

Item 1: Cover Page

ADV Part 2  
Firm Brochure

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This brochure provides information about the qualifications and business practices of Adams Asset Advisors, LLC and Steven Adams. If you have any questions about the contents of this brochure, please contact us at 214-360-7410. 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.

## Item 2: Material Changes

There are no material changes in our Firm or practices over the past twelve months.

## Item 3: Table of Contents

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## Item 4: Advisory Business and Background of Investment Principal

Adams Asset Advisors, LLC ("the Advisor") provides investment management and supervisory services to individuals, investment companies, trusts, corporations and other institutional investors. The firm offers advice and recommendations on all types of investments, including equities, corporate debt, municipal securities, U.S. government securities, investment company securities, options on securities and interests in partnerships. We suggest overall asset allocations and specific investments but tailor our advisory services to the individual needs of our clients based on their input. Clients may impose restrictions on investing in certain securities or types of securities. As of December 31, 2013, we managed approximately \$1.1 Billion in assets on a discretionary basis. The firm is owned by Steven Adams and his family. Adams Asset Advisors, LLC is registered with the Securities and Exchange Commission (SEC).

Steve Adams is the sole investment officer and makes all discretionary investment decisions for clients. Steve Adams graduated from U.T. Austin in 1981 with a Bachelor of Science in Mechanical Engineering and then worked for two years at Procter and Gamble and two years at Eastman Kodak. In 1985 he went to business school and received an MBA in 1987 from the Tuck School at Dartmouth College. He then worked for Goldman Sachs in New York and Dallas over the next 10 years, managing the Dallas Private Wealth Management office for the last four years of his employment with Goldman Sachs. In 1997 he was recruited by the Vice Chairman of Merrill Lynch to move his team to Merrill Lynch to help start a high net worth presence in the Southwest. In 2005 he resigned from Merrill Lynch to manage client assets for Adams Asset Advisors, LLC.

#### Item 5: Fees and Compensation

For all discretionary equities and fixed income fee based accounts, the Advisor shall be compensated on management fees payable quarterly in advance based upon the following Fee Schedule:

	Equities		Fixed Income
	<hr/>		<hr/>
Less than \$1mm	1.25%	Less than \$1mm	.40%
\$1 to \$5mm	1.00%	\$1 to \$5mm	.30%
Greater than \$5mm	0.75%	Greater than \$5mm	.20%

Accounts are charged an initial fee on existing assets and whenever assets are deposited into the account during a quarter based on the value of those assets, prorated to cover the period from the deposit date until the last day of the calendar quarter. Thereafter, quarterly fees are based on the value of assets on the last business day of the last month of the previous quarter. Quarterly fees are charged in advance the first week of the first month of the new quarter. Additional deposits made during a quarter are charged a prorated fee as previously discussed. Fees will be deducted directly from the managed account. Because of the quarterly frequency of fee calculation, no refunds will be credited if an advisory contract is terminated or a portfolio is liquidated before the end of a billing period.

All equities transactions in discretionary fee based accounts are currently executed through Fidelity Investments at a commission rate of three cents per share. Fidelity uses a portion of these equities commissions as a credit to pay for some of the Advisors' costs for technology expense and research. The Advisor is not required to generate any minimum level of commission with Fidelity, and benefits in no other way from this arrangement and receives no cash compensation.

Fixed Income transactions will be executed on a best efforts basis using either the Fidelity Investments trading desk or through a prime brokerage transaction. For discretionary fee based accounts, there is a nominal charge (about \$50) to cover ticket processing on prime brokerage trades and no fees or commissions are earned by the Advisor or any affiliates of the Advisor in any way.

At times, Adams Asset Advisors, LLC may aggregate purchases or sales of a security for multiple clients in a single transaction. In this instance, our policy is to average price for all accounts and then allocate the number of shares proportionate to the purchase amount relative to each account.

The Advisor is an advisor to two SEC Registered Investment Companies (mutual funds). No management fees will be charged to clients on mutual fund assets that are affiliated with the Advisor. The only compensation to the Advisor in this situation will be fees paid by mutual fund.

The Advisor may consider special factors and negotiate fees other than those listed above. For clients that choose to have the Advisor recommend mutual funds or other money managers versus a portfolio of individual securities, fees for allocation, selection and monitoring are negotiable and may differ from the schedule above.

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

Not Applicable

#### Item 7: Types of Clients

The majority of our clients are very high net worth individuals, typically over \$20mm in net worth. We generally do not engage new relationships unless there is potential to manage this level of assets. We do accept smaller clients if their intent is simply to invest in one of our two advised Registered Investment Companies, Stock Dividend Fund, Inc. and Small Cap Value Fund, Inc.

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

The Firm uses fundamental and quantitative analysis, including some proprietary mathematical models, to determine recommended asset allocation and underlying securities selection. The main source of information is from various subscriber services, financial newspapers, filings with the Securities and Exchange Commission, corporate rating services, etc. The investment strategies used to implement any investment advice given to clients may include long and short term purchases, trading and short sales. Although our objective is to outperform the benchmark index of the various asset categories in which we invest, i.e. stocks, reit's, mlp's and bonds, clients should be prepared to lose in excess of those benchmark returns if we underperform or if we have unfortunate asset allocation recommendations.

#### Item 9: Disciplinary Information

We have no current or prior legal or disciplinary issues.

#### Item 10: Other Financial Industry Activities and Affiliations

Adams Asset Advisors, LLC is an advisor to two SEC registered investment companies (Small Cap Value Fund, Inc. and Stock Dividend Fund, Inc.). Laura Adams, an owner of Adams Asset Advisors, is the President of these two investment companies. Steven Adams, also an owner of Adams Asset Advisors, LLC is the portfolio manager of these two investment companies. Adams Asset Advisors, LLC may at times recommend one or more of these funds as an investment. If a client owns any of these funds in a fee based account, there will be no account fees charged on these assets because the Advisor is already being paid an advisory fee by the funds.

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

As an SEC registered advisor, we have adopted a code of ethics pursuant to SEC rule 204A-1. This Code of Ethics is meant to promote:

- a) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b) full, fair, accurate, timely and understandable disclosure in reports and documents that the Advisor files with, or submits to, the Securities and Exchange Commission ("SEC") and in other public communications made by the Advisor;
- c) compliance with applicable laws and governmental rules and regulations;
- d) the prompt internal reporting of violations of the Code to an appropriate person or persons identified in the Code; and
- e) accountability for adherence to the Code.

A copy of our code of ethics will be provided to any client or prospective client upon request.

Employees of Adams Asset Advisors, LLC may buy or sell the same securities that are recommended or held in client accounts. We have procedures in place to monitor and eliminate potential conflict such as a waiting period before an employee can transact in the same security.

#### Item 12: Brokerage Practices

Adams Asset Advisors, LLC has the authority to determine, without specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold and the broker or dealer to be used. Clients may request a specific firm to custody with or to act as broker. Barring a specific client request, the Advisor currently recommends client to open accounts, for custody and brokerage execution, with Fidelity Investments. Commission rates for fee based equities accounts have been negotiated at three cents per share with Fidelity Investments. Fidelity currently uses a portion of this commission as a credit to pay for some of the Advisor's costs for research or technology expense. The majority of these costs are related to Bloomberg technology expense and Advent software expense. There is no attempt by the Advisor to somehow allocate these credits, or "soft dollars", proportionately to benefit the specific accounts that generate them. They are simply pooled and used to benefit the Firm and clients in general.

Fixed Income transactions will be executed on a best efforts basis using either the Fidelity Investments trading desk or through a prime brokerage transaction. For discretionary fee based accounts, there is a nominal charge (about \$50) to cover ticket processing on prime brokerage trades and no fees or commissions are earned by the Advisor or any affiliates of the Advisor in any way.

Adams Asset Advisors, LLC does not receive client referrals from Fidelity Investments.

#### Item 13: Review of Accounts

Accounts are reviewed continuously as we monitor the variables in our mathematical and fundamental investment models and specific securities holdings. If meaningful changes are warranted, we generally contact clients to discuss the proposed changes. Quarterly reports with a commentary, detailed account holdings, realized gains and losses, and performance are mailed to all fee based accounts. At a minimum, if no meaningful changes are suggested during the course of the calendar year, an annual review will be performed for each fee based client, or more frequently if they request. Steven Adams reviews all accounts. Account statements are sent to clients monthly by their custodian detailing all securities under management, number of shares or bonds owned and current market values. In addition, Adams Asset Advisors, LLC uses Advent software which can provide account detail information on a daily basis if requested.

#### Item 14: Client Referrals and Other Compensation

Not Applicable

#### Item 15: Custody

Adams Asset Advisors, LLC is deemed to have custody of client assets solely due to the fact that it deducts management fees directly from client accounts on a quarterly basis.

#### Item 16: Investment Discretion

The Advisor has discretionary authority to buy or sell securities and to determine the amount of securities to buy or sell without client consent. However, all purchases and sales will be consistent with a pre-determined strategy as discussed with clients and the Advisor will not engage in speculative transactions on a discretionary basis.

Item 17: Voting Client Securities

We currently do not accept authority to vote client securities. Clients will receive their proxies or other solicitations directly from their custodian or transfer agent and of course can contact us for advice on any issues.

Item 18: Financial Information

Not Applicable