

**FIRST HEARTLAND® CONSULTANTS, INC.**

**Form ADV: Part 2 A & B**

As of December 31, 2010

**Part 2A: The Brochure:** We, the officers and representatives of First Heartland® Consultants, Inc. have had this brochure prepared to provide information about our investment advisory firm for the benefit of you, our client, and for those persons who may choose to become our clients. We include information about our wrap fee programs as well in Appendix I. [2 wrap fee programs]. **2B: The Brochure “Supplement”** discloses information about persons providing advice.

**2A: Brochure: Item:** Cover Page: for

**First Heartland® Consultants, Inc.**

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website: [www.firstheartland.com](http://www.firstheartland.com)

*Please note that this brochure has not been approved by the Securities & Exchange Commission or by any state securities authority. This firm is registered with the SEC and notice filed in many states; registration does not mean approval or verification by those regulators. The phrase “registered investment adviser” or term “registered” does not imply a certain level of skill or training. More information about the firm is at Investment Adviser Public Disclosure: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**2A: Brochure: Item 2: Material Changes:** *If we amend this disclosure brochure, we are to send you either a new copy of the brochure or at least this item 2 describing the changes made so you can decide if you want us to send you a complete, new copy. A summary of material changes is :*

- ☐ attached as an exhibit to or
- ☐ included here as part of this updated brochure

or : No summary of material changes is required because there have been no material changes to this adviser's brochure since its last annual updating amendment.

The changes made are:

In Item

In Item

Item 2 requires that an adviser amending its brochure identify and discuss the material changes since the last annual update on the cover page or the following page or as a separate document accompanying the brochure. This item is designed to make clients aware of information that has changed since the prior year's brochure and that may be important to them. Whenever there is a material change to the form ADV, the firm must either send this item 2 with an offer to send the whole ADV, or else send the whole ADV Part 2AB.

**2A: Brochure: Item 3: Table of Contents:** Information that investment advisers must provide to prospective clients initially and to existing clients annually: 18 disclosure items that describe this firm’s advisory business, including an Appendix I with disclosures required for a “wrap fee” program brochure [*a specialized brochure*].

Item 1: <u>Cover Page</u> :	The firm’s name, its address, contact information,	Page 1, above
Item 2: <u>Material Changes</u> .	Amendments made as of _____	Page 1, above
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## 2A: Brochure: Items 4 – 18:

### Item 4: Our firm's investment advisory business

**4A. First Heartland® Consultants, Inc.**, is a Missouri corporation, in business since March 1993.

**First Heartland® Consultants, Inc.'s principal owners are :**

**David M. Hoff**, President, March 1993 and **Julius J. Anderson**, Vice President, March 1993

**David M. Hoff**, born June 1958, received his undergraduate degree from the University of Missouri, St. Louis, in 1979. Mr. Hoff graduated magna cum laude with a BSBA – Management degree. In 1979, six months prior to his college graduation, he entered the life insurance business as a field underwriter with Home Life Insurance Company of New York.

During the three-year employment with Home Life, he received his Charter Life Underwriter (10/82) and Chartered Financial Consultant ("ChFC" 10/1983) awarded by the American College in Bryn Mawr, Pennsylvania.

In 1982 Mr. Hoff incorporated his insurance practice, which later became First Heartland Corporation. Mr. Hoff entered the securities business in 1982 by fulfilling the Series 7 requirements (8/82). Shortly thereafter he qualified as a General Securities Principal, passing the NASD Series 24 examination (2/84). Mr. Hoff secured his Certification as a Financial Planner ("CFP" 4/1989) from the Institute of Financial Planners, Denver, Colorado.

**Julius J. Anderson**, born March 1949, received his undergraduate degree from Wm. Jewel College, Liberty, Missouri, in 1971. He went on to earn a Masters of Divinity from New Orleans Baptist Theological Seminary in 1974.

Prior to joining First Heartland Corporation in 1985, Mr. Anderson was a Regional Vice President with Midwestern United Life Insurance Company located in Ft. Wayne, Indiana.

He received his mutual fund / variable annuity and his state securities licenses (Examination Series 6 and 63, respectively) in January 1986. He became Series 7 licensed in June 1992, and qualified as a General Securities Principal (Series 24) in April 1993.

**4B. First Heartland® Consultants**, offers the following services to its clients:

- (1) **Personal investment services** /continuous, regular portfolio supervision: Our Investment Representatives provide professional advice and management to your investment portfolio. These personal investment services are normally discretionary. We ask you to sign an agreement that allows our investment representatives to make ongoing investment decisions for you, what to buy or sell in what amounts and when. Even though the use of discretion means we do not obtain your specific consent for each transaction as it happens, our advisory representatives generally confer regularly with their clients about the types of securities that will be purchased or sold. The amount of securities bought or sold will be kept in line with previously discussed percentages by type (fixed income; income stocks, growth stocks, etc.).

Our investment advisory representatives provide advice and can monitor your investment portfolio account to rebalance it as may be needed to follow your initial instructions, based on your goals, your investment time horizon and your risk tolerance. In an interview and discussions with one or more of our investment advisor representatives, you and the representative will establish these guidelines for the portfolio's management. Advice may cover futures contracts, hedge funds, and other types of alternative investments. Our firm may use

model portfolios of mutual funds, exchange traded funds (ETF), variable annuity sub-accounts and other securities provided by a number of institutional investment strategists and based on the information, research, asset allocation methodology and investment strategies of these institutional strategists.

(2) We provide **occasional advice** for specific questions on which you need investment expertise.

(3) **Financial Planning:** Some of our advisory representatives create basic financial plans.

(4) **Referrals** to third party money managers: First Heartland's representatives may recommend that you sign an agreement to use another investment adviser's program or platform, one that our representative believes matches your needs and goals. These other investment advisers, sometimes called money managers or sub-advisers, are not linked to our firm by some form of ownership. The fee that you pay a third party will not be more than you would have paid if you had signed an agreement with them without our assistance. Before you agree to sign for any third party services, read carefully their disclosure information that we will provide you.

**4C.** Explain whether and how you tailor your advisory services to the individual needs of the client. Can clients impose restrictions on investing in certain securities or types of securities?

As noted in 4B, First Heartland's advisory representatives follow the client's initial instructions, based on their stated goals, their investment time horizon and risk tolerance. In an interview and discussions with one or more of our investment adviser representatives, the client and the representative will establish guidelines for the portfolio's management. Clients may impose reasonable restrictions on the adviser's discretion to invest in certain securities or types of securities if a client provides clear, written directions to that effect.

**4D.** If you participate in a wrap fee program by providing portfolio management services

(1) [The differences, if any, between how the firm manages wrap fee accounts and how it manages other accounts.] Investment representatives may recommend that a client participate in one of the wrap fee programs that include the brokerage commission costs in the same fee with the advisory fee. These accounts are may or not be discretionary in nature. The major difference in the management of these accounts is that the third party adviser is the first line reviewer of the account and primarily responsible for the management of the account. Your Investment representative will also review the account on a periodic basis and will inform the third-party manager should any circumstances change.

(2) Our advisory firm receives a portion of the wrap fee for its services.

**4E.** First Heartland® Consultants' representatives continuously and regularly manage assets of approximately \$580 million [\$ 583,175,728 as of 12.31.2010]

[The assets stated must be updated at any time an adviser makes an interim update to its brochure if the amount has become materially inaccurate. Figures must be current within 90 days of submission.]

## **Item 5: Fees and Compensation. . — How our firm is paid for its services**

**5A: Portfolio Management:** the range of fees.

For its personal, continuous portfolio supervision, First Heartland® charges a fee that is a percentage of the assets managed in the portfolio. The basic fee schedule is 2.50% of the assets under management. Larger portfolios are charged at a lower rate as shown here:

- 2.50% of assets up to \$500,000
- 2.25% of assets up to \$1,000,000
- 1.75% of assets up to \$2,000,000
- 1.50% of assets above \$2,000,000

Billing is based on the balance of the month's end statement, unless otherwise specified. You, together with your representative, may prefer to pay your fees to us by requesting that we send you an invoice at the beginning of each quarter. Normally we seek to have our clients sign an agreement to let us bill their account directly at the custodian, at the beginning of each quarter.

Fees are negotiable and paid quarterly, in advance or in arrears as negotiated. Fees paid in advance will be refunded on a pro rata basis if either the client or adviser terminates services before the end of a quarter.

Clients whose assets are invested in mutual fund shares will pay both a direct management fee to the firm and an indirect management fee through the mutual fund in addition to any other applicable fees. Our representatives may recommend "no-load" mutual funds, but are not obligated to do so.

**Wrap Fee Programs:**

Our firm also offers its clients two wrap fee programs; these are described more fully in the Appendix (I). The fee for all wrap fee programs supervised by the firm is a maximum of 2.50% of the assets managed in the wrap fee program. Fees are flexible and negotiable, based in part upon the portfolio asset allocations, and paid quarterly in advance or in arrears as negotiated.

A client may terminate the agreement prior to the agreement's end date. A pro-rated refund of the unearned portion of the quarterly fee is allowed to clients who pay in advance.

If you are interested in one of the wrap fee programs, please take time to read carefully the disclosures for these programs in the appropriate brochures. An investment advisory representative will provide a copy of the disclosure brochure before you sign an agreement for referral to a third party sub-advisor or money manager. You will be asked to sign an acknowledgement stating that you received the disclosure brochure.

**Advice on specific questions / Occasional advice:**

The firm's standard rate for these services is a negotiable, maximum fee of \$250 per hour or a flat fixed fee. Clients pay the fee quarterly, either at the start or at the end of the quarter or as agreed to.

**Financial Planning:**

Basic financial planning is available at the firm's standard consulting fee of \$250 per hour or a flat, fixed fee. Fees are negotiable and will vary with the complexity of the plan and the adviser used. Fees are due upon presentation of the plan. No refund is allowed.

**Referrals to third party advisers:**

Investment Representatives of First Heartland® Consultants, Inc. may recommend to certain of their advisory clients that they utilize the advisory services of one or more specific, unaffiliated third party sub-advisers / money managers. First Heartland® Consultants, Inc. will receive a fee for the referral from the unaffiliated third party. The total fee charged to the client by the third party money manager/sub-adviser will not be more than it would have been if a referral fee was not paid.

**5B: Other Costs** you may have to pay in connection with our advisory services.

Wrap fee programs include the brokerage commissions in the total fee. Other forms of advice for an investment portfolio do not normally cover the brokerage charges; in those instances where our representative provides you such investment advice, there may also be brokerage commissions to pay in addition. If the investment includes mutual funds, those investments have their own costs and administrative fees, which will be in addition to our advisory fee. [See also Section 12: brokerage.]

NOTE: Clients whose assets are invested in mutual fund shares will pay both a direct management fee to

the firm and an indirect management fee through the mutual fund in addition to any other applicable fees.

**5C:** Does the firm or its supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds? **Yes.**

**5C(1): Possible conflicts of interest**

Some of our investment adviser representatives are also registered representatives of a broker/ dealer. If that representative acts in both capacities for you as your adviser and as the registered representative placing an order, she or he will earn both an advisory fee and the commission for the transaction. If the representative is purchasing a mutual fund for your account, she or he may also earn the 12b-1 administrative fee attached to the mutual fund.

The situation described above inherently creates a possibility of a conflict of interest, because the additional income to be earned can become an incentive to make recommendations or discretionary decisions that carry with them the additional charges.

You may yourself purchase whatever securities or other investments we recommend for your account and you may, of course, do so through any broker/ dealer of your choice, with whom you wish to establish an account. If you desire to have investment advice provided in this manner, we must agree that our advice to you will be provided on a non-discretionary basis; that is, you will have to approve each separate transaction that we may recommend, at the time that we make it, and you will have to inform us as to which broker/dealer you wish to use.

First Heartland's Investment Representatives, as well as being actively engaged as registered representatives of an affiliated broker-dealer, may also be licensed insurance agents. The same possible conflict of interest applies in this situation whenever the adviser recommends insurance products, for example, as part of a financial plan, and then will earn the commission on the purchase of the recommended insurance product. The possibility of added income creates an incentive to make the recommendation. We do not obligate any advisory client to purchase insurance; if you do wish to purchase the insurance products we recommend, you may obtain them from any provider of your choice. Our firm addresses potential conflicts of interest by informing our clients of the inherent risk and reviewing the frequency of trading activities in the clients' accounts. We do not offset fees against commissions our related broker/ dealer may earn.

**5C(2):** Does our advisory firm receive more than half its revenue from commissions and other sales-based compensation? **No.**

**5C(3):** Our advisory firm does not itself receive commissions from securities transactions; our related broker/ dealers may receive commissions on transactions effected through them.

Other disclosures for this section: Our representatives may recommend "no-load" mutual funds, but are not obligated to do so. [5A]

**5D: Account size minimums** : The firm recommends a minimum initial portfolio value of

- \$50,000 (fifty thousand dollars) for account/ portfolio supervision.
- For the "First Heartland Advantage" wrap fee program the firm generally requires a minimum account size of \$100,000.
- For the Lockwood Investment Strategies program, the firm generally requires a minimum account size of \$250,000;
- For the Lockwood Separately Managed Account program, the firm generally requires a minimum account size of \$100,000;
- For the Lockwood Asset Allocation and AdvisorFlex program, the firm generally requires a minimum account size of \$50,000 ;

The minimum investment required in the Genworth Financial Wealth Management Platform depends upon the Investment Solution chosen for a client's account and is generally \$50,000 for Mutual Fund and Variable Annuity accounts; \$100,000 for ETF accounts; \$250,000 for Distribution Strategies; and from \$50,000 to \$500,000 for Privately Managed and Unified Managed Accounts, depending on the investment strategy selected for the account.

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

**Does our firm charge performance-based fees** [a fee based on the increase in the portfolio's assets' value]? **No, we do not.** Our fees are noted in the Form ADV [Part 1A, available online at the Investment Adviser Public Disclosure site] as a percentage of the assets under management, hourly fees, fixed fees and solicitation fees, in addition to which certain persons may also earn transaction commissions in their capacities as registered representatives of an affiliated broker / dealer.

**Does our firm have a supervised person who manages an account that pays performance fees? No, we do not as we do not permit performance-based fees.**

*NOTE: Regulators have stated that performance fees can cause incentives for advisers to manage portfolios with an eye to short term gains only, including investments that are more speculative or have a higher risk of loss. They may tempt an advisor to allocate more time to them than to other clients' portfolios due to the possibility of a higher fee. As a fiduciary, an investment adviser is to provide equitable treatment to each client's managed portfolio as if it were the adviser's own portfolio - within the investment parameters agreed to with the client.*

**Item 7: Types of Clients.**

Our firm currently services :

- A. Individuals;
- B. Pension and profit sharing plans;
- C. Trusts, estates, or charitable organizations;
- D. Corporations or business entities.

We are willing to consider other types of clients as well, according to our expertise.

We recommend that our clients invest a minimum initial portfolio value that depends on the investment program selected. These minimums are stated above, in Item 5.

**Item 8: Methods of Analysis, Investment Strategies: **Caution: Investing in securities involves risk of loss.****

Our security analysis methods include:

- 1. Fundamental analysis
- 2. Technical analysis
- 3. And we may use model portfolios of mutual funds, exchange traded funds (ETF), variable annuity sub-accounts and other securities provided by a number of institutional investment strategists and based on the information, research, asset allocation methodology and investment strategies of these institutional strategists. This applies especially to the GWFM programs.

**Fundamental analysis:** Called the "bottom-up" approach to investing, a fundamental analysis seeks an in-depth understanding of a specific firm or company to evaluate its intrinsic value and its future prospects before investing in its stock. This form of analysis studies the firm's management, its debt, equity and cash flow, its history of financial performance/ growth, dividend payout percentages, its products, operating efficiency and marketing structures, among other factors. The firm's balance sheet and income statement are two key sources of information about the firm.

Fundamental Analysis will compare a firm's stock price with its earnings per share and its net earnings to its gross revenues and compare both with the averages for that industry sector. The ratio of current liabilities to current assets is another important element of this form of evaluation. A central focus is

deciding whether the stock is over-valued or undervalued.

As a term in large-scale economics, a fundamental analysis studies gross national product, inflation and interest rates, trade and unemployment trends, consumer confidence, savings and spending patterns and inventories in order to predict the larger movements of national and international economies. These larger concerns greatly influence the elements considered in a fundamental analysis of any given company.

Problems with using a fundamental analysis :

The factors involved can require time-consuming study that can fall behind the need to make decisions, if such factors begin to change rapidly. Few of the numbers are absolutes; many are relative to other factors or industry sector information. Most require intelligent judgment and experience to be applied meaningfully to stock values.

Fundamental analysis places value on the financial structure and health of the firm to be invested in. These factors at times are of little or no interest to the market place, such that the stock prices for very sound companies may wither while investors look to other reasons and areas for investing, such as occurred with the “dot.com” ipo’s of the 1990s.

Also, for a relatively short time period, a firm can falsify facts to hide poor performance or a fragile financial situation. The independence of balance sheets’ and other reports’ numerical information from such possible manipulation may not be readily verifiable.

Lastly, time spent using one analytical method will compete with other analytical methods which might have proven more useful and profitable.

Technical analysis: Technical Analysis presents, together with fundamental analysis, one of the two major schools of stock market study. This form of value analysis focuses on patterns of **volume and price fluctuations** for a **given stock** as compared to the activity of the larger, general market(s) indicators. Securities are evaluated for purchase or sale based on an analysis of market statistics such as volume and prices over time as seen on charts, etc. that are believed to establish relational patterns that can predict future movements in the markets. This relative comparison has little or no concern for any company’s fundamental structure, production or worth. Market indicators kept in view include volume and direction of market activity, as indicators of supply and demand for securities, often using one or more established index/ indices, such as the NASDAQ, S&P 500, and the Dow Jones Industrial Average. Trends and Penetrations (e.g. of previous “highs”) are another type of indicator used.

The patterns discerned, often using charts for a quick grasp of the relationship of various factors, are used to predict future market moves and their effects on stocks in general and/ or on particular sectors of the market.

Problems with a technical analysis:

Technical analysis claims to see patterns believed to be repeatable in similar market conditions. Market conditions may consist of many factors any one of which may alter the outcome of an otherwise very similar situation. No one indicator is absolutely reliable, and a multiple of indicators may just as likely complicate understanding and evaluation as much as or more than it allows deeper insight into the market’s mechanics.

The understanding(s) offered clients in explanation tend to use generic Technical Analysis, while the working concepts that are derived from those basics and modified by experience and a firm’s emphasis may well be hidden in part or completely as proprietary strategy /strategies that may let one advisor or market participant outperform another.

Technical analysis assumes that all the market factors are known to and considered by all the market’s participants, although, in fact, the market can act in highly partial and even apparently irrational ways.



The main sources of information our firm uses to formulate its advice include:

1. Financial newspapers and magazines
2. Research materials prepared by others, notably the strategists in GWFM's programs
3. Corporate rating services
4. Annual reports, prospectuses, filings with the Securities and Exchange Commission
5. Company press releases

The investment strategies we implement in the investment advice we give our clients may include:

1. Long term purchases (securities held at least a year);
2. Margin transactions;
3. Short term purchases (securities sold within a year);
4. Option writing, including covered options, uncovered options or spreading strategies;
5. Trading (securities sold within 30 days);
6. Short sales;
7. Any of the above as combined by the strategists employed by the GWFM platforms. The firm may use model portfolios of mutual funds, exchange traded funds (ETF), variable annuity sub-accounts and other securities provided by a number of institutional investment strategists and based on the information, research, asset allocation methodology and investment strategies of these institutional strategists.

**Caution: Investing in securities involves risk of loss.**

Do our strategies involve frequent trading? **No.** It should be noted that the definition of "frequent trading" varies according to client and security type. Investment representatives may rebalance accounts quarterly, monthly or yearly depending on the specific account and client. Certain clients and accounts may require more frequent trading activity due to factors such as risk tolerance and investment time horizon.

#### **Item 9: Disciplinary Information.**

What facts about any legal or disciplinary event involving our firm or its personnel should you know of, because it is material to an evaluation of the integrity of our firm or its management persons? *[An adviser cannot complete this item by adding a cross-reference to Part I of its Form ADV.]*

We have disclosed in Part IA of our form ADV, available to the public at the Investment Adviser Public Disclosure site *[look up online: IAPD]* in Item 11 that we have "yes" answers to the regulatory disciplinary questions asked there. In addition, we must specify here answers to questions the SEC requires that we use to inform you, our client, if our firm or any of our management persons has been involved in any of the events listed below in 9. A, B, and C. and, beyond those points, if there is any material fact about any legal or disciplinary event that you should know about in order to evaluate our integrity.

**NOTES:** *Disciplinary information — An investment adviser is required to disclose in its brochure material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business or to the integrity of its management personnel. An investment adviser must deliver promptly to clients updated information whenever there is new disclosure of a disciplinary event or a material change to an existing disciplinary event. [NOT, as in Part IA, to disclose events relating to related persons] "requirement that the brochure affirmatively disclose disciplinary information about the adviser and its management personnel."*

*The SEC has "determined not to require disclosure of arbitration awards in the client brochure. Advisers should, however, carefully consider whether particular arbitration awards or settlements do, in fact, involve or implicate wrongdoing and/or reflect on the integrity of the adviser, and should be disclosed to clients in the brochure or through other means."*

*Item 9 requires that an adviser must disclose if it (or any of its management persons) has been involved in one of the events listed in that item. "Involved" is defined as "engaging in any act or omission, aiding, abetting, counseling, commanding, inducing, conspiring with or failing reasonably to supervise another in doing an act."*

Has our firm or any of our management persons been involved in : [answers in red ]

**9. A.** A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which our firm or a *management person*

1. was convicted of, or pled guilty or nolo contendere ("no contest") to

(a) any felony; **No, our firm has not and no one in our firm has been.**

(b) a *misdemeanor* that involved investments or an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; **No, our firm has not and no one in our firm has been** or

(c) a conspiracy to commit any of these offenses; **No, our firm has not and no one in our firm has been.**

2. is the named subject of a pending criminal *proceeding* that involves an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses; **No, our firm has not and no one in our firm has been.**

3. was *found* to have been involved in a violation of an *investment-related* statute or regulation; **No, our firm has not and no one in our firm has been.**

or

4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a *management person* from engaging in any *investment-related* activity, or from violating any *investment-related* statute, rule, or order. **No, our firm has not and no one in our firm has been.**

**9.B.** An administrative *proceeding* before the SEC, any other federal regulatory agency, any state regulatory agency, or any *foreign financial regulatory authority* in which your firm or a *management person*

1. was *found* to have caused an *investment-related* business to lose its authorization to do business; **No, our firm has not and no one in our firm has been.** or

2. was *found* to have been involved in a violation of an *investment-related* statute or regulation and was the subject of an order by the agency or authority

(a) denying, suspending, or revoking the authorization of your firm or a *management person* to act in an *investment-related* business **No, our firm has not and no one in our firm has been.;**

(b) barring or suspending your firm's or a *management person's* association with an *investment-related* business **No, our firm has not and no one in our firm has been.;**

(c) otherwise significantly limiting your firm's or a *management person's* *investment-related* activities; **No, our firm has not and no one in our firm has been.**

or

(d) imposing a civil money penalty of more than \$2,500 on your firm or a *management person*. **No, our firm has not and no one in our firm has been.**

**9.C.** A self-regulatory organization (SRO) *proceeding* in which your firm or a *management person*

1. was *found* to have caused an *investment-related* business to lose its authorization to do business; **No, our firm has not and no one in our firm has been.**

or

2. was *found* to have been *involved* in a violation of the SRO's rules and was:

(i) barred or suspended from membership or from association with other members, or was expelled from membership - **No, our firm has not and no one in our firm has been.;**

(ii) otherwise significantly limited from *investment-related* activities - **No, our firm has not and no one in our firm has been.;**

or

(iii) fined more than \$2,500 - **No, our firm has not and no one in our firm has been.**

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

**10A.** Our investment advisory firm, First Heartland® Consultants, Inc. is related by ownership to :

(1) two broker-dealers : First Heartland® Capital, Inc. (CRD # 32460 ) and  
Centerre Capital, LLC (CRD # 148091)

(2) two insurance agencies: First Heartland® Corporation and Elite Partners, LLC.

Mr. Hoff and Mr. Anderson are the owners and principals of First Heartland® Capital, Inc. (FHCI). The firm is a Missouri corporation and is a licensed securities **Broker Dealer** with the SEC, FINRA, MSRB and various State jurisdictions.

Mr. Hoff and Mr. Anderson are also owners and principals of Centerre Capital, LLC (Centerre). The firm is a Missouri limited liability company and is a registered **Broker Dealer** with the SEC, FINRA and various State jurisdictions.

Mr. Hoff and Mr. Anderson are also owners and principals of First Heartland Corporation (FHC). This firm is a Missouri corporation that holds **life and health insurance** licenses in various states.

Mr. Hoff and Mr. Anderson are also owners and principals of Elite Partners, LLC (Elite). This firm is a Missouri corporation that holds **life insurance** licenses in various states.

The transactions of investment advisory clients may be effected through either FHCI, Centerre, FHC, and/or Elite, which may generate income to them respectively.

Some investment advice, especially financial plans, may include insurance products. Mr. Hoff and /or Mr. Anderson may receive a commission through First Heartland® Corporation and/or Elite Partners, LLC, both licensed insurance agencies, from clients opting to purchase insurance products from those firms. When they recommend securities or other investment products to clients, they will inform those clients of any existing financial interest they may have in a recommended security or investment product. Likewise, Investment Representatives, at the time of any recommendation of securities or investment products to their individual clients, will advise such clients of any existing financial interest that they may have in recommended securities or investment products.

Mr. Hoff and/ or Mr. Anderson may, from time to time, buy or sell for their own accounts securities that are recommended to their personal clients for sale or purchase. When applicable, the client is informed of those positions or contemplated transactions by Messrs. Hoff and Anderson prior to effecting a transaction on the client's behalf. All such client transactions are always submitted to the market prior to transactions for Mr. Hoff's or Mr. Anderson's own accounts.

Likewise an Investment Representative may, from time to time, buy or sell for her or his own accounts securities that they recommend or select for their personal clients' accounts for sale or purchase.

When applicable, the firm will inform that client of such positions or contemplated transactions by the Investment Representative prior to effecting a transaction on such client's behalf. All such client transactions are always entered prior to those of the Investment Representative for their own accounts.

**10B:** Have we, or have any of our management persons, registered as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any of these entities named here? OR, Do we or any management person have such a registration pending? **No, we have not and do not.**

**10C:** Do we have any "related person" – a person or a firm that we control or that controls us through ownership or as an officer – with whom we have a material relationship, any arrangement that may cause a conflict of interest when providing our clients with investment advice? Yes, as noted in 10A above, we are related to two broker dealers and 2 insurance agencies. The risk for a conflict of interest in any such arrangement lies in the compensation to be received; it creates an incentive to recommend the service.

**10D:** Do we recommend or select other investment advisers for our clients? [See Item 4 B(4) above] **Yes, we do.**

Do we receive compensation from those other advisers for our referrals? Yes, we will receive a portion of the fee our clients pay to other advisors to whom we refer our clients. The compensation we will receive, clients should note, creates an incentive to make the recommendation and thereby an inherent risk for a conflict of interest. We address this possible conflict of interest by bringing it to our clients' attention and informing them that they may use these third parties themselves without our guidance and assistance, if they choose.

Do we have any other business relationships with these advisers that also could cause a conflict of interest and, if "yes," how do we address them? **No.**

**Item 11. Code of Ethics / Advisory Persons' own trading and possible personal interest in our clients' trades.**

**11A.** Participation in or Interest in Client Transactions and Personal Trading: Investment Representatives are required to have and to maintain strict ethical and moral standards, as outlined in the firm's Code of Ethics. Our firm prefers that our representatives have a college degree, but it is not mandatory. We do require annual continuing education for representatives through our affiliated broker-dealers.

Our firm's code of ethics states general standards of conduct for a fiduciary and establishes, among other provisions, policies and procedures to monitor our associates' investment activities. We review certain of our associates' trading activities and holdings to enforce the prohibition against using insider information. If you give us a written request for one, we will provide you, our client or prospective client, with a copy of our Code of Ethics. Please also see our Privacy Policy Statement that discloses how we protect your personal, non-public information.

**11B.** Does our firm or a related person recommend to our clients, or do we buy or sell for our clients' accounts, securities in which we or a related person has a material interest? **No.**

**11C.** Is our firm, its personnel, or a person related to our firm (by ownership or other forms of control) permitted to invest in the same securities that we recommend to our clients, or in securities that are related to those securities, such as options or other derivatives? **Yes.**

[As disclosed also in Item 8. A. of the ADV Part 1A, available to the public online at investment adviser public disclosure],

Our firm and its associates **do**

- buy or sell for the firm or for themselves securities (other than shares of mutual funds) that we also recommend to our advisory clients;
- buy or sell for the firm or for themselves shares of mutual funds that we also recommend to our advisory clients;
- invest or are permitted to invest in securities related to those we may recommend to clients, such as derivatives

Our firm and its associates **do not**

- buy securities for the firm or for themselves from advisory clients (principal transactions);
- sell securities the firm or its associates own to advisory clients (principal transactions);
- in their capacity as a broker/ dealer agent, transact purchases or sales of any client's securities directly to any other person (an "agency cross transaction" that side-steps using a securities market place)
- recommend securities (or other investment products) to our advisory clients in which our firm or any person or other firm related to our firm has some other proprietary (ownership) or other financial interest.

When our firm or its personnel buy or sell securities for their own accounts,

- we will always place clients' orders before our own
- or we may aggregate or "bunch" our orders with clients' orders

We enforce these guidelines by compliance review of every firm or personnel trade.

The SEC generally dislikes "contemporaneous" trading, that is, that anyone in our firm might enter an order for her or his own account at the same time as an order in the same security for a client. Note that these restrictions are not applied to investments in mutual funds that are unaffiliated with our firm. Unaffiliated means a mutual fund that we have not ourselves created or helped establish and in some way act as the fund's managers.

**IID:** The possible conflicts of interest that arise whenever we recommend, or, in our discretion, buy or sell for you a security that we may also buy or sell for ourselves are

- using your order's market effect to benefit ourselves ("front running");
- using your order as "inside information" that would give us an unfair advantage in the markets to benefit ourselves or any other person (which is an illegal act);
- gaining a lower brokerage cost for ourselves in bunching orders, which can create an incentive to involve your account in that transaction;
- and, in general, clouding our objectivity in making fiduciary decisions for your account.

Please note that using any insider information, information that is not readily available to all participants in the securities markets (upon making a reasonable effort to obtain that information), for any person, ourselves or relatives or clients or any other person, is strictly illegal and punishable by fines and imprisonment.

*SEC NOTE: Conflicts could arise if an adviser recommends that clients invest in a pooled investment vehicle that the firm advises or for which it serves as the general partner, or when an adviser with a material financial interest in a company recommends that a client buy shares of that company.*

An adviser's **related persons** are: (1) the adviser's officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling, controlled by, or under common control with the adviser; (3) all of the adviser's current employees; and (4) any person providing investment advice on the adviser's behalf.

**Item 12: Brokerage Practices.**

**12A:** Does our firm select a broker/ dealer for you? On what basis do we do so? Because our advisory representatives are registered with our related broker/ dealer, they are normally required to use that broker/ dealer to effect order transactions. Exceptions may be made; our firm remains flexible in employing other brokerage firms upon client request, where appropriate. The primary factors Investment Representatives use to suggest brokers to clients are the products they offer, the level of service, and commissions rates.

How do we determine the reasonableness of the broker's compensation (commission charges)? This firm's experience has been that it can recommend FHCI and/or Centerre in view of their excellent service and competitive commission rates. Clients should consider that commission rates our broker/ dealer normally charges may be higher or lower than those available through other broker/ dealers for essentially the same services, but typically, for brokerage transactions executed for advisory clients, we do not assess commissions above the standard ticket charges. We owe you a disclosure that not all advisers do direct their brokerage to a specific broker dealer.

Brokerage through the firm's affiliated broker-dealers, FHCI and Centerre, will be on the same basis as for other clients of our affiliated broker dealers. The factors considered in selecting a broker are competitive rates and the level of service provided to the firm's clients. With respect to all answers in this Item 12, our client always has the final word if she or he does not subscribe to the firm's recommendations.

**12A(1): Research and other "Soft Dollar" benefits:**

Do we have any conflicts of interest such as receiving "soft dollars" from the broker/ dealer? **No**, we do not receive research, equipment or other benefits from any broker dealer as an incentive or payment for directing our brokerage transactions to that specific broker dealer.

Required disclosures / explanations:

- a. If an adviser uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the adviser receives a benefit in not having to produce or purchase them itself.
- b. Any such benefit creates an incentive to select or recommend the broker-dealer that provides it; an adviser's duty is to select a broker-dealer based on the most favorable execution services for the adviser's clients.

Other disclosure questions : *not applicable as our firm does not use soft dollars:*

[c.] Do we "pay up" to obtain soft dollar benefits (that is, do we pay more than the lowest available commission rate)? Do we make our clients pay commissions (or markup or markdowns) higher than those charged by other broker-dealers in return for "paying-up"?

[d.] Do we use soft dollar products, research or other items for the benefit of all our clients or only certain clients? Do we allocate benefits proportionately to accounts as those accounts generate the soft dollars by our directing brokerage to a specific broker-dealer?

[e.] The types of products, services or other benefits our firm or any of its related persons acquired in our firm's last fiscal year due to directing our clients' brokerage to our related broker dealer: [not applicable]

[f.] The procedures our firm used during its last fiscal year to direct our clients' transactions to a particular broker-dealer in return for soft dollar benefits received were: not applicable

Clients need to understand that "soft dollars" are an enticing benefit for an adviser in so far as they provide access to research and / or other products both of use to the adviser in its business and at no expense to the adviser. Clearly, such an enticement creates an incentive to use the broker-dealer in question and may cause the adviser to use a broker that charges the adviser's clients higher

commission rates than another broker-dealer.
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**12b-1 & solicitor fees:**

Officers and Investment Representatives may receive compensation derived from 12b-1 distribution fees assessed on certain mutual funds held by clients. In addition, Investment Representatives may also receive commissions on transactions executed through affiliated broker dealers in their capacity as Registered Representatives of such affiliated broker/ dealers.

As our client, please note that in such an arrangement there always exists the possibility of a conflict of interest. Officers and Investment Representatives may receive incentive awards based upon overall production; the receipt of, or the potential to receive, these awards may affect an Investment Representative's judgment in selecting products to be sold to clients. This creates a possible conflict of interest.

Officers and Investment Representatives may also receive solicitor's fees for referring you to a third-party registered investment advisory firm. We disclose such fees to you, our client, at the time of the solicitation/ referral and in accordance with Rule 206(4)-3 of the Investment Advisor's Act of 1940.

**12B:** When we place orders with a broker/ dealer for our clients, do we aggregate or "bunch" your trade order with orders for other clients? Sometimes. Some Investment Representatives may utilize available software to aggregate orders among multiple clients. If aggregation is not available or feasible, clients may pay higher brokerage costs.

**NOTE:**

On occasion, trading errors may occur at any broker dealer or custodian. It is our policy to correct our errors by putting the client in exactly the same position he or she would have been in had the errors not occurred. Gains and/or losses experienced upon correction of such errors are retained and/or absorbed by the affiliated broker dealer.

**Item 13: Reviews of Accounts & Reports**

**13A:** First Heartland® assigns each new client to an Investment Representative (IR) of the firm. The IR assigned to each client has the primary responsibility to review and monitor the account. Typically this IR introduced the client to our firm, and is the person most familiar with that client's personal financial condition.

**13B:** Significant changes in market conditions and/or client goals will normally trigger an in-depth review as the occasion may require, on an ad-hoc basis. The firm's principals, David M. Hoff and Julius J. Anderson, are always available to discuss questions clients might have regarding their account.

**13C:** In addition to all confirmations, each brokerage firm or investment company that holds a client's securities will send that client a quarterly statement. Clients who make a special request will receive a quarterly review from their IR. Every client receives an annual, written review from her or his IR summarizing all income and capital changes for the preceding year.

Because we send you an account statement, we urge you, our client, to compare carefully that account statement with any other statement you may receive from the account's qualified custodian.

**Item 14: Client Referrals and Other Compensation.**

**14A.** Does someone other than a client of our firm pay our firm or related persons, or otherwise provide some economic benefit to our firm, for the investment advice we provide to our clients? **No.**

**14B.** Does our firm or a firm related to us through some form of ownership pay someone, directly or indirectly, for client referrals? **No.**

As noted also above :

Officers and Investment Representatives may receive compensation derived from 12b-1 distribution fees assessed on certain mutual funds held by clients. In addition, Investment Representatives may also receive commissions on transactions executed through affiliated broker dealers in their capacity as Registered Representatives of such affiliated broker/ dealers. Clients are notified here that in such an arrangement there always exists the possibility of a conflict of interest.

Officers and Investment Representatives may receive incentive awards based upon overall production and the receipt of, or the potential to receive, these awards, may affect an Investment Representative's judgment in selecting products sold to clients, creating a possible conflict of interest.

Officers and Investment Representatives may receive solicitor's fees for solicitation activities performed on behalf of a third-party registered investment advisory firm. Such fees are disclosed to the client at the time of the solicitation and in accordance with Rule 206(4)-3 of the Investment Advisor's Act of 1940.

**Item 15: Custody.**

Does our firm have custody of your assets?

When we charge you for our advisory fees, we normally will do so by sending an invoice to the custodian of your investment account who will then pay us, with your prior, written permission. This practice, called "direct billing," is defined as a form of custody. Otherwise, we do not have custody of your funds or securities and are not subject to annual audits. Our related broker-dealers do not have custody of your assets either.

Who is the qualified custodian of your assets' account? For brokerage accounts, Pershing, LLC is the qualified custodian. Clients also may hold positions and accounts directly with the variable annuity, REIT, or fund company.

The custodian will send to you a [quarterly / monthly] financial statement. NOTE: These statements should be reviewed carefully. It is not the custodian's responsibility to ascertain the accuracy of the calculation for fees subtracted from your account.

**Item 16: Investment Discretion.**

While the firm does not obtain specific client consent at the time of execution, Investment Representatives generally confer regularly with clients about the types of securities that will be purchased. The amount of securities bought or sold are to be kept in line with previously discussed percentages of a particular type of security (i.e. fixed income, income stocks, or growth stocks).

Brokerage through the firm's affiliated broker-dealers, FHCI and Centerre, will be on the same basis as other clients of such affiliated broker-dealers. Commissions for brokerage transactions executed for advisory clients above the standard ticket charges are typically not assessed.

The factors considered in selecting a broker are competitive rates and the level of service provided to the firm's clients. A client always has the final word if he or she does not subscribe to the firm's recommendations. The primary factors Investment Representatives use to suggest brokers to clients are the products they offer, the level of service, and commissions rates. This firm's experience has been that it can recommend FHCI and/or Centerre in view of their excellent service and competitive commission rates. Our firm remains flexible in employing other brokerage firms upon client request.



**Item 17: Voting Client Securities— proxy voting practices**

Does our firm have or will it accept authority to vote client securities? **No.**

Our firm does not vote its clients' proxies. We state this in our agreement and here in this disclosure. Our firm urges our clients to read and participate in the voting process tied to the shares they own in various companies; it is an excellent means for share holders to become familiar with the companies in which they are invested. This is our proxy voting policy.

What conflicts of interest exist and how do we address them? Because we do not vote our clients' proxies, we have no conflict of interests in this matter.

**Item 18: Financial Information.**

A. Does our firm have discretionary authority over your assets? [see also: Item 16] : **Yes**, we do seek to have discretion in managing your account. We can exercise discretion only with your written permission.

B. Does our firm have custody of your funds or your securities investments?

1. Direct Billing: As we noted above under "Custody," Item 15, we do seek your permission to invoice your account, held by the custodian, to pay our advisory fees. This practice is defined as "custody" but also as a "modern practice" that does not carry with it the requirement for independent audits.

2. Do we require any client to prepay a fee of \$1,200 or more, 6 or more months in advance of services? **No, we do not.** Please note that both conditions must apply together to meet the definition of "custody." *[an adviser that requires prepayment of more than \$1,200 in fees per client, six or more months in advance, must give clients an audited balance sheet showing the adviser's assets and liabilities at the end of its most recent fiscal year]*

C. 1. Does our firm have any financial condition that could reasonably seem likely to impair our ability to meet our contractual commitments to you, our client? **No, we do not.**

*[The item requires an adviser to disclose any financial condition reasonably likely to impair the adviser's ability to meet contractual commitments to clients if the adviser has discretionary authority over client assets, has custody of client funds or securities, or requires or solicits prepayment of more than \$1,200 in fees per client and six months or more in advance. For instance, disclosure may be required where a judgment or arbitration award against the firm was sufficiently large that payment of it would create the aforementioned financial condition. Under these circumstances, clients are exposed to the risk that their assets may not be properly managed — and prepaid fees may not be returned — if, for example the adviser becomes insolvent and ceases to do business.]*

2. Has our firm been the subject of a bankruptcy petition during the last 10 years?

**No**, it has not been the subject of a bankruptcy petition.

*[Item 18 requires an adviser that has been the subject of a bankruptcy petition during the past ten years to disclose that fact to clients.]*