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**Item 1 – Cover Page**

# Brochure

Oxbow Advisors, LLC

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Corpus Christi, TX 78401

361-888-7611

June 3, 2011

This Brochure provides information about the qualifications and business practices of Oxbow Advisors, LLC [Oxbow, 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. If you have any questions about the contents of this Brochure, please contact us at 361-888-7611. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Oxbow is registered as an 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 Oxbow, including the information contained in this Brochure, should provide you with information to determine whether to hire or retain Oxbow 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 Oxbow 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 Oxbow (Associated Persons).

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## Item 2 – Material Changes

This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Oxbow’s most recent update to Part 2 of Form ADV was made in May 2011.

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3520 Bee Caves Road, Suite 125  
Austin, TX 78746  
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In the future we will provide new clients with a brochure before or at the time we enter into an advisory agreement. In the future, we will deliver to our clients, within 120 days of the end of each fiscal year, a free, updated Brochure that either includes or is accompanied by a summary of material changes. Alternatively, we may deliver a summary of material changes that includes an offer to provide a copy of the updated brochure and information on how our clients may obtain the brochure.

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

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## **Item 4 – Advisory Business**

The sole owner of Oxbow is James Theodore Oakley (Oakley or Ted Oakley). All personnel of Oxbow 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.

### ***Investment Products***

Oxbow 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 (mutual fund shares)
- United States government securities
- Option contracts on securities
- Interests in partnerships investing in real estate, oil and gas placements
- Limited partnership interests.

Oxbow offers the following advisory services:

- Financial planning services
- Portfolio management services for individuals and/or small businesses
- Portfolio management for businesses or institution clients (other than investment companies)
- Selection of other advisers

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

Oxbow anticipates having in excess of \$100,000,000 in client assets under management within 4 months of becoming registered as an investment adviser with the SEC.

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### ***Overview***

Oxbow offers advisory services by providing investment advice and portfolio management services on a continuing basis, including the appropriate allocation of managed assets among cash, stocks, and bonds with the selection of specific securities which will provide proper diversification and help meet the client's stated investment objectives. In effecting such services, we may advise directly and/or invest clients' funds through other investment advisors and/or third party money managers.

We provide discretionary investment advisory services to some of our clients through a managed account program ("Wrap-Fee Arrangements") referred to as the Managed Account Program (the Managed Account Program). The Managed Account Program allows an investment advisory representative ("IAR") to create and manage an investment portfolio designed to accomplish the client's investment objectives. The IAR is compensated through a comprehensive single fee (i.e., all-inclusive fee covers costs of commissions, research, etc.). The details of this program are set forth in the Form ADV Part 2 Appendix 1 Wrap Fee Program Brochure. We provide discretionary advisory services on a non-wrap arrangement through our managed program.

We provide investment management services to our clients predominately through asset allocation strategies aimed at Long-term Growth (equity), Growth & Income (balanced), High Income and Income (fixed income) portfolios in separately managed portfolios.

## **Item 5 – Fees and Compensation**

### ***Fees and Compensation***

We offer its 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:

Fee Schedule *		
See also Fee Payment Options in the paragraph below this chart		
Fee Type	Fee Cost	When Charged
Advisory Fees	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%		

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

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

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

### ***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.



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### ***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**

Oxbow does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

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## **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

## **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 Oxbow 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 businesses: 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.

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### ***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.

The main sources of information that Oxbow 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 Oxbow 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 not generally be invested in illiquid securities and or private investments without client direction. However, to the extent the client directs that portfolio investments be made in investments that are not liquid and or securities become less liquid during the holding period, you will not be able to access your investment.

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***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.

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***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.

***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. 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

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movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Oxbow or the integrity of Oxbow's management. Oxbow has no information which is applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

**Brokerage and Investment Advisory Activities.** Oxbow is affiliated with Herndon Plant Oakley Ltd (HPO) which is a registered Broker/Dealer with the SEC and various state jurisdictions and is a member firm of the Financial Industry Regulatory Authority. HPO is also registered with the SEC as a registered investment adviser, and notice filed with various jurisdictions in such capacity. Additionally, Oxbow is affiliated through common ownership with Springwater Advisors (Springwater), an investment adviser registered with the SEC.

**Insurance Activities:** HPO 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. HPO may receive compensation or other forms of compensation in connection with such sales. Clients are not obligated to use HPO as their insurance broker or agent or to use any recommended insurance company for any recommended insurance transaction. Certain associated persons of HPO are also licensed insurance brokers, and as such, do on occasion sell insurance products to the brokerage clients of HPO. HPO may devote 1% of their time to this activity.

**James Theodore Oakley** is a limited partner of HPO, a managing member of Springwater and Oxbow. He manages the investment advisory activities of HPO and Oxbow. Such activities are estimated to utilize approximately eighty (80%) percent of Mr. Oakley's time. He is also a registered representative of HPO a related broker/dealer under common ownership and control. In his capacity as a registered representative and principal of HPO and Oxbow, Mr. Oakley may either execute trades on behalf of its clients, or oversee the execution of trades on their behalf. Such activities are estimated to utilize approximately twenty (20%) percent of Mr. Oakley's time.

### ***Other Activities***

Oxbow and its principal executive officer 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, Oxbow or its affiliates may buy securities for its own

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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. Oxbow may purchase initial public offerings for certain advisory client accounts who have expressed an interest in the purchase of these issues. Oxbow 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 Oxbow 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 of HPO.
- Recommends to clients that they buy or sell securities or investment products in which Oxbow or a related person has some financial interest.
- Buying or selling for securities for its account that we 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 Deubel-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***

Our employees and Associated Persons may purchase and sell securities for their own account. To prevent conflicts of interest, all employees and Associated Persons 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.

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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 our 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 affiliated 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 Oxbow.



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## Item 12 – Brokerage Practices

HPO may be used to execute portfolio transactions for investment advisory clients of Oxbow. These transactions will be conducted subject to proper, and customary, disclosure including (but not limited to) compensation received by HPO and its registered representatives. If you are in an advisory wrap program sponsored by HPO, generally you will not pay any additional compensation to HPO, or to a registered representative for the advisory services provided to you. If you are in a non-wrap advisory program of HPO, a registered representative may receive commissions when portfolio transactions are effected on your behalf. Notwithstanding the above, a registered representative may (i) charge an advisory fee and a ticket charge for non-wrap clients; (ii) receive a portion of the distribution and Rule 12b-1 fees from the issuers of a limited number of mutual funds that are utilized by advisory clients; and (iii) money market mutual funds, or comparable investments in which to hold cash reserves in your account by the registered representatives are limited to certain investments. The selection includes a limited number of money-market, municipal money-market and government money-market funds, and the issuers of funds pay HPO a distribution fee in its capacity as a broker-dealer. Additionally, HPO, as a broker-dealer, may buy securities for itself from, or sell securities it owns to clients of Oxbow, at which time markups/markdowns may be charged to those clients.

It is generally anticipated that HPO will be designated by the client as the broker-dealer for the execution of securities transactions which are directed by Oxbow. To the extent that it is, Oxbow 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."

If an investment advisory client utilizes HPO as the broker-dealer, Oxbow's selection of money market mutual funds or comparable investments in which to hold cash reserves in the client's account will be limited to certain investments. The selection includes money market, municipal money market and government money-market funds, and the issuers of funds pay HPO a distribution fee in its capacity as a broker-dealer. This compensation is in addition to other fees, etc. received from client accounts. Oxbow's advisory representatives that are also registered with HPO may also receive additional compensation based on client account balances being held in the money-market funds. Additionally, cash balances arising from the sales of securities, redemption of debt securities, dividend and interest payments and funds received from clients are so 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, HPO 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.

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Where an unaffiliated broker-dealer or other entity acts as custodian of the client's account assets, HPO will have no control over the manner in which the cash reserves will be handled. The client and/or custodian will make that determination.

HPO, as broker-dealer, buys securities for itself from, or sells securities it owns to its and Oxbow's clients. HPO may act as principal in transactions involving Oxbow's investment advisory clients. It is the policy of Oxbow to affect such a transaction consistent with Oxbow's duties to the client and only after prior disclosure to, and written approval from, the client has been obtained as required by applicable law.

HPO, from time to time, may affect agency cross transactions between broker dealer and advisory clients in an effort to accommodate the needs of Oxbow's clients by either attempting to minimize transaction costs or by providing liquidity with respect to certain securities. With respect to principal transactions, an agency cross transaction is a transaction in which Oxbow, or any of its affiliates, acting as a principal for its own account, knowingly sells any security to or purchases any security from a client. It is the policy of Oxbow to conduct such transactions consistent with Oxbow's duties to its clients and after prior approval has been obtained from the client as required.

HPO, as broker-dealer, may be used to execute portfolio transactions for Oxbow's investment advisory clients. These transactions will be conducted subject to proper, and customary disclosure, including (but not limited to) compensation received by Oxbow and/or its registered representatives. Compensation will be received by HPO, as a broker-dealer, and/or its registered representatives when portfolio transactions are effected on behalf of Oxbow's investment advisory clients. The representatives may charge an advisory fee and a ticket charge; however, no commissions are charged on wrap account transactions. Compensation is received by HPO, as a broker-dealer, and/or its registered representatives when portfolio transactions are effected on behalf of investment advisory clients and therefore, HPO will receive compensation.

HPO maintains an arrangement with First Clearing LLC (First Clearing) whereby HPO clears securities transactions on a fully disclosed basis through First Clearing as an introducing broker. Further, First Clearing holds all customer funds and/or securities on behalf of HPO's brokerage customers for purposes of the Securities Investor Protection Act.

Based upon the similarity of investments among client accounts having similar investment objectives, and the fact that Oxbow may direct the purchase of securities for more than one account simultaneously, and the possible appearance of similarity in the treatment of clients, all client accounts are handled under the following basic conditions, designed to prevent pooling of assets and/or the management of accounts on a de facto pooled basis, resulting in the existence of an investment company.

It is not HPO's practice to negotiate "execution only" commission rates; thus the client may be deemed to be paying for other services provided by the broker which are included in the

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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 HPO to its brokerage clients may or may not be used by Oxbow in the servicing of its investment advisory clients.

HPO may receive from custodians, without cost, software and support which allows HPO to better monitor and service client accounts. The Firm may receive the software and support without cost because Oxbow renders investment advisory services to clients that maintain accounts with certain custodians.

## **Item 13 – Review of Accounts**

### ***Review of Accounts***

Oxbow offers managed account programs to its customers. These managed accounts are monitored on a systematic basis, and each account is reviewed at least annually by Ted Oakley. Notwithstanding the above, more active accounts and larger accounts maybe reviewed more frequently. With respect to account performance, Oxbow reviews each account on at least an annual basis, and compares each investment on a transaction basis to insure that each transaction is:

- (i) suitable to the respective client's investment objectives;
- (ii) meets that client's quality standards; and
- (iii) still pertinent to their investment objectives and still pertinent to the managed account arrangement.

### ***Reports***

The nature and frequency of reports to clients are determined primarily by the particular needs of each client. Generally, clients are issued quarterly reports by Oxbow detailing their individual assets, unless the client requests a more frequent basis. The client receives an annual performance report for each calendar year, summarizing all portfolio activity for the year. The client also receives monthly account statements from First Clearing detailing all activity in the client's managed account. In addition, the Compliance Officer of Oxbow will oversee the review all client accounts annually.

### ***Trade Errors***

Though Oxbow will attempt to correct trading errors as soon as they are discovered, we may not be responsible for poor executions or trading errors committed by the brokers with which it engages in securities transactions, unless such errors resulted from ours negligence, fraud or willful misconduct.

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## **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. However, at this time Oxbow does not have any relationships with third party solicitors for the referral of advisory clients to us.

### ***Brokerage Compensation***

#### ***Affiliated Broker-Dealer***

HPO as an affiliated broker-dealer that may be used to execute portfolio transactions for investment advisory clients, at your discretion. These transactions will be conducted subject to proper, and customary, disclosure including but not limited to compensation received by HPO and any Associated Persons. Compensation is received by HPO, 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 receive a portion of the advisory fee and any ticket charge charged by HPO (to the extent they are also registered with HPO). Additionally, the 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.

#### ***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 HPO as the broker-dealer, their 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.

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Additionally, cash balances arising from the sales of securities, redemption of debt securities, dividend and interest payments and funds received from clients are so 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, HPO 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, HPO will receive interest sharing compensation related to such margin loans.

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

HPO is also licensed as an insurance agency in the state of Texas. Additionally, some Associated Persons are licensed insurance agents through HPO in the state of Texas, and have contracts and or appointments with various insurance companies. To the extent insurance products are purchased thorough HPO or their registered 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, Oxbow addresses its fiduciary duty by utilizing insurance products only where it is the best interest of clients, and after consultation with the client.

## **Item 15 – Custody**

The client brokerage accounts are generally introduced to First Clearing by HPO, on behalf of Oxbow. In such a relationship, First Clearing is deemed to be the custodian, and the custody of each account is structured such that each client's securities are held in nominee name only for ministerial purposes, and each client's account is maintained as a separate account. The client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the client's securities in the account. Additionally, you may direct Oxbow to utilize other broker-dealers and or financial institutions to custody their portfolio assets.

Further, you retain any and all rights afforded under the federal securities laws to proceed directly against the issuer of any underlying security in the client's account. You may

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withdraw, hypothecate, vote or pledge securities in your account upon written notice to Oxbow and you have the authority to instruct Oxbow from directing the purchase of certain securities through Oxbow that might otherwise be purchased in your account. To insure the account's investments are in keeping with the customer's investment objectives, your circumstances are monitored through annual interviews.

You should receive at least quarterly statements from 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 summaries and reports that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **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.

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## **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**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Oxbow's financial condition. Oxbow has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## **Item 19 – Other Information**

### ***Privacy Notice to Customers***

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***

We have 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. 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,

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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.