



820 Gessner Rd., Suite 1720
Houston, TX 77024
(713)461-0150
www.firsthoustoncapital.com
March 2012

This brochure provides information about the qualifications and business practices of First Houston Capital. If you have any questions about the contents of this brochure, please contact us at 713-461-0150. 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 First Houston Capital also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

The last annual update of this brochure was in July 2011. There have been no material changes to our business since that update.

Table of Contents

Advisory Business.....	1
Fees and Compensation	2
Performance-Based Fees and Side-By-Side Management	2
Types of Clients	2
Methods of Analysis, Investment Strategies and Risk of Loss.....	3
Disciplinary Information.....	3
Other Financial Industry Activities and Affiliations	3
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	4
Brokerage Practices.....	5
Review of Accounts.....	6
Client Referrals and Other Compensation	6
Custody	6
Investment Discretion.....	6
Voting Client Securities	6
Financial Information.....	6

ADVISORY BUSINESS

Advisory Firm Description

First Houston Capital ("FHC" or the "Firm") has been in business since June 14, 2006. The principal owner is Richard G. Leader.

Types of Advisory Services

At First Houston Capital, managing financial assets is the only service we offer to investors. We engage in no other activities which would dilute our dedication to managing portfolios or create a conflict of interest.

Tailored Advisory Services

Clients can request abstention from certain securities or sectors, but cannot hold a security in a managed account which is deemed by FHC to be too risky or speculative.

Client Assets Under Management

Our assets under management as of January 31, 2012 totaled \$101,418,613, managed on a discretionary basis.

FEES AND COMPENSATION

First Houston Capital's fee schedule is defined below. Fees are negotiable. We deduct fees directly from client accounts on a quarterly basis after obtaining written authorization from the client when the account is opened. Fees are calculated by averaging the previous quarter's assets under management. This total is multiplied by the fee per annum based on the fee option and divided by four to give us the quarter's fee due. Fees are collected for the quarter going forward.

Should a client close an account prior to the end of the quarter, refunds are deposited into the account based on the number of days the account was closed prior to the end of the quarter.

Our custodian, Pershing, charges commissions on equity trades. Typically, this is \$7 per trade, although there are exceptions. First Houston Capital does not get any compensation attributable to the sale of a security or investment product.

Fee Structure	Annual Fee
Equity accounts first \$500,000	1.25%
Equity accounts for balances over \$500,000	1%
Equity accounts for balances over \$10 million	.75%
Fixed income accounts	.5%

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

First Houston Capital does not engage in either activity.

TYPES OF CLIENTS

We manage portfolios for high net worth individuals, retirement plans, corporations and not-for-profit organizations. Our preferred account minimum is \$500,000, though there are exceptions to this.

Prospective clients should be aware that smaller accounts can be more volatile than larger ones as fewer securities are usually held in small accounts.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Here are a few facts about our investment approach:

- All accounts are managed individually, not commingled with other accounts.
- Market capitalization is not a limiting factor in our stock selection. We buy shares of companies that are performing well. We do not own “turn-around” or speculative stories.
- We continuously research and analyze securities in search of opportunities. We make decisions utilizing a multi-cap strategy that emphasizes margin-of-safety and common sense.

Investing involves risk. First Houston Capital strives to minimize risk of loss by careful analysis of companies and market trends. We offer four products to cater to the account holders’ tolerance of risk.

On the equity side, we have Growth and Income and Equity Income styles of investing. Equity Income owns only companies which pay a dividend. Growth and Income is a combination of dividend paying companies and companies which could pay a dividend but the emphasis is on growth of capital. Our portfolios are diversified among industries. Our average account holds about forty positions with about a 2.5% exposure to each.

On the fixed-income side, we offer a tax advantaged municipal bond product as well as a total return bond product. The municipal bond product invests in bonds which provide an exemption from federal income taxes. The investment objective is a high level of tax-free income, consistent with the preservation of capital. Portfolios will hold at least 80% of the assets in investment grade municipal securities. The total return bond product invests in high quality taxable fixed income securities including corporate bonds, US Treasury bonds and mortgage-backed securities. The investment objective is a high level of income consistent with preservation of capital. Portfolios will hold at least 80% of the assets in investment grade bond securities.

Clients and prospective clients should be aware that withdrawals from their account as well as directing FHC to sell can diminish performance of their account. We believe market timing is generally not a good idea and FHC does not recommend or utilize on behalf of its clients. At FHC, our investment focus is long-term growth of capital.

DISCIPLINARY INFORMATION

First Houston Capital has had no disciplinary action for the company or its principals.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

First Houston Capital is involved in none of the above.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

First Houston Capital has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as “employees”) and focuses on three specific areas where employee conduct has the potential to adversely affect the client: misuse of confidential information; personal securities trading and outside business activities. Failure to uphold the Code of Ethics may result in disciplinary actions, including termination with the Firm. Any client or prospective client may request a copy of the Firm’s Code of Ethics at any time.

The following basic principles guide all aspects of the Firm’s business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients’ interests come before employees’ personal interests and before the Firm’s interests.
- The Firm must fully disclose all material facts about conflicts of which it is aware between the Firm and its employees’ interests on the one hand and client and the Firm’s interests on the other.
- Employees must operate on the Firm’s behalf and on their own behalf consistently with the Firm’s disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

Misuse of Nonpublic Information

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees may not convey nonpublic information nor depend upon it in placing personal securities trades.

Personal Securities Trading

We invest in the same securities we own for our clients. On the equity side, when buying a new security, clients come first. A day later, we are allowed to buy it for our own accounts. In order to avoid front-running, we do not buy or sell that security until the third day after the personal trade. When selling out of an entire position, we are allowed to put our personal accounts in an aggregated trade with clients. On the bond side, accounts are rotated through a cycle and availability of cash is the prevailing determinant when buying a bond.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm’s policies.

Outside Business Activities

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed.

BROKERAGE PRACTICES

Research and Other Soft-Dollar Benefits

FHC currently has no formal soft-dollar arrangements, where specific products or services are paid for with trading commissions generated for the Firm by individual trades for clients. If any such formalized arrangements are made, FHC will put in place policies and procedures regarding appropriate soft-dollar generation, products and services to be paid for with soft dollars and recordkeeping.

FHC does have an informal arrangement with Pershing Advisor Solutions, FHC's primary custodian, in which the custodian provides products and services (such as market research and commentary, and compliance updates) to FHC as a result of the total relationship between the custodian and the Firm's clients.

Brokerage for Client Referrals

FHC does not use client brokerage to compensate or otherwise reward brokers for client referrals.

Directed Brokerage

FHC does not allow directed brokerage; all of our clients are with Pershing Advisor Solutions, although we trade with other broker/dealers as a sub-advisor to Salient Partners.

Order Aggregation

FHC will aggregate brokerage orders for its clients and allocate the securities purchased or sold among the participating accounts, with each account receiving the same terms when there is a new position or when there is a position for which FHC is selling. The proportion in which participating accounts will share transactions will be determined by the portfolio manager(s) on the basis of investment objectives, cash availability, expected cash and liquidity needs and other relevant factors. The overriding principle for that allocation is that no client is intentionally favored over another client that is similarly situated. Firm personnel may only participate in block trades with clients if all client positions in the security are being fully liquidated and will receive the same average price per share as clients. In the event the block is not entirely bought or sold, the block will be executed using the pro rata formula. In the rare event of a very small amount of the block being traded, FHC will allocate shares from smallest to largest and then largest to smallest on the next similar event. In all partials, firm personnel shall be excluded from that block.

FHC will execute “trade-aways” for accounts that have at least \$120,000 under management with the firm.

REVIEW OF ACCOUNTS

FHC reviews client accounts’ holdings at least quarterly and annually for risk assessment changes with the client. All reviews are done by Richard Leader.

CLIENT REFERRALS AND OTHER COMPENSATION

FHC does not compensate for client referrals.

CUSTODY

When clients receive their account statements from their qualified custodian, they should carefully review those statements.

INVESTMENT DISCRETION

FHC has complete discretion of all portfolios. Clients have the ability to restrict specific securities or sectors from their portfolio.

VOTING CLIENT SECURITIES

FHC does not vote proxies for our clients. Clients can choose to receive proxy material directly from their account custodian by either email or U.S. mail. Clients may address questions concerning a proxy matter to Firm personnel.

FINANCIAL INFORMATION

We do not require or solicit prepayment of more than \$1200 in fees per client and six months or more in advance; we do not need to provide a balance sheet for our most recent fiscal year.