

**FORM ADV****Uniform Application for Investment Adviser Registration****Part II - Page 1****OMB APPROVAL**

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Name of Investment Adviser:

**Headstream Advisors, L.L.C.**

Address: (Number and Street)

(City)

(State)

(Zip Code)

Area Code: Telephone Number:

**5949 Sherry Lane****Dallas****TX****75225****( 214 ) 378-3600**

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any governmental authority.**

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

**Potential persons who are to respond to the collection of information contained in this form  
are not required to respond unless the form displays a currently valid OMB control number.**

**FORM ADV****Part II - Page 2**

Applicant:

**Headstream Advisors, L.L.C.**

SEC File Number:

801-

Date:

**1/24/2007****1. A. Advisory Services and Fees.** (check the applicable boxes)For each type of service provided, state the approximate % of total advisory billings from that service.  
(See instruction below.)**Applicant:**

- |                                     |     |   |              |
|-------------------------------------|-----|---|--------------|
| <input checked="" type="checkbox"/> | (1) | Provides investment supervisory services . . . . .  | <u>100</u> % |
| <input type="checkbox"/>            | (2) | Manages investment advisory accounts not involving investment supervisory services . . . . .  | ____%        |
| <input type="checkbox"/>            | (3) | Furnishes investment advice through consultations not included in either service described above . . . . .  | ____%        |
| <input type="checkbox"/>            | (4) | Issues periodicals about securities by subscription . . . . .   | ____%        |
| <input type="checkbox"/>            | (5) | Issues special reports about securities not included in any service described above . . . . .   | ____%        |
| <input type="checkbox"/>            | (6) | Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities . . . . . | ____%        |
| <input type="checkbox"/>            | (7) | On more than an occasional basis, furnishes advice to clients on matters not involving securities . . . . .   | ____%        |
| <input type="checkbox"/>            | (8) | Provides a timing service . . . . .   | ____%        |
| <input type="checkbox"/>            | (9) | Furnishes advice about securities in any manner not described above . . . . .   | ____%        |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

- |           |   |                              |  |
|-----------|---|------------------------------|--|
| <b>B.</b> | Does applicant call any of the services it checked above financial planning or some similar term? . . . . . | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
|-----------|---|------------------------------|--|

**C.** Applicant offers investment advisory services for: (check all that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management | <input type="checkbox"/> (4) Subscription fees |
| <input type="checkbox"/> (2) Hourly charges                                     | <input type="checkbox"/> (5) Commissions       |
| <input type="checkbox"/> (3) Fixed fees (not including subscription fees)       | <input checked="" type="checkbox"/> (6) Other  |

**D.** For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

**2. Types of clients** - Applicant generally provides investment advice to: (check those that apply)

- |  |   |
|--|---|
| <input type="checkbox"/> A. Individuals                      | <input type="checkbox"/> E. Trusts, estates, or charitable organizations                    |
| <input type="checkbox"/> B. Banks or thrift institutions     | <input type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies             | <input checked="" type="checkbox"/> G. Other (describe on Schedule F)                       |
| <input type="checkbox"/> D. Pension and profit sharing plans |   |

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

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Applicant:

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Date:

**1/24/2007****3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> A. Equity securities  | <input checked="" type="checkbox"/> H. United States government securities |
| <input checked="" type="checkbox"/> (1) exchange-listed securities                                |  |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter                        | I. Options contracts on:   |
| <input checked="" type="checkbox"/> (3) foreign issues  | <input checked="" type="checkbox"/> (1) securities                         |
|   | <input type="checkbox"/> (2) commodities                                   |
| <input checked="" type="checkbox"/> B. Warrants   | J. Futures contracts on:   |
|   | <input type="checkbox"/> (1) tangibles                                     |
| <input checked="" type="checkbox"/> C. Corporate debt securities<br>(other than commercial paper) | <input type="checkbox"/> (2) intangibles                                   |
| <input checked="" type="checkbox"/> D. Commercial paper   | K. Interests in partnerships investing in:                                 |
| <input type="checkbox"/> E. Certificates of deposit   | <input type="checkbox"/> (1) real estate                                   |
| <input type="checkbox"/> F. Municipal securities  | <input type="checkbox"/> (2) oil and gas interests                         |
|   | <input checked="" type="checkbox"/> (3) other (explain on Schedule F)      |
| G. Investment company securities:   | <input type="checkbox"/> L. Other (explain on Schedule F)                  |
| <input type="checkbox"/> (1) variable life insurance  |  |
| <input type="checkbox"/> (2) variable annuities   |  |
| <input type="checkbox"/> (3) mutual fund shares   |  |

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

## A. Applicant's security analysis methods include: (check those that apply)

- |   |  |
|---|--|
| (1) <input checked="" type="checkbox"/> Charting    | (4) <input checked="" type="checkbox"/> Cyclical           |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical   |  |

## B. The main sources of information applicant uses include: (check those that apply)

- |   |  |
|---|--|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input type="checkbox"/> Timing services   |
| (2) <input checked="" type="checkbox"/> Inspections of corporate activities   | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the<br>Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases   |
| (4) <input checked="" type="checkbox"/> Corporate rating services             | (8) <input type="checkbox"/> Other (explain on Schedule F)   |

## C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |  |   |
|--|---|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input type="checkbox"/> Margin transactions  |
| (2) <input checked="" type="checkbox"/> Short term purchases<br>(securities sold within a year)  | (6) <input checked="" type="checkbox"/> Option writing, including covered options, uncovered<br>options or spreading strategies |
| (3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days)                 | (7) <input type="checkbox"/> Other (explain on Schedule F)  |
| (4) <input checked="" type="checkbox"/> Short sales  |   |

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

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Applicant:

**Headstream Advisors, L.L.C.**

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Date:

**1/24/2007****5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? . . . . .

Yes No  
☐ ☒

(If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- |                 |  |
|-----------------|--|
| • name          | • formal education after high school               |
| • year of birth | • business background for the preceding five years |

**7. Other Business Activities.** (check those that apply)

- ☐ A. Applicant is actively engaged in a business other than giving investment advice.
- ☐ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- |  |   |
|--|---|
| <input type="checkbox"/> (1) broker-dealer   | <input type="checkbox"/> (7) accounting firm  |
| <input type="checkbox"/> (2) investment company  | <input type="checkbox"/> (8) law firm   |
| <input checked="" type="checkbox"/> (3) other investment adviser   | <input type="checkbox"/> (9) insurance company or agency                                      |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant  |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer                                    |
| <input type="checkbox"/> (6) banking or thrift institution   | <input checked="" type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?.....
- Yes No  
☒ ☐

(If yes, describe on Schedule F the partnerships and what they invest in.)

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

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**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☐ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☒ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.) Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? . . . . .

Yes No  
☒ ☐

(If yes, describe on Schedule F.)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

**Each account is reviewed weekly or more frequently if triggered by economic or market conditions. William C. Ward, Manager, will review each account in a manner consistent with the investment goals of each account.**

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

**Performance data and account balances are provided to clients on a monthly basis. Audited financial statements are provided annually.**

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Applicant:

Headstream Advisors, L.L.C.

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**12. Investment or Brokerage Discretion.**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

(1) securities to be bought or sold? . . . . .

Yes No

☒ ☐

(2) amount of the securities to be bought or sold ? . . . . .

Yes No

☒ ☐

(3) broker or dealer to be used ? . . . . .

Yes No

☒ ☐

(4) commission rates paid? . . . . .

Yes No

☒ ☐

B. Does applicant or a related person suggest brokers to clients? . . . . .

Yes No

☐ ☒

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? . . . . .

Yes No

☒ ☐

B. directly or indirectly compensates any person for client referrals? . . . . .

Yes No

☒ ☐

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities unless applicant is registered or registering only with the Securities and Exchange Commission; or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? . . . . .

Yes No

☐ ☒

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
Headstream Advisors, L.L.C.	801-	1/24/2007

Item of Form (identify)	Answer
1 (A)-1	Headstream Advisors, LLC ("Headstream") provides investment supervisory services on a discretionary basis to a private investment limited partnership and a separate managed account. Investment supervisory services include: (1) establishing each client entity's investment objectives; (2) buying or selling portfolio securities on behalf of each client entity; and (3) periodically reporting to each client entity's investors the applicable client entity's valuations, capital gains or losses, investment income and performance.
1 (C)	Headstream or an affiliate generally charges a quarterly fee (the "Management Fee"), in advance, at the annual rate of 1% of the value of the account. The value of the account on which the Management Fee is based is the client's capital account balance on the first day of the quarter. Headstream or an affiliate may also charge an annual performance allocation in an amount up to 20% of an account's net annual return for its fiscal year (taking into account the payment of the Management Fee). All such performance fee arrangements are intended to comply with Rule 205-3 under the Investment Advisers Act of 1940. Generally fees are not negotiable. Limited partners may make withdrawals at the end of each fiscal quarter. Notice of withdrawal must be provided in writing at least 45 days in advance. Prepaid Management Fees are refunded, on a pro-rata basis, to withdrawing partners upon distribution.
2 (G) 3 (K)-3	Headstream provides investment advice to Headstream Value Partners, LP, and a separate managed account, and acts as the General Partner of the General Partner of said limited partnership. Headstream provides investment advice to the limited partnership according to the objectives of the partnership and not of the individual limited partners.
6	<p>William C. Ward  DOB: 1942  Education: Southern Methodist University—BBA  Experience: Headstream Advisors, LLC  Managing Partner, 2003 – present</p> <p>Regal Asset Management  President, Director &amp; Portfolio Manager  1991-2003</p> <p>Joshua C. Smith  DOB: 1968  Education: Washington University – MBA, 1992  University of Pennsylvania, BA, 1990  Experience: Headstream Advisors, LLC  Portfolio Manager, 2003-present</p> <p>Regal Asset Management  Portfolio Manager, 1994-2003</p> <p>John W. Winslow, CFA  DOB: 1968  Education: Texas Tech University – BBA, 1990  Experience: Headstream Advisors, LLC  Chief Operations Officer, 2003 – present</p> <p>Regal Asset Management</p>

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**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
Headstream Advisors, L.L.C.	801-	1/24/2007

Item of Form (identify)	Answer
	Analyst & Portfolio Manager, 1991-2003
8 (D)	One of Headstream's clients will be Headstream Value Partners, L.P. (the "Fund") a private investment fund formed as a Texas limited partnership, of which Headstream is the general partner of the Fund's general partner. Headstream invests in equity & debt instruments as well as derivatives. Headstream has sole investment discretion and invests partnership assets according to guidelines and limitations set forth in the Limited Partnership Agreement and Private Placement Memorandum. Headstream makes investment decisions according to the objectives of the fund, and not those of the individual investors in the fund.
9 (E)	Headstream and its members and employees may, subject to the provisions of the Code of Ethics, invest in securities in which Headstream may have invested client funds. Headstream's members and employees may purchase or sell such securities only contemporaneously with or after all clients' purchase or sale of such securities, as the case may be. Headstream has adopted a Code of Ethics for the benefit of clients. Headstream's Code of Ethics addresses: client priority, fiduciary duty, provisions on acceptance of gifts by personnel, company opportunities, influence, confidentiality of client information, record-keeping, and various other important topics. A copy of Headstream's Code of Ethics, in its entirety, is available to clients and prospective clients upon request.
10	Headstream manages a limited partnership which has a minimum initial subscription amount of \$1,000,000, although subscription amounts of a lesser amount may be accepted at the discretion of Headstream. Other requirements pertaining to investor suitability and qualification are set forth in the Fund's Private Placement Memorandum.
12 (A)	<p>Headstream has complete investment and brokerage discretion.</p> <p>Headstream selects brokers for its direct securities transactions based on a number of factors, including the following: the ability to affect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the broker's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services and other services considered by Headstream to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying Headstream's other selection criteria.</p> <p>Research services may include both services generated internally by a broker's own research staff and services obtained by the broker from a third party research firm. Research may include reports and analyses concerning specific issuers, industries or sectors; market, financial and economic forecasts and other data; and statistics and pricing services.</p> <p>From time to time, Headstream may become a party to "soft dollar" arrangements with various brokerage firms, pursuant to which the cost of certain research and other services and products used by Headstream or its affiliates is paid for with commissions generated by direct securities transactions for client accounts. Headstream may also enter into arrangements with brokers to (i) have "soft dollar" credits rebated to the client accounts or to have commissions recaptured by the client accounts from which the credits or commissions were generated or (ii) use "soft dollars" to pay expenses otherwise payable by</p>

Complete amended pages in full, circle amended items and file with execution page (page 1).



**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
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Item of Form (identify)	Answer
13 (A)	<p>client accounts. Either of such uses of "soft dollars" would have the effect of enhancing the returns associated with such client accounts from the returns that would exist absent such uses. Headstream reserves the right to change its soft dollar practices as provided herein.</p> <p>In addition to research services, Headstream may be offered other monetary or non-monetary benefits by brokers that it may engage to execute direct securities transactions on behalf of its clients. These benefits may take the form of special execution, clearance and settlement capabilities. They also may take the form of payment of all or a portion of Headstream's costs and expenses of operation such as: news wire and data processing charges, quotation services and periodical subscription fees and other trading related expenses.</p> <p>When engaging in direct securities transactions, Headstream may pay broker commissions that are higher than another broker might have charged for the same transaction, in recognition of Headstream's assessment of the value of the research and other services provided to Headstream by the broker. However, Headstream must believe that commission costs borne by client accounts are reasonable in relation to the overall services provided. The client account that bears the cost of such a commission for a particular trade will not necessarily be the sole beneficiary of such research. Subject to being satisfied that it is obtaining best execution, Headstream may consider referrals of investors in selecting among brokers that otherwise satisfy Headstream's selection criteria.</p>
13 (B)	<p>Headstream may enter into agreements with an affiliate which will solicit clients for Headstream or investors for investment funds managed by Headstream or an affiliate. For their solicitation services such affiliate may receive commissions, a percentage of Headstream's management and/or performance fees. Such compensation may be in the form of a special limited partner interest in a fund or funds. Any such future arrangements will be fully disclosed to potential investors at the inception of the relationship and a disclosure document will be delivered annually to all Fund investors.</p>
Other Disclosures	<p style="text-align: center;"><i>Headstream Asset Management, LLC</i></p> <p style="text-align: center;"><b>PRIVACY POLICY</b></p> <p>In accordance with SEC Regulation S-P, Headstream Advisors, LLC is required to provide you an explanation of our policy with regard to maintaining the privacy and confidentiality of your personal financial information ("Information"). For purposes of this policy, Information is as defined in Regulation S-P, and includes, but is not limited to, private, non-public personal financial information that is provided by you upon becoming a client, which we obtain in connection with the transactions we enter into on your behalf, and otherwise in connection with our relationship with you.</p> <p>This policy is applicable to clients and partners of Headstream Advisors, LLC and of Headstream Asset Management, LP and Headstream Value Partners, LP (known hereinafter as the "Headstream Funds").</p>

Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of  
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Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
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Item of Form (identify)	Answer
	<p>We collect Information about you from the completed subscription documents for The Headstream Funds or advisory contracts you provide to us.</p> <p>We do not disclose Information about current or former clients except to the extent that it is required or permitted by law; that it is shared between The Headstream Funds, affiliated investment management firms, and the firm; or provided to our legal advisors, accountants, prime brokers, consultants and/or other similar firms in connection with advice we obtain from them or services they perform for us. We do require these outside firms to protect the confidentiality of client Information they have access to and to use the information only for the purpose for which the disclosure to them was made.</p> <p>All Client Information is accessible only to employees who are required by the nature of their employment to have access to such information. We maintain physical, electronic and procedural safeguards which comply with federal standards to protect client Information.</p>

Complete amended pages in full, circle amended items and file with execution page (page 1).