relationship with First Mercantile Trust Company (“First Mercantile”) who maintains two collective trust funds for the collective investment of funds of tax-qualified employee benefit plans. First Mercantile serves as trustee, custodian and investment agent. We will provide assistance with various services which include:

- Analysis of collective fund requirements;
- Reviews of collective fund reports;
- Referral fees;
- Assistance in completing documentation and;
- Other services which may be requested by First Mercantile.

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

HPO manages \$888,453,000 in client assets, all on a discretionary basis. The date on which these amounts were calculated was on the December 31, 2011, being within 90 days of the date of this current amendment.

### ***Additional Office***



---

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

### ***Education***

All of our Associated Persons are expected to have education and business backgrounds that enable them to perform their respective responsibilities effectively. In assigning responsibilities, we consider academic background (including studies in college and graduate schools, as well as degrees earned), industry training, licenses and certifications. Work experience in a related field, such as investments, commodities, insurance, banking or accounting, is also considered. No formal, specific standards have been set, but appropriate education and experience are required. See ADV Form Part 2B for additional information.

## **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 may 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:

<b>Fee Schedule *</b> <b>See also Fee Payment Options in the paragraph below this chart</b>		
<b>Fee Type</b>	<b>Fee Cost</b>	<b>When Charged</b>
<b>Advisory Fees</b>	Computed as a percentage of the average gross assets under management in the account for the previous quarter including any margin debt in the account.	Quarterly, in arrears
	<b><u>Equity</u></b>	
	\$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%	

	<b>Fixed Income - High Income Strategy</b> \$1,000,000-\$5,000,000 .60% \$5,000,001- \$15,000,000 .50% \$15,000,001- \$50,000,000 .40%  <b>Fixed Income – Conservative Strategy</b> \$1,000,000-\$15,000,000 .20% \$15,000,001- \$50,000,000 .10%	
<b>Financial and Estate Planning and Monitoring</b>	We prepare written financial and estate plans, which includes additional monitoring services of recordkeeping, portfolio valuation and performance review. Our fee for the preparation and monitoring of these plans range from :  \$1,000.00 to \$20,000.00.	Either a one-time fee or an annual assessment as agreed upon with each specific client.

### ***Type of Compensation***

Based on the investment services provided HPO is compensated by the following means:

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

### ***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, 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 publically reports. Otherwise, other readily marketable securities and instruments are valued by using a pricing service or by other equitable means consistent with the fiduciary duty of the money manager to determine a fair market value.

### ***Transaction Costs***

With the exception of the discretionary wrap portion of our Managed Program, all other advisory fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Notwithstanding the above, in addition to the wrap fee, the client may be charged additional fees to cover specific clearing and/or transactional services. Such charges are disclosed in the investment advisory agreement and agreed to in advance by client. See the Wrap Program Brochure for a description of such fees and expenses.

Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. See also Brokerage Practices and Referral Arrangements and Other Compensation and the Wrap Program Brochure 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).

---

## **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 regard to prospective ERISA clients, HPO generally assumes the role of a fiduciary with respect to ERISA plans.

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

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

### ***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 time-frame of the price charts.

#### ***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.

### ***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.

### ***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.

### ***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
- Company press releases

### ***Investment Strategies***

The investment strategies HPO uses to implement any investment advice give 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***

### ***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 and private investments are not permitted. 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 considers 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 accounts would be required to be deposited with the broker or the broker would effect 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.

***Interest Rate Fluctuation:*** The prices of securities in which the Advisor may invest 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 will be invested in liquid securities and private investments are not permitted. It is possible, however, that securities 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 may 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 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 accounts would be required to be deposited with the broker or the broker would effect 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.

***Option writing, including covered options, uncovered options or spreading strategies***

***Options and Other Derivatives:*** We may 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.

***Uncovered Risks:*** We may employ various “risk-reduction” techniques designed to minimize the risk of loss in Accounts. Nonetheless, substantial risk remains that such techniques will not always be possible to implement and when possible, will not always be effective in limiting losses. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the value of such positions decline, but utilize other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedge transactions also limit the opportunity for gain if the value of a portfolio position should increase. Moreover, it may not be possible for us to hedge against a fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at a price sufficient to protect from the decline in value of the portfolio position anticipated as a result of such a fluctuation. The success of the hedging transactions will be subject to the ability to correctly predict market fluctuations and movements. Therefore, while we may enter into such transactions to seek to reduce risks, unanticipated market movements and fluctuations may result in a poorer overall performance for the accounts Portfolio than if we had not engaged in any such hedging transactions. Finally, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary.

## **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, our firm is 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 interest and compensation related to these relationships.



---

### ***Insurance Broker***

Our firm is licensed as an insurance broker and agency and provides analysis of and recommends the purchase and sale of certain insurance products. This licensing is in addition to our registration as a registered investment advisor and broker-dealer. Our firm may receive compensation or other forms of compensation in connection with such sales. The firm may devote 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 interest and compensation related to these relationships.

### ***Springwater Advisors***

Herndon Plant Oakley Ltd. owns Springwater Advisors, LLC, an affiliated investment advisor which is under common ownership and control. Springwater Advisors, LLC is registered as an investment advisor with the SEC and various state jurisdictions. Phillip Plant, Brent Herndon and James Oakley are Managing Members and Beth Ragan is the Chief Compliance officer of Springwater Advisors, LLC.

### ***Oxbow Advisors***

Herndon Plant Oakley Ltd. is affiliated with Oxbow Advisors through common ownership and control. Oxbow Advisors, LLC is registered as an investment advisor with the SEC and various state jurisdictions. James Oakley is a Managing Member and Beth Ragan is the Chief Compliance officer of Oxbow Advisors, LLC.

### ***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 from a shared bank location.

### ***Other Activities***

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

- As a principal, effecting securities transactions for compensation for advisory clients who do not otherwise designate another brokerage firm to perform such services. In this role, HPO may buy securities for its own account from a client or sell securities it owns to clients. When a principal transaction occurs, we will disclose to the client, in writing before the completion of the transaction, the capacity in which we are acting, and will obtain the consent of the client to such transaction. HPO may purchase initial public offerings for certain advisory client accounts who have expressed an interest in the purchase of these issues. HPO has procedures in place to include its current practice of allocating these offerings.

- 
- 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 Associated Persons 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 Associated Persons 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 by contacting Beth 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 may purchase and sell securities for their own account. 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 Associated Persons 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 may 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. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of our clients. 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 may 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 are a member firm of FINRA. Our broker-dealer activities comprise approximately 30% of our business activities with the remaining 70% estimated to be spent on our investment advisor activities.

---

We anticipate that we will be 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, lower commissions or better execution may be available elsewhere, for example, by the execution of the transaction through a so called "discount broker." To this end, prospective clients are hereby advised that lower fees for comparable services may be available from other sources such as the Internet and deep discount brokerage firms. Thus, orders for the execution of transactions in your portfolio through us, and while complying with Section 28(e) of the Securities Exchange Act of 1934, may result in a commission on transactions in excess of the amount of commission another broker or dealer would have charged. However, we believe that commissions paid are generally not higher than those obtainable from other brokers for similar transactions and which we believe to be in the best interests of you.

It is not our practice to negotiate "execution only" commission rates where you may be paying for other services provided by the broker which are included in the commission rate. These other services may include research, services such as marketed publications, advice, analysis, reports or on line financial information. Research services furnished by us to brokerage clients may or may not be used by us in the servicing the investment advisory clients. We take into consideration to access to and quality of research resources, execution capability, market services, timely response, and other services provided by us which are expected to enhance the general portfolio management capabilities of our firm. We suggest that our clients utilize us.

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

### ***Trade Aggregation 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 or aggregate trades for clients who use the same directed brokers in order to create a "block transaction."

The commission amount and per share commission rate will differ between clients with directed brokerage relationships due to the dollar value and the size (number of shares) of the trade for each account, and the total relationship between the client and their broker. Because each client may differ 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.

No commission is added to transactions in the case where the client has established a “fee in lieu of commission” account. We may identify instances for which we are unable to achieve best execution of securities trades in “fee in lieu of commission” or “wrap” accounts that we manage. In those circumstances, we may execute a trade as a “step-out” transaction with another broker that has agreed to execute the transaction without charging a commission. We will, however, trade with such brokers at their prevailing commission rates for our non-wrap clients for whom we may have brokerage discretion either as part of the same “block transaction” or for different transactions.

### ***Directed Brokerage***

We may place all or a portion of the transactions with a broker with whom the client has a special advisory or consulting relationship. Such transactions are placed with a broker who may have provided manager selection services, performance measurement services, asset allocation services, or a variety of other consulting or monitoring assistance, all with the specific knowledge and full approval of the client.

We do not maintain agreements with referring brokers regarding our internal allocation of brokerage transactions. However, all or a sizable portion of a particular clients’ brokerage transaction business may be directed to a particular broker if the client has directed, agreed or stipulated us to do so. Commissions are not intended to compensate brokers for client referrals.

With regard to client directed brokerage we may be unable to negotiate commissions, block or batch client orders or otherwise achieve the benefits described above, including best execution, if you limit our brokerage discretion. Directed brokerage commission rates may be higher than the rates we might pay for transactions in non-directed accounts. Also, clients that restrict brokerage discretion may be disadvantaged in obtaining allocations of new issues of securities that we purchase or recommend for purchase in other clients’ accounts. It is our policy that such accounts not participate in allocations of new issues of securities obtained through brokers and dealers other than those designated by the client. As a general rule, we encourage each client to compare the possible costs or disadvantages of directed brokerage against the value of the custodial or other services provided by the broker to the client in exchange for the directed broker designation.

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

Herndon Plant Oakley Ltd. may receive from custodians, without cost, software and support which allow us to better monitor and service client accounts. We may 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 may 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.

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

### ***Account Review***

We review our investment advisory accounts and managed portfolios frequently, with a general review occurring weekly, and more specific reviews made less frequently but at least quarterly. 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 two or more of the following: Russell Herndon, Phillip Plant and J. Ted Oakley.

### ***Statements***

Reports are furnished to all non-wrap account 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 may provide to you. Our statements may 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, it may not be 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***

There may be occasions when we pay a percentage of the fee we receive from accounts that have been referred to us to the person making the referral (a “solicitor”). In such cases, you will receive a separate written disclosure statement from the solicitor before you open your account with us that will explain, among other things, the nature of our affiliation with the solicitor (if any) and a description of the compensation the solicitor will receive from us. Our policy is that if we pay such referral fees to a solicitor for any account, the fee schedule applicable to that client’s

---

account will be the same as the schedule that would have applied to accounts of similar size receiving similar services where no referral fees are paid.

***Telemus***

We have a referral arrangement with Telemus Income Opportunity Fund GP, LLC (“Manager”), who is the general partner of Telemus Income Opportunity Fund LP (“Fund”), which will provide compensation to us for referring clients to its Fund or other private investment funds

***Vollero***

We have a referral arrangement with Vollero Beach Capital Partners, LLC (“Manager”) and Vollero Beach Associates LLC (“General Partner”) to introduce or refer prospective investors to the Manager, General Partner or each of the private investment funds. We will receive compensation for such referrals as agreed upon.

***Salient Advisors***

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

***The Ainbinder Company***

We have a referral arrangement with Ainbinder Company (“Ainbinder”), a Houston-based real estate firm specializing in the acquisition, development and redevelopment of retail real estate throughout the United States. We will receive compensation for such referrals as agreed upon.

***Compensation***

***Broker-Dealer Activities***

In our capacity of a broker-dealer, we may be 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 may receive compensation as a result of acting in one or both capacities. Additionally, Associated Persons may charge an advisory fee and a ticket charge. Additionally, our broker-dealer, may buy securities for itself from, or sell securities it owns to clients of our firm, at which time markups/markdowns may be charged to those clients.

---

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

We are licensed as an insurance agency in the state of Texas. Additionally, some Associated Persons are licensed insurance agents through us in the state of Texas, and have contracts and or appointments with various insurance companies. To the extent insurance products are purchased through us or our Associated Persons by advisory clients, the Associated Person 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 as third party managers, and such mutual funds are purchased through us, we will receive distribution and Rule 12b-1 fees from the issuers of such mutual funds, and this will be in addition to the advisory fee paid herein. You are advised that, in addition to the annual advisory fee set forth above, some mutual funds in which assets are invested may 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 may 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***

To the extent you utilize First Clearing 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 First Clearing, LLC ("First Clearing"). As a result of that relationship, First Clearing is the custodian for our clients electing to use our trade execution platform and as such, First Clearing 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.

First Clearing 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.

Regardless of our recommendation regarding the custodian, clients may direct us to utilize other custodians. Whether you elect to utilize our trading platform or you chose another custodian, 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 Brokerage Practices, Other Financial Industry Activities and Affiliations, and Client Referrals and Other Compensation for a discussion of how we make brokerage decisions that affect client accounts and the related compensation we earn.

### ***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 may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting formats.

## **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.

We have model portfolio guidelines available for clients to adopt, in whole or in part, if they do not have their own. 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 Management Team (described above) makes 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.

### **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 - 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 may 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 1-800-888-4894 or [bragan@hpo.com](mailto:bragan@hpo.com), you should call our alternative number 281-340-2030 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, First Clearing Correspondent Services., at 800-727-0304 or <http://www.firstclearingllc.com/index.htm> for instructions on how it may provide 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 First Clearing Correspondent Services on behalf of our clients. In either situation, we plan to continue in business, transferring operations to our clearing firm if necessary.

### ***Performance Presentation Standards***

We sometimes advertise or report the investment performance of our managed accounts. We are compliant on a firm-wide basis with the Global Investment Performance Standards (GIPS®).