



The History and Creation of White Oaks

By Robert Klosterman
President & CEO

Celebrating a Quarter Century of Personalized Wealth Management Services



The founding of a new organization is often created out of a sense that some particular need is not being met in the marketplace. These needs may be a brand new product or service that has not been imagined or brought to the market to date. They may be a vision that things can be done better and/or cheaper, available to more consumers or bring ancillary features to broaden the appeal and need.

I began in the financial services business with IDS (now Ameriprise) in 1975. White Oaks Vice President and co-shareholder, Sharon Bloodworth, likes to quote that “ Bob was there at the beginning of the financial planning business”. While it was close, the original origin of the profession was 1969. After a number of years associated with other firms, White Oaks Wealth Advisors Inc. was formed in 1986 as R. J. Klosterman and Company.



R.J. Klosterman & Co. 1005 Interchange Tower
600 South Hwy 169, Minneapolis MN 55426



It was created with the idea that consumers wanted, and needed, a firm that could identify financial products and services from the entire universe of investment and insurance products that fit their needs, not the needs of a particular investment or insurance firm, or their captive agents and representatives.

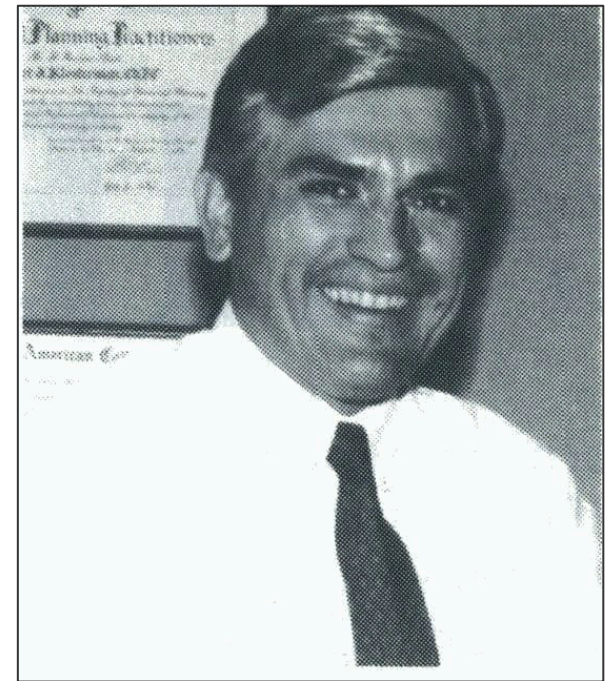
If a better product existed, this was the place it could be accessed and this was the place where client's specific needs would be met. This notion of broad based, objective advice was at the core of the emergence and growth of a new type of advisor and R. J. Klosterman & Company, now White Oaks, was a part of a new and important movement.



Interchange Tower Office



Key values embraced by White Oaks over the years, and continued to this day are: Independence, Fairness, Integrity and Creativity. White Oak's world was not perfect as initially conceived because the ability to access products was largely based on a commission-based system that had been in place for many decades. To help a client one needed to be licensed and contracted by each company you implemented a product with. If a company would not contract you, not only could you not help the client with the purchase, it would be illegal to do so. Remnants of this system still exist in the insurance and investment industries.



Robert J Klosterman 1987



In 1990 the firm made a critical decision in an attempt to separate itself from the “system” and increase our objectivity. We converted to a fee-offset compensation system. It was pretty simple on the surface. We would charge a fee for services and if any commissions were collected by us we would subtract those dollars earned from the fee.

This helped increase the objectivity and integrity of the previous system. It was an important decision since it broadened our appeal and we were willing to embrace an even wider spectrum of products available.

R.J. Klosterman & Company

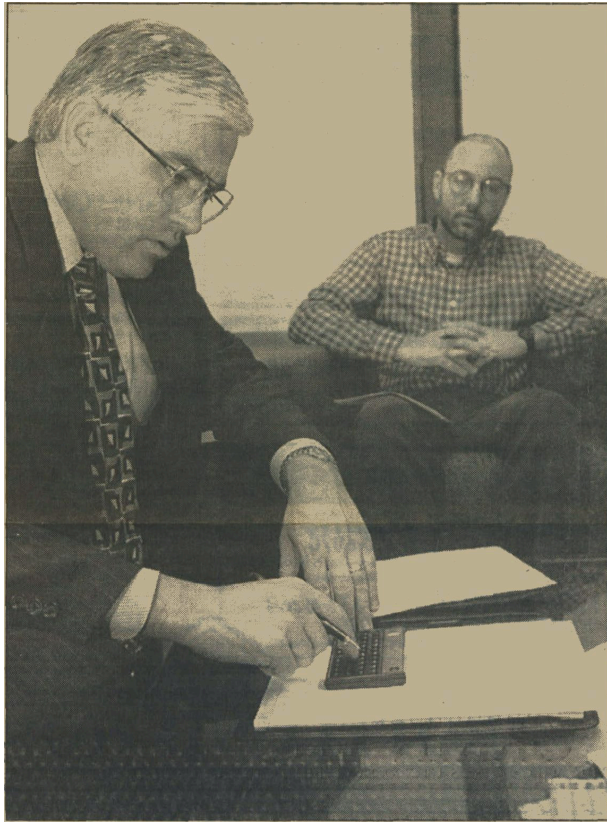
Founded: 1986

Compensation: *Fee-only and offset*

Employees: *Five*

Clients: *150*

Assets under management:
\$150 million



Bob Klosterman Counseling a Client

In 1996 the name of the firm was changed from R. J. Klosterman & Company (a fine name if I do say so myself) to White Oaks Wealth Advisors, Inc. We had worked with a consultant a couple of years earlier and the suggestion to change the name was made to try and create an image that was more team based than the “my name” approach used to that date. Frankly, I had dismissed the idea for the next couple of years, but one Sunday afternoon an epiphany came and I felt that it might be a good idea after all.



I spent the balance of the afternoon (Bob's Sunday afternoon hallucination) flipping through encyclopedias and thesauruses (Remember it was only 1996 and encyclopedia's still existed.) looking for the appropriate theme/idea. Trees seemed to bring the right symbolism. But what tree? The White Oak became the obvious choice.

The fact that they have a very long life span and are both strong and sturdy was a good start. Being used as a quality material in homes, furnishings and in shipbuilding also added to the feel we were looking for and being used in wine and whiskey barrels was a small, but added plus.





The plural tense of White Oaks was to connote the team aspect of the “what” we do. A grove of Oak trees is infinitely stronger than a single tree standing alone. Internal teamwork is a key attribute of a successful enterprise, but the teamwork theme was never intended to be the sole an internal view of the word. The appreciation of all the client’s advisors as being part of the “team” was also part of our philosophy and practice, and is integral to our value proposition. We only have one job together, enhancing the client’s life financially. Teamwork is not just nice; it’s critical!!





As time went on, the tentacles of the old system still were having an impact on the decisions being made. To access the commission world we needed to contract with a broker-dealer firm and they felt a need to exercise a degree of control over the types of ideas being implemented. Clearly, many of their edicts were more about their revenue stream than the “best idea” for the client. The fee-only method of giving advice was in its infancy, but in 1997 we once again made the next move and it was a full impact move for White Oak’s future.



With the move to the fee-only methodology the decks were now clear and the tentacles of the establishment system, now only a memory, are a growth pattern accelerated. A merger happened during 1999, but was unwound in 2002. Key lessons of understanding mutual interests and desires for growth were learned during this time.

Also, it was a time of a few, unsuccessful hires. Yet, many good things came out of that time. Our Vice President, Sharon Bloodworth, was tested by fire during that time and is here to prove that we are stronger for the experience. Many key lessons about relationships, values and more mundane things, like who and how to hire, enhanced our ability to move forward.



Sharon Bloodworth 2002



It is often noted that the road to our goals is often met with difficult times. September 11, 2001 was notable for all of us. None of us had felt the uncertainty prior to the events of that day. What would happen? How should we respond? Most of the team was huddled in my office since I had a TV in there. For the most part we sat silently, trying to understand what was happening. We found out that the markets would be closed for a number of days to give the world time to process. In retrospect it turned out to be a good move and after some adjustment things started to improve.



In 2002 we moved to the Foshay Tower. At the time, it was a big move for White Oaks since we had been located in the suburbs all along and I had expected to stay in the Interchange Tower. When the time came to renew, the landlords and White Oak's expectations were far apart, hence we started to explore other options and downtown was on the radar screen. Clearly there would be advantages from an overall image perspective. All the big law and accounting firms were there. Downtown was cool. The hustle and bustle attracted us, but truth be told, there was an emotional impact that drew me to that specific location.



Foshey Tower, Downtown Minneapolis



Growing up as a farm boy in Iowa, I never got to see many structures taller than a silo and that was much larger than the two story buildings in my hometown. My VERY FIRST tall building experience was on my high school senior trip. I recognize that today's high school seniors get to go to Europe or many other exotic spots, but we got to come to Minneapolis!!



Bob's Foshay Office



Lobby of Foshay Office

We went to see the Golden Horses at the Capitol, go to a movie at the Cooper Theatre AND go to the top of the Foshay Tower. The Foshay was the tallest building west of the Mississippi at the time and with those memories in mind, White Oaks had the opportunity to move and occupy the whole 25th floor of the Foshay! SOLD!!



Shortly after that Jill Harvey, our current Director of Operations joined White Oaks and continues to be a valued member of the team. Things were about to change immensely and Jill was an important part of it.



Jill Harvey 2002

In 2003 we started to wonder how else we could create value in the investing process. Starting with the proverbial “clean sheet of paper” we took a look at a number of ideas. We were suspicious about the notion of continuing to take “retail” products off the shelf and how it was going to be an effective strategy going forward. We had used separate account platforms and found the results to be disappointing.



Wondering what could be done differently, we started looking at other models that would add value. One of those models was looking after wealthy family's money, employed by Family Offices. A strategy that is often used is the creation of an entity to combine or pool the family's money and then go to the marketplace with a much larger negotiating power. We began to ask ourselves "what could we do with \$100,000,000?" The more we looked at it, the more sense it made. It could not help every client since a net worth of \$1,000,000 was necessary to be able to participate. For that reason we also looked at forming a mutual fund, but that was cost prohibitive and would be less attractive from a tax perspective.



We had a lot of concerns at the time we were considering this move. How would clients perceive it? What if we couldn't get the buying power we hoped for? What if clients said no? How can we enhance and communicate the integrity of the process? These questions have stopped most of our colleagues across the country from doing this. We decided to take them on, get them answered and move forward. First, RFP's were sent out to the intended sub-managers and vendors. All that were invited had accepted, and the prices we obtained were better than we had hoped. We could cut approximately 1/3 the cost of investment management.



Next we had exploratory conversations with clients who qualified. The response was excellent, but we knew, intuitively, the difference from “Yeah, this sounds good” and the papers being signed and actual participation. The next step to get into place was being able to communicate the integrity of the process. While Madoff happened years later, this turned out to be one of the most important steps in our design. Having the process audited and reviewed by third parties was an important step to assuring the credibility and integrity of the process. Mayer, Hoffman and McCann has audited this process since inception and we are one of very few firms that have audited results.

The new process for accredited investors started July 1st, 2004 and continues to exemplify all the values that White Oaks holds dear: Independence, Fairness, Integrity and, especially Creativity. This process has lowered expenses and enhanced returns and we are very proud of our role in developing it.



Our time in the Foshay was all too short. The building was sold and the new owners wanted to convert it to a hotel. It is now the W Hotel in downtown Minneapolis. I suppose we could have stayed there, but the room rates would have been high.



It was time to go full circle again as my initial foray into the world of financial planning was with a firm called IDS (now Ameriprise) and my office was in the IDS building...and there you have it! In December 2006 we moved into the IDS building and it has been White Oak's home to this day. The windows no longer rattle and/or open as they did in the Foshay but the location serves us well!



In 2008 we added Micki Larson and Jeanna Sabers to the team. Micki's role has evolved into being our go to person on marketing, events etc. and Jeanna's role is more focused on the planning and service. Being a "flat" organization we all tend to have our roles bleed into others at times, but that's what a good team is all about.



Micki Larson 2008



Jeanna Sabers 2008

2008 is also notable for the financial meltdown. I'll never forget the "opportunity" to be in front of our clients in the fall trying to explain the fall of Lehman Bros., the falling markets, AIG and a whole host of questions. Another White Oaks test of fire was under way. Looking back we (keeping with our quality wood theme) came out of it only showing a couple of charred spots. During this entire period, having over 200 clients, we only had three clients leave us. We would also like to think that some of this is the result of good communication, good results and forward thinking. We are very fortunate to have great clients. The ones who left were focused on the end of the world as we know it and did what they needed to do, but the rest benefited greatly by looking ahead and believing in our process and in us. We are DEEPLY appreciative!!



2011 brings us to our 25th year. Many things have changed, but the original notion of bringing additional value to clients and exhibiting our values of Independence, Fairness, Integrity and Creativity in everything we do has remained steady. With the addition of the Intrinzia Family Office our team is bigger, our skill set broader and deeper, and our ability to solve problems is significantly enhanced.





Some may wonder what the next 25 years will bring. I know it will bring more “black swan” events and challenging scenarios. At the same time, the White Oaks team knows that by embracing our values, continuous learning, improvement and hard work we not only can, but will thrive no matter what is thrown at us. By using our skills and values to focus on high probability processes of success we can, and will, protect our clients. This is our path to success and continuity. With that said our mutual security is assured.



The White Oaks Team