

Item 1 – Cover Page

Part 2A of Form ADV: Firm Brochure

**Texan Capital Management, Inc.
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March 30, 2011

This brochure provides information about the qualifications and business practices of Texan Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (713) 965-0300. 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 Texan Capital Management, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Texan Capital Management, Inc. is a registered investment adviser. Registration does not imply any level of skill or training.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the required contents of the disclosure document, also known as a brochure, that we provide to clients. This brochure dated March 30, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC rules, we will ensure that clients receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our firm’s fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. We will provide clients with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting Julia Cauthorn at (713) 965-0300. Additional information about Texan Capital Management, Inc. is also available via the SEC’s web site at **www.adviserinfo.sec.gov**. The SEC’s web site also provides information about any persons affiliated with Texan Capital Management, Inc. who are registered, or are required to be registered, as investment adviser representatives of Texan Capital Management, Inc.

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Item 4 – Advisory Business

History

Texan Capital Management (sometimes called “Texan Capital” or “we” in this document) was founded in 2001 by Frank M. Wozencraft, Jr., Chief Executive Officer. The firm’s owners are: Frank M. Wozencraft, Jr. 45%, Julia J. Cauthorn 35%, and Frederick S. Robertson 20%. Ms. Cauthorn is President and Chief Compliance Officer. Mr. Robertson does not work at the firm; he attends shareholders meetings on at least a quarterly basis. Mr. Wozencraft and Ms. Cauthorn are registered as investment advisory representatives of the firm, as is B.J. Willingham.

Advisory services for individually managed accounts

We invest with a focus on increasing portfolio value over a long-term time horizon, using stocks, bonds, master limited partnerships, mutual funds, exchange-traded funds and options. We invest cash reserves in money market funds. We meet with or speak to clients regularly and portfolios are tailored to clients’ individual needs and restrictions.

Advisory services for pooled investment vehicles

Texan Capital does not advise any pooled investment vehicles.

Brokerage Services

As Texan Capital does not serve as custodian for clients’ assets, clients choose their own custodians. When asked, Texan Capital may recommend custodians, depending on each client’s unique situation and needs, but the ultimate decision is the client’s. Likewise, clients may require Texan Capital to place trades with certain brokerage firms. In these situations, the client is responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by that broker-dealer. Texan Capital will assume no responsibility for obtaining the best execution of the client’s trades.

We participate in a wrap fee program at Wells Fargo Advisors, called the Private Advisor Network. Texan Capital manages accounts in this program in the same manner as for other accounts, with the exception that Wells Fargo Advisors does not allow mutual funds to be held. As mutual fund holdings in similar Texan Capital accounts are not significant, the effect of the restriction is negligible. Clients in the Wells Fargo Advisors Private Account Network have a direct contractual relationship with Texan Capital as their investment manager. Texan Capital’s fee is 0.60% per year, and it is included in the total “wrap” fee, which Wells Fargo Advisors charges.

If the client elects to direct us to execute trades through a referring broker, the client may pay higher commissions than those paid by other clients of our firm. See the section called “Client-Directed Brokerage” on page 7.

We do not do financial planning. We recommend financial planners to clients who ask and we respond to clients’ accountant’s and attorney’s requests for information and tax planning. We do not do any business other than investment management.

As of December 31, 2010, our assets under management were \$327,249,383, all on a discretionary basis.

Item 5 – Fees and Compensation

We charge fees based on the amount of assets under management. We bill quarterly in arrears. Our investment management fee starts at 1.00% per year and scales downward, depending on the size of the account and the types of investments utilized. Portfolio turnover is typically under 30% annually in most accounts. This varies when clients need tax losses/gains or their situation changes. There is no minimum fee. When clients sign investment advisory agreements, they indicate whether they prefer to pay by check or to have the fee deducted from their accounts. When a client terminates his or her agreement with Texan Capital, the invoice is calculated pro rata based on the number of days that we provided services during the current calendar quarter.

We do not charge additional fees for dealing with clients’ accountants and lawyers, arranging charitable stock donations, or other such client-service related requests. We charge consulting fees for advice to non-investment management clients, who want to meet regularly, at a rate of \$250 per hour.

Our fees do not include any brokerage commissions, custodial fees, bank fees, margin interest, national securities exchange fees, wire transfer fees or other costs or fees charged by a client’s broker or custodian. Additionally, money market funds, exchange traded funds, and mutual funds charge clients for their internal fees and expenses. These fees and expenses are described in each fund’s prospectus. We do not share in any of these internal fees and expenses. Please see Item 12 for additional information about brokerage.

We use mutual funds in many retirement and 529 accounts, where the mutual fund family choices are often restricted. We oversee these accounts and make changes as we change our asset allocation or choose to transact in a specific fund. Most of the money market mutual funds we use are invested in government securities.

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

Performance-based fees are fees based on a share of capital gains in a client's account or capital appreciation of the assets in a client's account. We do not charge performance-based fees. We do not manage mutual funds or hedge funds so there is no conflict of interest as to side-by-side management.

Item 7 – Types of Clients

We provide advisory services to individuals, families and their related accounts (IRAs, 401(k)s, 529s, 403(b)s, trusts), foundations, corporations and pensions.

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

We use a combination of top-down, sector rotation analyses, combined with bottom-up fundamental research. We generate research internally, as well as receive economic, geopolitical and company-specific research from external firms.

If clients need income, we will use bonds, high yielding equities and master limited partnerships, in addition to other publicly traded securities. Margin is used only when a client wants cash sooner than we can get a security sold, or because of margin requirements for options. We use options for a few sophisticated clients. Texan Capital does not use insurance, annuities, commodity or futures for its clients. We selectively invest occasionally in exchange-traded funds (ETFs).

We use mutual funds for emerging markets exposure and for diversification, especially in smaller accounts.

We read widely and use brokerage firm research, economic research, weather research, technical research, and company reports to shareholders and the SEC. We listen to webcasts and conference calls with company management and we have occasional meetings with some management teams.

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

Clients should be aware that even if we use our best efforts, they may not be successful. Any security in a client's account, other than a United States Treasury instrument, could lose all or part of its value. Many factors and events outside of our control can affect the securities markets and the value of securities in a client's account. Examples include, but are not limited to, changes in domestic or foreign political leadership, breaking news events, natural disasters, adverse weather conditions, terrorist activity, or changes in the Internal Revenue Code. We may not be able to accurately predict the effects on the securities markets of these factors and events or how they may affect the value of securities held in

clients' accounts. **We do not guarantee the future performance of a client's account or any specific level of performance, the success of any investment decision or strategy that we may use, or the success of our overall management of a client's account.**

We tell clients that risk is inherent in all markets. Causes for market declines are discussed with clients during and after the fact. We tell them that they can lose capital investing in the bond and stock markets. We may hold more cash when we see volatility in the markets to mitigate some of this risk, but there are many factors which can cause a security or the market in general to fall. Risks include:

- Many markets decline, including security prices of good companies, which we may continue to hold.
- A sector of the market may become “unfashionable”, which would negatively affect prices of those types of investments.
- We may not value a security properly.
- Company management perpetrates a fraud, which we are unable to discover before the security's price falls.

Item 9 – Disciplinary Information

In 2002, B.J. Willingham and his previous firm, Willingham Asset Management, Inc., filed their Form ADV with the Securities and Exchange Commission. However, they failed to notice file with the State of Texas, which was a violation since Mr. Willingham had a Texas firm with Texans as clients. In December 2003, the Texas State Securities Board reprimanded Mr. Willingham and his firm. Mr. Willingham was fined \$5,000. There were no additional penalties and he was immediately reregistered with the State of Texas, as was his firm.

Item 10 – Other Financial Industry Activities and Affiliations

Since December 31, 2007, when B.J. Willingham sold Willingham Asset Management, Inc., he has continued to work at Energy Advisers, an energy hedge fund. If one of Energy Adviser's clients or prospective clients does not want to be hedged, but wishes to remain or become a client owning energy securities, both firms participate. Energy Advisers does the energy research and Texan Capital makes the trades and provides reports. Both firms sign the client contract and have a revenue sharing agreement.

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

Texan Capital Management has adopted a Code of Ethics as required by SEC Rule 204A-1. In the Code of Ethics we stress that we will uphold the fiduciary duty entrusted to us by our

clients and that we will follow federal and state laws and regulations. We require that employees avoid any action which might result in a conflict of interest with the firm and its clients. We prohibit trading on the basis of material non-public information. We prohibit accepting or exchanging extravagant gifts or entertainment from or with brokerage firms or suppliers that do business with us. Before doing a trade in their personal accounts, employees must get permission from the chief compliance officer who verifies that there are no outstanding orders in that security. Access persons must file quarterly reports of trades and must file annual reports of holdings. Employees may not buy stocks in primary or secondary offerings. Texan Capital will provide a copy of its Code of Ethics to any client or prospective client upon request.

Texan Capital's principals and employees may invest in the same securities that we recommend to clients. When we buy or sell a particular security for clients, employees must wait until those trades are complete to do their trades in that security.

Item 12 – Brokerage Practices

We select broker-dealers for some clients' transactions. When asked, we also recommend custodians, depending on each client's unique situation and needs.

Texan Capital has a "soft dollar" arrangement with its prime brokers, whereby the costs of certain research and other services and products used by Texan Capital are paid from commissions generated by client trades. We use soft dollars to pay for brokerage firm research and Thomson Reuters Baseline. Only client accounts with prime broker agreements pay for these services, and the portfolio values must be at least \$100,000. Our prime brokers approve these transactions pursuant to safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934.

We aggregate or "block" trades for multiple client accounts together, where possible and when advantageous to clients transaction costs are shared equally across the accounts on a pro rata basis.

The order in which trades are executed is varied according to a fixed rotation to avoid favoring one custodian's accounts versus another's.

Unless clients choose to do so, we vote proxies for them. We inform them annually that they may request a copy of our proxy voting policy and the records of how we have voted on their behalf. Texan Capital does not maintain physical custody of client assets that we manage, although we may be deemed to have custody of client assets if the client gives us authority to withdraw assets from his or her account (see Item 15 – Custody, below). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. When asked, we may recommend custodians, based on each client's unique

situation and needs. We are independently owned and operated, and we are not affiliated with any custodian or brokerage firm. Clients give us trading authority to direct transactions on their behalf. The brokerage firms will hold client assets in a brokerage account and buy and sell securities, when we instruct them to. When a client chooses a custodian and/or broker, he or she enters into an account agreement directly with brokerage firm or custodian. This agreement is separate from the client's agreement with Texan Capital. If requested by the client, Texan Capital may assist in the opening of the account at the custodian. When given the Prime Broker capability by the client, we may use other brokers to execute trades in the client's account, as described below (See "*Brokerage and Custody Costs*").

How We Suggest Brokers/Custodians

We recommend custodians/brokers who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to the other available providers and their services. We consider 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 the client's 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 us 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 us and our other clients
- Availability of other products and services that benefit us, as discussed below (see "*Products and Services Available to Us From Schwab*")

Brokerage and Custody Costs

For our clients' accounts that Schwab and Fidelity maintain, they generally do not charge the client separately for custody services. Client business is compensated by charging commissions or other fees on trades that the firms execute or that settle into a client's Schwab or Fidelity account. The commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain \$10 million of their

assets in accounts at Fidelity or Schwab. This commitment benefits clients because the overall commission rates paid are lower than they would be otherwise. In addition to the commissions, Fidelity and Schwab may charge clients a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker but where the securities bought or the funds from the securities sold are deposited (settled) into a client’s Fidelity or Schwab account. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. Because of this, in order to minimize client trading costs, we have custodians execute most trades for client accounts. We have determined that having Fidelity or Schwab execute most trades is consistent with our duty to seek “best execution” of our clients’ trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “*How We Select Brokers/Custodians*”).

Client-Directed Brokerage

If the client directs us to execute trades through another broker-dealer, the client is responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by that broker-dealer. In this circumstance, we assume no responsibility for obtaining the “best execution” of the client’s trades.

Products and Services Available to Us from Fidelity and Schwab

Schwab Advisor Services and Fidelity Institutional Wealth Services are businesses serving independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage-trading, custody, reporting and related services – many of which are not typically available to their retail customers. Schwab and Fidelity also make available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. These support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at these custodians. If our clients collectively have less than \$10 million in assets at either custodian, they may charge us quarterly service fees.

The following is a more detailed description of Fidelity’s and Schwab’s support services:

Services That Benefit Clients

Both Fidelity’s and 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 we might not otherwise have access or that would require a significantly higher minimum initial investment

by our clients. The services described in this paragraph generally benefit clients and their accounts.

Services That May Not Directly Benefit Clients

These firms also make available to us other products and services that benefit us but may not directly benefit clients and their accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, Fidelity's and Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Fidelity or Schwab. In addition to investment research, Fidelity and Schwab also make 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 our fees from our clients' accounts
- Assist with back office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us

Fidelity and Schwab also offer other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conference 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

Fidelity and Schwab may provide some of these services themselves. In other cases, they will arrange for third-party vendors to provide the services to us. Fidelity and Schwab may discount or waive their fees for some of these services or pay all or a part of a third party's fees. They may also provide us with other benefits, such as occasional business entertainment for our personnel.

Our Interest in Fidelity's and Schwab's Services

The availability of these services from Fidelity and Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for these services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Fidelity or

Schwab, as discussed above. Beyond that, these services are not contingent upon us committing any specific amount of business in trading commission or assets in custody. The \$10 million minimum may give us an incentive to recommend that clients maintain their accounts at Fidelity or Schwab, based on our interest in receiving services that benefit our business rather than based on a client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. We believe, however, that our selection of Fidelity or Schwab as custodian and broker is in the best interests of our client. Our selection is primarily supported by the scope, quality and price of Fidelity or Schwab's services (see "*How We Select Brokers/Custodians*") and not only that their services that benefit only us. We have \$327 million under management, and we do not believe that recommending clients to collectively maintain at least \$10 million of those assets at Fidelity or Schwab in order to avoid paying quarterly service fees presents a material conflict of interest.

We receive an economic benefit from Fidelity and Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Fidelity or Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of these products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Item 13 – Review of Accounts

Client accounts are reviewed monthly by Frank M. Wozencraft, Jr., Julia J. Cauthorn or B.J. Willingham. We all review statements sent to clients quarterly. In addition, we review share and bond prices, SEC filings and research daily. Clients receive brokerage statements monthly or quarterly. Some clients opt to receive confirms and/or statements electronically when offered by their custodians. Copies of these are also sent to us.

Item 14 – Client Referrals and Other Compensation

Many friends and clients introduce us to prospective clients. We do not compensate them for referrals, although we appreciate their help and confidence.

We have a registered investment advisory representative, Joslyn Berndt Dobson, who is paid a percentage of management fees for her previous clients. She contacts clients regularly and advises on asset allocation and about their portfolios' performance and securities. Ms. Dobson previously had her own registered investment advisory firm, Berndt Advisors Corp.

Item 15 – Custody

The instructions to Form ADV define custody for investment advisers as “holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them.” All of our clients’ securities are held in accounts with qualified custodians. We do have custody of clients funds or securities in certain limited circumstances. Those circumstances are:

- Some of our clients give us discretion and passwords to manage their retirement accounts. Six of these accounts give us the ability to change the client’s address, although withdrawals would not be possible without the client’s written authorization.
- We deposit checks made payable to the client into the client’s custodial account. In 2010, we made deposits of this kind for 15 clients.
- We have written instructions from one client to send checks to an insurance company and to federal and state tax authorities.

Beginning in 2010, we were required to obtain a surprise examination by an independent certified public accountant for the accounts over which we have custody. The independent certified public accountant is also required to file a Form ADV-E (Certificate of Accounting of Client Securities and Funds in the Possession or Custody of an Investment Adviser) annually with the Securities and Exchange Commission.

All clients receive statements from their custodians at least quarterly. We review these to make sure that they contain the same information the custodians have been downloading to our server. We send clients quarterly reports with holdings, yields, unrealized gains and losses and performance. Annually, we send each client with taxable accounts a report of their realized gains and losses. We urge clients to carefully review their custodian’s statements and compare them to our reports. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities, but if a client should contact us as soon as possible if her or she observes any discrepancies between our reports and the custodian’s statements.

Item 16 – Investment Discretion

All of our client assets are managed on a discretionary basis. All clients who hire us sign investment advisory agreements which give us the authority to manage their assets on a discretionary basis. Wherever the clients’ assets are custodied, we require that the client grant us a limited power of attorney to trade in their custodial accounts and, if they agree in our contract, the ability to deduct investment advisory fees from their accounts.

Item 17 – Voting Client Securities

We offer to vote our clients' proxies. We receive them by mail and electronically. We generally vote against management compensation when it is exorbitant in our opinions. Otherwise, we vote with the management because of our confidence in their skills and honesty. We have clients who are executives of public companies; we do not invest in those companies' stocks.

Item 18 – Financial Information

Registered investment advisers are required to provide clients with certain financial information or disclosures about their financial condition. We have no financial condition that impairs Texan Capital Management's ability to meet its contractual and fiduciary commitments to clients. We have never been the subject of a bankruptcy proceeding.