

ADV PART 2A



**First Heartland® Consultants, Inc.,**

Member FINRA/SIPC

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Date of Disclosure Brochure: March 2014

This disclosure brochure provides information about the qualifications and business practices of First Heartland® Consultants, Inc. (also referred to as we, us, firm, FHC and First Heartland® Consultants throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Zeonia Christy at (636) 625-0900. The information in this disclosure 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 Heartland® Consultants is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for First Heartland® Consultants, Inc. or our firm's CRD number 110377.

\*Registration as an investment adviser does not imply a certain level of skill or training.

## ITEM 2 - MATERIAL CHANGES

The following is a summary of certain changes made to this Brochure from the time of the annual update of the Brochure dated March 18, 2013.

This Brochure has been completely amended. All sections were updated to provide a more concise and clear picture of how the firm operates, its policies and procedures. Please read carefully.

We will ensure that you receive a summary of any material changes to this and subsequent disclosure Brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

## ITEM 3 - TABLE OF CONTENTS

Item 1 Cover Page	1
Item 2 Material Changes	2
Item 3 Table of Contents	2
Item 4 Advisory Business	2-5
Item 5 Fees and Compensation	5-8
Item 6 Performance Based Fees and Side-by-Side Management	8
Item 7 Types of Clients	8
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	9-12
Item 9 Disciplinary Information	12
Item 10 Other Financial Industry Activities and Affiliations	12-13
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	13-14
Item 12 Brokerage Practices	15-16
Item 13 Review of Accounts	16-17
Item 14 Client Referrals and Other Compensation	17
Item 15 Custody	18
Item 16 Investment Discretion	18
Item 17 Voting Client Securities	18-19
Item 18 Financial Information	19

## ITEM 4 - ADVISORY BUSINESS

### INTRODUCTION

First Heartland® Consultants is an investment adviser registered with the United States Securities and Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940. First Heartland® Consultants has provided advisory services as a registered investment adviser since 1993. David M. Hoff is the President of First Heartland® Consultants and owns 100% of First Heartland® Consultants.

The investment advisory services of First Heartland® Consultants are provided to you through an appropriately licensed and qualified individual who is an investment adviser representative of First Heartland® Consultants (referred to as your investment adviser representative or IAR throughout this Brochure). Your investment adviser representative typically is not an employee of First Heartland® Consultants; rather, your investment adviser representative typically is an independent contractor of First Heartland® Consultants. For more information about your investment adviser representative, you should refer to the Brochure Supplement for your investment adviser representative (also known as the Form ADV Part 2B). The Brochure Supplement is a separate document that is provided by your investment adviser representative along with this Brochure before or at the time the client engages the investment adviser representative. If the client did not receive a Brochure Supplement for the investment adviser representative, the client should contact the investment adviser representative or First Heartland® Consultants at 636-625-0900. Your investment adviser representative is limited to providing the services and charging investment advisory fees in accordance with the descriptions detailed in this brochure. However, the exact services you receive and the fees you will be charged will be specified in your advisory services agreement.

### CLIENT ASSETS MANAGED BY FIRST HEARTLAND® CONSULTANTS

The amount of clients' assets managed by First Heartland® Consultants as of December 31, 2013 totaled approximately \$711,829,030 on a discretionary basis and \$155,934,339 on a non-discretionary basis.

## **TYPES OF ADVISORY SERVICES**

The following are descriptions of the primary advisory services of First Heartland® Consultants. Please understand that a written agreement, which details the exact terms of the service, must be signed by you, your investment adviser representative, and First Heartland® Consultants before we can provide you the services described below.

First Heartland® Consultants offers various types of advisory services and programs, including two wrap programs, mutual fund/ETF asset allocation programs, advisory programs offered by third-party investment advisory firms, financial planning services, and other personalized advisory services. This Brochure provides information about First Heartland® Consultants and the following types of advisory services that First Heartland® Consultants provides: financial planning and consulting services, advisory services related to advisory programs of third-party asset management firms, and personalized advisory services. First Heartland® Consultants provides information in separate disclosure brochures for its services offered to employer-sponsored retirement plans and through Lockwood Advisors and the First Heartland® Consultants Advantage Program. If clients would like more information on such programs, a client should contact his or her investment adviser representative for a copy of the program brochure that describes such program or contact First Heartland® Consultants at 636-625-0900.

### ***Financial Planning and Consulting Services***

First Heartland® Consultants offers financial planning and consulting services through its investment adviser representatives, which may involve preparing a written financial plan covering specific or multiple topics tailored to your individual needs. We may provide full written financial plans, which typically address the following topics: cash management; asset ownership arrangements; investment planning, retirement planning, insurance planning, tax planning, education planning, portfolio review, asset allocation, and real estate planning. When providing financial planning and consulting services, the role of your investment adviser representative is to find ways to help you understand your overall financial situation and help you set financial objectives. The financial planning and consulting services take into account information collected from you such as net worth, employment status, and investment objectives, in addition to other data. You should be aware that there are important issues that may not be taken into consideration when your investment adviser representative develops his or her analysis and recommendations. It will be incumbent upon you to identify those particular issues for which you are seeking our advice or guidance. Financial planning and consulting services generally do not include specific recommendations of individual securities. Our financial planning and consulting services do not involve implementing any transaction on your behalf or the active and ongoing monitoring or management of your investments or accounts. You have the sole responsibility for determining whether to implement our financial planning and consulting recommendations. To the extent that you would like to implement any of your investment adviser representative's investment recommendations or retain your investment adviser representative to actively monitor and manage your investments, you must execute a separate written agreement with First Heartland® Consultants for our asset management services or other investment advisory services.

### ***Third-Party Asset Management Program (TAMP) Services***

First Heartland® Consultants makes available advisory services and programs of third-party investment advisers. Under these TAMP programs, First Heartland® Consultants, through your investment adviser representative, provides ongoing investment advice to clients that is tailored to the individual needs of the client. As part of these TAMP services, your investment adviser representative typically obtains the necessary financial data from the client, assists the client in determining the suitability of the program, assists the client in setting an appropriate investment objective and assists the client in opening an account with the TAMP. In addition, depending on the type of program, your investment adviser representative may assist the client in selecting a model portfolio of securities designed by the TAMP or select a portfolio management firm to provide discretionary asset management services. It is the third-party investment adviser (and not the investment adviser representative) that has client authority to purchase and sell securities on a discretionary or non-discretionary basis pursuant to the investment objective chosen by the client. This authorization will be set out in the TAMP client agreement. The Brochure for the particular TAMP will explain whether clients may impose restrictions on investing in certain securities or types of securities. In particular, First Heartland® Consultants currently offers advisory services through TAMPs sponsored by AssetMark (formerly, Genworth Financial Wealth Management) and Horizon Investment Services, LLC. Clients should refer to the Brochure, client agreement and other account paperwork for each TAMP for more detailed information about the services available under the program.

### ***Personalized Advisory Services***

First Heartland® Consultants offers asset management services, which involves First Heartland® Consultants through your investment adviser representative, providing you with continuous and ongoing supervision over your specified accounts. You must specify the accounts for which our firm will serve as your investment adviser (collectively, the "Account"). The Account consists only of separate account(s) held by qualified custodian(s) under your name. (Typically, assets under this program are held by Pershing LLC as the qualified custodian.) The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by your IAR based on your financial situation, investment objective and risk tolerance. Your investment adviser representative actively monitors the Account and provides advice and/or utilizes discretion regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

Your investment adviser representative will need to obtain certain information from you to determine your financial situation and investment objective. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however your IAR will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. Your investment adviser representative is always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct your IAR not to purchase certain securities.

Depending on the terms of your specific engagement with First Heartland® Consultants, your investment adviser representative may purchase and sell utilizing certain types of securities on discretionary authority without consulting with you in advance. Investment adviser representatives of First Heartland® Consultants provide investment advice on the following types of investments: mutual funds, ETFs, equities, fixed income securities, variable annuities, and variable life insurance. However, your investment adviser representative may also provide you investment advice on securities products which are not approved for your investment adviser representative to exercise discretionary authority but that are products available through First Heartland® Capital, Inc., such as non-traded REITS. Variable annuities and variable life insurance may not be initially purchased by your IAR using discretion but your IAR may utilize discretion in the management of the sub-accounts contained therein.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

### ***Wrap Programs***

First Heartland® Consultants also makes available two wrap programs, First Heartland® Advantage and Lockwood Managed Account Platform. Information on these programs is available in separate brochures available upon request.

### ***Retirement Plans***

First Heartland® Consultants also makes available non-discretionary advisory services to retirement plans including but not limited to 401(k) and 403(b) plans. Information on this program is available in a separate brochure available upon request.

### ***Solicitor Services for Third-Party Investment Advisers***

First Heartland® Consultants through its investment adviser representatives serves as a solicitor and refers clients to third-party investment advisers offering asset management and other investment advisory services. The third-party managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary. As a result of the referral, we are paid a portion of the fee charged and collected by the third-party investment advisers in the form of solicitor fees. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations. Under this program, we assist you with identifying your risk tolerance and investment objectives. We recommend third-party investment advisers in relation to your stated investment objectives and risk tolerance, and you may select a recommended third-party investment adviser or model portfolio based upon your needs. You must enter into an agreement directly with the third-party investment adviser who provides your designated account with asset management services. We are available to answer questions that you may have regarding your account and act as the communication conduit between you and the third-party investment adviser. The third-party investment adviser may take discretionary authority to determine the securities to be purchased and sold for your account. We do not have any trading authority with respect to your designated account managed by the third-party investment adviser.

Although we review the performance of numerous third-party investment adviser firms, we enter into only a select number of relationships with third-party investment adviser firms that have agreed to pay us a portion of the overall fee charged to our clients. Therefore, First Heartland® Consultants has a conflict of interest in that it will only recommend third-party investment advisers that will agree to compensate us for referrals of our clients.

A client should understand that there may be other third-party managed programs not recommended by your investment adviser representative or our firm, which are suitable for the client and that may be more or less costly than arrangements recommended by our firm. No guarantees can be made that a client's financial goals or objectives will be achieved by a third-party investment adviser recommended by your IAR. Further, no guarantees of performance can ever be offered by our firm or investment adviser representatives.

Please see **Item 14** below for additional information about these solicitation services and the related compensation.

## ITEM 5 - FEES AND COMPENSATION

In addition to the information provided in **Item 4 – Advisory Business**, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and First Heartland® Consultants.

First Heartland® Consultants allows your investment adviser representative to set fees within a range provided by First Heartland® Consultants. As a result, your investment adviser representative may charge more or less for the same service than another investment adviser representative of First Heartland® Consultants.

For these services, the fee is negotiated between you and your investment adviser representative and the amount of the fee is specified in the client agreement. The investment adviser representative is responsible for determining the fee to charge each client based upon factors such as total amount of assets involved in the relationship, the complexity of the planning services, and the number and range of other advisory and client-related services to be provided. Clients should consider the level and complexity of the planning services to be provided when negotiating the fee with the investment adviser representative.

The fee is paid to First Heartland® Consultants. We share between 70% and 95% of the fee with the investment adviser representative based on the agreement between First Heartland® Consultants and the investment adviser representative.

### FINANCIAL PLANNING & CONSULTING SERVICES

Fees charged for our financial planning and consulting services are negotiable based upon the type of client, the services requested, the investment adviser representative providing advice, the complexity of the client's situation, the composition of the client's account, other advisory services provided and the relationship of the client and the investment adviser representative.

First Heartland® Consultants provides financial planning and consulting services under hourly fee or fixed fee arrangements.

Under an hourly fee arrangement, a maximum hourly fee of \$250 per hour is charged by First Heartland® Consultants for financial planning and consulting services provided under this arrangement. The specific hourly rate will be specified in your agreement with First Heartland® Consultants and your IAR.

Under a fixed fee arrangement, a mutually agreed upon fixed fee is charged for financial planning and consulting services. There is no minimum or maximum fixed fee. The amount of the fixed fee will be specified in your agreement with First Heartland® Consultants and your IAR.

For fixed fees, you may elect to pay the fee upon execution of your agreement, upon delivery of a written financial plan, if applicable, or upon receipt of an invoice detailing the services provided; however, at no time will First Heartland® Consultants require payment of more than \$1,200 in fees more than six months in advance. For hourly fees, you will be expected to remit payment upon receipt of the invoice for the services performed.

You may pay the investment advisory fees owed for the financial planning and consulting services by submitting a check made payable to First Heartland® Consultants (not your investment adviser representative or an entity controlled by your investment adviser representative) or having the fee deducted from an existing non-qualified investment account held at Pershing, LLC. If you elect to pay by automatic deduction from an existing non-qualified investment account, you will provide written authorization to First Heartland® Consultants for such charge. You should notify First Heartland® Consultants within ten (10) days of receipt of an invoice if you have questions about or dispute any billing entry.

All fees paid to First Heartland® Consultants for financial planning and consulting services are separate and distinct from the commissions, fees and expenses charged by insurance companies associated with any disability insurance, life insurance and annuities subsequently acquired by you. If you sell or liquidate certain existing securities positions to acquire any insurance or annuity, you may also pay a commission and/or deferred sales charges in addition to the financial planning and consulting fees paid to First Heartland® Consultants and any commissions, fees and expenses charged by the insurance company for subsequently acquired insurance and/or annuities.

All fees paid to First Heartland® Consultants for advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each mutual fund's prospectus. These fees will generally include a management fee, other fund expenses and a possible distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge.

If you retain First Heartland® Consultants to implement the recommendations provided under this service, your investment adviser representative may recommend load or no-load mutual funds that charge you 12(b)-1 fees. Your investment adviser representative may receive a portion of the 12(b)-1 fees in his or her separate capacity as a registered representative of a securities broker-dealer. The receipt of 12(b)-1 fees could represent an incentive for First Heartland® Consultants or your investment adviser representative to recommend mutual funds with 12(b)-1 fees or higher 12(b)-1 fees over mutual funds with no 12(b)-1 fees or lower 12(b)-1 fees and therefore creates a conflict of interest.

All fees paid to First Heartland® Consultants for financial planning and consulting services are separate and distinct from the commissions charged by a broker-dealer or asset management fees charged by an investment adviser to implement such recommendations. It should be noted that lower fees for comparable services may be available from other sources.

### **THIRD-PARTY ASSET MANAGEMENT PROGRAM (TAMP) SERVICES**

Fees charged for TAMP services vary based upon the platform chosen. Please see the TAMP brochure and client agreement for more detailed information about fees charged by the TAMP provider. The client will pay a total annual fee for TAMP services and a portion of that total fee will be paid by the TAMP provider to First Heartland® Consultants. In no event shall the total fee paid by the client for TAMP services exceed 2.5% (250 basis points) of the value of the assets under management. We then share 70% to 95% of our portion of the total client fee with your investment adviser representative based on the agreement between First Heartland® Consultants and the investment adviser representative.

### **PERSONALIZED ADVISORY SERVICES**

Fees charged for our personalized advisory services are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your Account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your Account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of the billing period, then the prorated fee for that billing period is based on the value of the Account when services commence and is due immediately and will be deducted from Account when services commence.

Our personalized advisory services continue in effect until terminated by either party by providing notice of termination to the other party. Any prepaid, unearned fees will be promptly refunded by First Heartland® Consultants to you. Fee refunds will be determined on a pro rata basis using the number of days for which services were actually provided during the final period.

Fees charged for our personalized advisory services are negotiated between the investment adviser representative and client based on the investment adviser representative providing the services. However, the annual fee for personalized advisory services will be no more than 2.50% (250 basis points) of the value of the assets under management, and there is a minimum Account size of \$50,000 (accounts within the same household address may be aggregated to reach this minimum). The fee is paid to First Heartland® Consultants. We share between 70% and 95% of the fee with your investment adviser representative based on the agreement between First Heartland® Consultants and the investment adviser representative.

First Heartland® Consultants believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

You can choose how to pay your investment advisory fees. The investment advisory fees can be deducted from your account and paid directly to our firm by the qualified custodian(s) of your Account or you can pay our firm (via a check made payable to First



Heartland® Consultants, Inc.) upon receipt of a billing notice sent directly to you. (You should not pay your invoice by making a check payable to your investment adviser representative or an entity controlled by your investment adviser representative.)

If you choose to have the investment advisory fees deducted from your Account, you must authorize the qualified custodian(s) of your Account to deduct fees from your Account and pay such fees directly to First Heartland® Consultants. If fees are deducted from your Account, you will receive a fee statement from First Heartland® Consultants detailing the amount of the fee debited.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted. If you choose to pay the fees after receiving a statement, fees are due upon your receipt of a billing notice sent directly to you. The billing notice will detail the formula used to calculate the fee, the assets under management and the time period covered. Fees for the services of our firm will be due immediately after your receipt of the billing notice.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian may also be imposed. In addition, you may incur certain charges imposed by third parties other than First Heartland® Consultants in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by First Heartland® Consultants are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

If your assets are invested in mutual fund shares through personalized advisory services, you will pay both an advisory fee to the firm and an indirect management fee through the mutual fund (12b-1) in addition to any other applicable fees. Your investment adviser representative may recommend "no-load" mutual funds but is not obligated to do so.

If your assets are invested with insurance companies that issued you variable annuity and/or a variable life contract, the insurance company will charge management expenses in addition to the investment advisory fee charged by First Heartland® Consultants. In addition, your variable annuity and/or variable life contract may be subject to exchange fees and surrender charges. First Heartland® Consultants does not share in these fees charged by your insurance company. Please refer to the prospectus of your variable annuity and/or variable life contract for more details about the insurance company's management expenses and any exchange or surrender fees. In the event that your investment adviser representative sold you the variable annuity and/or variable life contract in his or her separate capacity as a registered representative of a broker-dealer, your investment adviser representative most likely received commission and/or trail compensation for this transaction. This sales compensation is separate from and in addition to any investment advisory fee charged by First Heartland® Consultants.

Since all our investment adviser representatives are also registered representatives of our affiliated broker dealer, First Heartland Capital, Inc., our investment adviser representatives are able to earn an advisory fee as well as commissions, trails, and 12b-1 fees on transactions effected by them in their capacity as registered representatives.

With respect to retirement accounts, the client shall not be charged greater than 2.5% per year inclusive of commissions, 12b-1 fees and the advisory fee. Any amount of commissions or trails received by your investment adviser representative or First Heartland® Consultants' affiliated broker-dealer which exceed 2.5% per year, shall be offset against the investment advisory fee. In addition, with respect to retirement accounts, in the event that your investment adviser representative sold you a variable annuity, a variable life contract, and/or a non-traded REIT in his or her separate capacity as a registered representative of a broker-dealer and received commission and/or trail compensation for the transactions, First Heartland® Consultants will not charge a fee until it has been at least one year from the date of such sale.

In addition, the client and the investment adviser representative may contractually agree to exclude the value of a specific security, e.g., unit investment trusts from the advisory fee calculation. This does not mean that the investment adviser representative has not received or will not receive commissions on the purchase or sale of that particular security. If the investment adviser representative takes a commission on a security purchase or sale, total costs to the client and total revenue to the investment adviser representative may increase.

Your investment adviser representative may also be a licensed insurance agent. If licensed as such, your investment adviser representative can recommend insurance products, for example, as part of a financial plan, and then can earn a commission on the purchase of the recommended insurance product.

These situations described above inherently create 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.

The 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.

## **WRAP FEE PROGRAMS**

The firm also offers its clients two wrap fee programs which are described more fully in Appendix (1). The fee for all wrap fee programs is a maximum of 2.5% (250 basis points) of the assets managed in the wrap fee program. Fees are negotiable and paid quarterly in advance or in arrears as negotiated.

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 adviser representative will provide a copy of the disclosure brochure before you sign an agreement for the wrap program. You will be asked to sign an acknowledgement stating that you received the disclosure brochure.

Wrap fee programs include any brokerage commissions in the total fee. If the investment includes mutual funds, those investments have their own costs and administrative fees, which will be in addition to our advisory fee.

Our firm requires that each Account for Wrap programs have a minimum account balance of \$50,000. Accounts within the same household (same address) may be aggregated to reach this minimum. In addition, Wrap programs may have higher account minimums depending on the particular programs utilized and clients should refer to the applicable brochure for further information.

## **SOLICITOR SERVICES FOR THIRD-PARTY INVESTMENT ADVISERS**

Third-party investment advisers generally have account minimum requirements that will vary among third-party investment advisers. Account minimums are generally higher on fixed income accounts than for equity based accounts. A complete description of the third-party investment adviser's services, fee schedules and account minimums will be disclosed in the third-party investment adviser's disclosure brochure which will be provided to you prior to or at the time an agreement for services is executed and the account is established.

The actual fee charged to you will vary depending on the third-party investment adviser. All fees are calculated and collected by the third-party investment adviser who will then be responsible for delivering our portion of the fee paid by you to us. Under this program, you may incur additional charges including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, and IRA and qualified retirement plan fees.

We have a conflict of interest by only offering those third-party investment advisers that have agreed to pay a portion of their advisory fee to us and have met the conditions of our due diligence review. There may be other third-party investment advisers that may be suitable for you that may be more or less costly. No guarantees can be made that your financial goals or objectives will be achieved. Further, no guarantees of performance can be offered.

## **ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. Item 6 is not applicable to this Disclosure Brochure because we do not charge or accept performance-based fees.

## **ITEM 7 - TYPES OF CLIENTS**

First Heartland® Consultants' advisory services are available for individuals, individual retirement accounts ("IRAs"), pension and profit sharing plans, trusts, estates, charitable organizations, state and municipal government entities, corporations, and other business entities.

## **MINIMUM INVESTMENT AMOUNTS REQUIRED**

First Heartland® Consultants does not require a minimum asset amount for financial planning and consulting services. For personalized advisory services, First Heartland® Consultants requires a minimum asset amount of \$50,000. In certain circumstances, and on a case-by-case basis, First Heartland® Consultants may accept an asset amount less than \$50,000 depending on facts and circumstances.

For TAMPs and third-party investment advisers, the TAMP sponsor or third-party investment adviser typically establishes a minimum account value, which will be set out in the account opening documents with the TAMP sponsor or third-party investment adviser. However, First Heartland® Consultants will not permit a TAMP sponsor or third-party investment adviser's minimum account value to be less than \$50,000.



## METHODS OF ANALYSIS

Our investment adviser representatives' methods for security analysis may include:

1. Cyclical analysis;
2. Fundamental analysis;
3. Technical analysis; and/or
4. Model portfolios of mutual funds and exchange traded funds (ETF), variable annuity sub-accounts and other securities based on various information, research, asset allocation methodologies and investment strategies.

Our investment adviser representatives choose their own research materials, methods, investment strategies, investment styles and management philosophy. It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable.

### ***Cyclical Analysis***

This method analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and in higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins. While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

### ***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.

The factors involved in fundamental analysis 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" IPOs of the 1990s.

For a relatively short time period, a business 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.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the

investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

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.

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 adviser 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.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security. There are risks involved in using any analysis method.

## **INVESTMENT STRATEGIES**

Investment adviser representatives of First Heartland® Consultants may use the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases: Investments held at least a year.

Short term purchases: Investments sold within a year.

Frequent trading: This strategy refers to the practice of selling investments within 30 days of purchase.

Short sales: A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.

Margin transactions: When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest of the purchase price from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from First Heartland® Consultants. Option writing including covered options, uncovered options or spreading strategies: Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

Tactical asset allocation: Allows for a range of percentages in each asset class (such as Stocks = 40-50%). The ranges establish minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.

Strategic asset allocation: Calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a “buy and hold” strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client’s goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.

## PRIMARILY RECOMMEND ONE TYPE OF SECURITY

We do not primarily recommend one type of security to clients. Instead, we recommend any product that may be suitable for each client relative to that client’s specific circumstances and needs.

## TYPES OF SECURITIES AND RISK OF LOSS

Our investment adviser representatives are permitted to use and recommend any securities products in their investment strategies that are currently available on the First Heartland Capital, Inc. platform. Types of securities products on the First Heartland Capital, Inc. platform include but are not limited to mutual funds, ETFs, variable annuities, variable life, stocks, bonds, non-traded and publicly traded REITs, and CDs. In addition, investment adviser representatives may provide investment advice on client holdings that currently exist in the client portfolio including but not limited to hedge funds, private placements, etc. However, investment adviser representatives are not permitted to recommend the purchase of any hedge fund, private placement or other alternative investment that is not currently available on the First Heartland Capital, Inc. platform.

You should understand that past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. Furthermore, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- **Market Risk** – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- **Equity (stock) market risk** – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- **Company Risk.** When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company’s employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- **Fixed Income Risk.** When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **Options Risk.** Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- **ETF and Mutual Fund Risk** – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF’s or mutual fund’s operating expenses, including the potential duplication of management fees.

The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.

- **Management Risk** – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- **Margin Risk** - When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your Account, you will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you. If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account. It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any margin account that may be established as part of the agreement established between you and First Heartland® Consultants and held by the account custodian or clearing firm. These risks include the following:
  - You can lose more funds than you deposit in your margin account.
  - The account custodian or clearing firm can force the sale of securities or other assets in your account.
  - The account custodian or clearing firm can sell your securities or other assets without contacting you.
  - You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call.
  - The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities.
  - The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and they are not required to provide you advance written notice.
  - You are not entitled to an extension of time on a margin call.

#### ITEM 9 - DISCIPLINARY INFORMATION

First Heartland® Consultants has not been subject to any disciplinary actions or orders. For more information, clients should refer to the Investment Adviser Public Disclosure at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

#### ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

##### **Our Affiliated Broker-Dealers – First Heartland® Capital, Inc. and Centerre Capital, LLC**

First Heartland® Consultants has two affiliated firms, First Heartland® Capital, Inc. and Centerre Capital, LLC, which are both registered as broker/dealers.

First Heartland® Consultants is under common ownership and control with First Heartland® Capital, Inc. which provides securities brokerage services to First Heartland® Consultants clients. Please read the sub-section below, *Registered Representative of Our Affiliated Broker-Dealer*, for details about this arrangement.

Similarly, Centerre Capital, LLC and First Heartland® Consultants are under common ownership and control. Centerre Capital, LLC engages in business on a predominantly wholesale basis for variable universal life products.

##### **Registered Representatives of Our Affiliated Broker-Dealer**

As described above, our investment adviser representatives are also registered representatives of First Heartland® Capital, Inc., our affiliated securities broker-dealer. You may work with your investment adviser representative in his or her separate capacity as a registered representative of First Heartland® Capital, Inc. When acting in his or her separate capacity as a registered representative, your investment adviser representative may sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to you. As such, your investment adviser representative may suggest that you implement investment advice by purchasing securities products through a commission-based brokerage account in addition to or in lieu of a fee-based investment-advisory account. This receipt of commissions creates an incentive to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as a registered representative of a securities broker-dealer. Consequently, the objectivity of the advice rendered to you could be biased.

You are under no obligation to use the services of our representatives in this separate capacity or to use First Heartland® Capital, Inc. and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use First Heartland® Capital, Inc. Prior to

effecting any such transactions, you are required to enter into a new account agreement with First Heartland® Capital, Inc. The commissions charged by First Heartland® Capital, Inc. may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

#### **Our Affiliated Insurance Marketing Organization – Elite Partners, LLC**

First Heartland® Consultants is under common ownership and control with Elite Partners, LLC, which is a life insurance marketing organization and wholesales insurance and annuity products to third-party insurance agents.

#### **Our Affiliated Insurance Agency - First Heartland® Corporation**

First Heartland® Consultants is under common ownership with First Heartland® Corporation, a licensed insurance agency. Your investment adviser representative may be licensed as a life insurance agent with First Heartland® Corporation or another agency and may sell fixed life insurance, long term care insurance, disability insurance, and fixed annuities to you. In the event that you buy insurance or an annuity through your investment adviser representative in his or her separate capacity as an insurance agent, your investment adviser representative will receive separate and typical compensation for the insurance or annuity sale. You are not obligated to utilize your investment adviser representative in his or her separate capacity as an insurance agent for insurance or annuity transactions.

#### **Insurance Agent**

Your investment adviser representative may be licensed as a life insurance agent. You may work with your investment adviser representative in his or her separate capacity as an insurance agent. When acting in his or her separate capacity as an insurance agent, the investment adviser representative may sell, for commissions, general disability insurance, life insurance, annuities, and other insurance products to you. As such, your investment adviser representative in his or her separate capacity as an insurance agent, may suggest that you implement recommendations of First Heartland® Consultants by purchasing disability insurance, life insurance, annuities, or other insurance products. This receipt of commissions creates an incentive for the representative to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as an insurance agent. Consequently, the advice rendered to you could be biased. You are under no obligation to implement any insurance or annuity transaction through your investment adviser representative.

#### **Third-Party Investment Advisers**

First Heartland® Consultants has developed several programs, previously described in *Items 4 & 5* of this disclosure brochure, designed to allow us to recommend and select third-party investment advisers for you. Once you select the third-party investment adviser to manage all or a portion of your assets, the third-party investment adviser will pay us a portion of the fees you are charged. Please refer to Items 4 and 5 for full details regarding the programs, fees, conflicts of interest and materials arrangements when First Heartland® Consultants selects other investment advisers.

### **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING**

First Heartland® Consultants has established a Code of Ethics that will apply to all of its associated persons. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. First Heartland® Consultants has a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for our Code of Ethics which also covers our Insider Trading and Personal Securities Transactions Policies and Procedures. First Heartland® Consultants has the responsibility to make sure that the interests of all clients are placed ahead of First Heartland® Consultants' own investment interest. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. First Heartland® Consultants will conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This section is intended to provide clients with a summary of First Heartland® Consultants' Code of Ethics. Clients may receive a complete copy of the Code of Ethics upon request.

#### **AFFILIATE AND EMPLOYEE PERSONAL SECURITIES TRANSACTIONS DISCLOSURE**

First Heartland® Consultants or associated persons of the firm may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of First Heartland® Consultants that all persons associated in any manner with our firm must place clients' interests ahead of their own when implementing personal investments. First Heartland® Consultants and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry. We are now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client.
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts.
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an "insider".
- Associated persons are discouraged from conducting frequent personal trading.
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted by the Chief Compliance Officer of First Heartland® Consultants.

Any associated person not observing our policies is subject to sanctions up to and including termination.

## **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

As part of financial planning/consulting services, an investment adviser representative may provide recommendations as to investment products or securities. To the extent that the investment adviser representative recommends that the client invest in products and services that will result in compensation being paid to First Heartland® Consultants, First Heartland® Capital, Inc., and the investment adviser representative, this presents a conflict of interest. The compensation to the investment adviser representative, First Heartland® Consultants and First Heartland® Capital, Inc. may be more or less depending on the product or service that the investment adviser representative recommends. Therefore, the investment adviser representative has a financial incentive to recommend that a financial plan or consulting advice be implemented using a certain product or service over another product or service.

If a client desires to purchase securities in a brokerage account or otherwise through the investment adviser representative acting as a registered representative of First Heartland® Capital, Inc., First Heartland® Capital, Inc. and the investment adviser representative will receive brokerage related and other types of compensation for those services, such as commissions and/or trail fees. When considering whether to implement recommendations through the investment adviser representative, First Heartland® Consultants and/or First Heartland® Capital, Inc., clients should discuss with the investment adviser representative how First Heartland® Consultants, First Heartland® Capital, Inc. and the investment adviser representative will be compensated for any recommendations implemented.

If the client decides to implement the financial plan or consulting advice through a First Heartland® Consultants advisory program or service, the investment adviser representative will provide the client, at the time of engagement, with a Brochure, client agreement and other account paperwork that contain specific information about fees and compensation that the investment adviser representative and First Heartland® Consultants will receive in connection with that program.

It is important to note that clients are under no obligation to implement any recommendations through First Heartland® Consultants, First Heartland® Capital, Inc., and the investment adviser representative. Clients should understand that the investment products, securities and services that the investment adviser representative may recommend as part of financial planning/consulting services are available to be purchased through broker dealers, investment advisers or other investment firms not affiliated with First Heartland® Consultants.

Clients should understand that First Heartland® Consultants, First Heartland® Capital, Inc. and investment adviser representative may perform advisory and/or brokerage services for various other clients, and that First Heartland® Consultants, First Heartland® Capital, Inc. and investment adviser representative may give advice or take actions for those other clients that differ from the advice given to the client. The timing or nature of any action taken for the account may also be different.

First Heartland® Consultants and investment adviser representatives do not:

- Buy/sell securities for First Heartland® Consultants or for themselves from clients or from inventory (principal transactions);
- transact purchases or sales of any client's securities directly to any other person (agency cross transaction);
- recommend securities or other investment products to clients in which First Heartland® Consultants, investment adviser representative or another firm related to First Heartland® Consultants has a proprietary or ownership interest.



## ITEM 12 - BROKERAGE PRACTICES

Clients are under no obligation to act on the financial planning recommendations of First Heartland® Consultants. If the firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered.

### BROKERAGE RECOMMENDATIONS

If we assist you in the implementation of any recommendations, First Heartland® Capital, Inc. will be used as the broker/dealer for your account. Our investment adviser representatives are also registered representatives of First Heartland® Capital, Inc.

Clients should understand that not all investment advisers require the use of a particular broker/dealer or custodian. Some investment advisers allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, First Heartland® Consultants may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, First Heartland® Consultants has decided to require our clients to use First Heartland® Capital, Inc. to effect order transactions. All investment adviser representatives are registered representatives of First Heartland® Capital, Inc. Exceptions may be made upon client request, where appropriate.

By utilizing First Heartland® Capital, Inc., clients may be unable to achieve the most favorable execution of client transactions and may pay more in transaction charges than other broker-dealer firms. Therefore, using First Heartland® Capital, Inc. may cost clients more money. First Heartland® Consultants believes that it can recommend First Heartland® Capital, Inc. in view of the broad range of products offered; the level of service provided; and commission rates. Clients should consider that commission rates First Heartland® Capital, Inc. normally charges may be higher or lower than those available through other broker-dealers for essentially the same services. Please note that in such an arrangement there presents a conflict of interest. As discussed above, investment adviser representatives acting as registered representatives will also receive brokerage-related and other types of compensation, such as commissions and/or trail fees (12b-1 fees from mutual funds). In addition, investment adviser representatives may receive incentive awards based upon overall production.

In connection with TAMP programs and third-party investment adviser, the TAMP sponsor or third-party investment adviser may require that clients direct brokerage to a broker-dealer, including the TAMP sponsor or broker-dealer affiliated with the TAMP sponsor. For more information about the brokerage practices of a TAMP sponsor, clients should refer to the Disclosure Brochure for the applicable TAMP.

### SOFT DOLLAR BENEFITS

An investment adviser receives soft dollar benefits from a broker-dealer when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer. First Heartland® Consultants does not have a soft dollar agreement with a broker-dealer or a third-party.

### HANDLING TRADE ERRORS

First Heartland® Consultants has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of First Heartland® Consultants to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. In all situations where the client does not cause the trade error, the client is made whole and any loss resulting from the trade error is absorbed by First Heartland® Consultants affiliated broker dealer, First Heartland® Capital, Inc. First Heartland® Capital, Inc. will retain any trade error gains. First Heartland® Consultants will never benefit or profit from trade errors.

## **BLOCK TRADING POLICY**

Your investment adviser representative may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when First Heartland® Consultants believes such action may prove advantageous to clients. If and when your investment adviser representative aggregates client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

First Heartland® Consultants uses the average price allocation method for transaction allocation. Under this procedure First Heartland® Consultants will calculate the average price and transaction charges for each transaction included in a block order and assign the average price and transaction charge to each allocated transaction executed for the client's account.

If and when your investment adviser representative determines to aggregate client orders for the purchase or sale of securities, including securities in which First Heartland® Consultants or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, SMC Capital, Inc. Neither we nor our associated persons receive any additional compensation as a result of block trades.

Investment adviser representatives may determine not to aggregate transactions, for example, based on the size of the trades, the number of client accounts, the timing of the trades, and the liquidity of the securities. If your investment adviser representative does not aggregate orders, you may receive a less favorable price than other clients. This means that the practice of not aggregating may cost you more money.

## **AGENCY CROSS TRANSACTIONS**

Our associated persons are prohibited from engaging in agency cross transactions, meaning we cannot act as brokers for both the sale and purchase of a single security between two different clients and cannot receive compensation in the form of an agency cross commission or principal mark-up for the trades.

## **PRINCIPAL TRADES**

A principal trade is a type of order carried out by a broker/dealer that involves the broker/dealer buying or selling from its own account and at its own risk, as opposed to carrying out trades through another broker/dealer. First Heartland® Capital is not a clearing broker/dealer, does not maintain an inventory in any securities, and therefore, does not conduct traditional principal trades; however, when certain client orders for First Heartland® Consultants' advisory accounts are received, First Heartland® Capital may execute the order through its proprietary account on a "riskless" principal basis. However, it is the policy of First Heartland® Capital and First Heartland® Consultants that no additional compensation will be charged to an advisory client account due to the implementation of riskless principal transactions. See, SEC No-Action Letter Merrill Lynch Trust Co. FSB (July 6, 2000).

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **ACCOUNT REVIEWS AND REVIEWERS**

Accounts managed by your investment adviser representative are reviewed on an ongoing basis by your investment adviser representative. Generally, your investment adviser representative will review your account on at least a quarterly basis. While the calendar is the main triggering factor, reviews can also be conducted at your request. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed.

Accounts established and maintained with other third-party investment advisers are reviewed at least quarterly, usually when statements and/or reports are received from the money manager.

Our financial planning and consulting services terminate upon the presentation of the written plan or upon final consultation with the client. Our financial planning and consulting services do not include monitoring the investments of your account(s), and therefore, there is no ongoing review of your account(s) under such services.

### **STATEMENTS AND REPORTS**

For our asset management services, you are provided with transaction confirmation notices and regular quarterly account statements directly from the qualified custodian.

Whether reports by an outside money manager are provided to you will depend upon the outside money manager.

Financial planning and consulting clients do not receive any report other than a written plan, if applicable.

You are encouraged to always compare any reports or statements provided by us, a TAMP or third-party investment adviser against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact your qualified custodian.

## ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

### OTHER COMPENSATION

We may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or for which it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

The investment adviser representative, First Heartland® Consultants and/or First Heartland® Capital, Inc. may receive additional compensation from product sponsors. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings with the investment adviser representative, client workshops or events, marketing events or advertising initiatives. Product sponsors may also pay for, or reimburse First Heartland® Consultants and/or First Heartland® Capital, Inc. for the costs associated with education or training events that may be attended by First Heartland® Consultants' employees and investment adviser representatives and for First Heartland® Consultants and/or First Heartland® Capital, Inc.-sponsored conferences and events.

In addition, the investment adviser representative may receive compensation in the form of incentive awards/trips based upon overall production from First Heartland® Consultants, First Heartland® Corporation, and/or First Heartland® Capital, Inc. The receipt of, or the potential to receive, these awards/trips, may affect an investment adviser representative's judgment in selecting products sold to clients, thereby creating a possible conflict of interest.

The investment adviser representative recommending a TAMP program to the client receives compensation as a result of the client's participation in the program. This compensation includes a portion of the advisory fee and may also include other compensation as noted above. The amount of this compensation may be more or less than what the investment adviser representative would receive if the client participated in a different First Heartland® Consultants program, programs of other investment advisers or paid separately for investment advice, brokerage and other client services. Therefore, the investment adviser representative may have a financial incentive to recommend a TAMP program account over other programs and services.

In the case of personalized advisory services the investment adviser representative recommending such services receives compensation from First Heartland® Consultants. This compensation includes a portion of the advisory fee and may also include other compensation as noted above. The amount of this compensation may be more or less than what the investment adviser representative would receive if the client participated in a different First Heartland® Consultants program, programs of other investment advisers or paid separately for investment advice, brokerage and other client services. Therefore, the investment adviser representative may have a financial incentive to recommend personalized advisory services over other programs and services.

Furthermore, investment adviser representatives may receive compensation derived from commissions, 12b-1 fees, and trails on transactions executed through First Heartland® Consultants' affiliated broker-dealer, First Heartland Capital, Inc., in their capacity as registered representatives of such affiliated broker-dealer. Clients are hereby notified that in such an arrangement there always exists the possibility of a conflict of interest.

First Heartland® Consultants has entered into solicitation agreements with independent third-party investment advisers, pursuant to which investment adviser representatives receive solicitor's fees in return for the referral of clients to the third-party investment adviser. Because First Heartland® Consultants is engaged by and paid by the third-party investment adviser for the referral, any recommendation regarding the third-party investment adviser as part of the referral presents a conflict of interest. As such, the client is provided with a disclosure statement explaining the role of First Heartland® Consultants and the investment adviser representative and the referral fee received.

First Heartland® Consultants does not compensate other persons or entities for client referrals.

## ITEM 15 - CUSTODY

Custody, as it applies to investment advisers, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

First Heartland® Consultants is deemed to have custody of client funds and securities whenever First Heartland® Consultants is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody First Heartland® Consultants permits. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which First Heartland® Consultants is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from First Heartland® Consultants. When clients have questions about their account statements, they should contact First Heartland® Consultants or the qualified custodian preparing the statement.

However, due to the importance of custody issues and the importance of protecting customer assets, First Heartland® Consultants will undergo an annual surprise exam by an independent accountant to verify customer assets in accordance with the custody rule.

## ITEM 16 - INVESTMENT DISCRETION

With respect to financial planning and consulting services, First Heartland® Consultants and your investment adviser representative do not have any discretionary investment authority.

When providing asset management services, First Heartland® Consultants maintains trading authorization over your Account and provides management services on a discretionary basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction. However, having discretionary authority does not restrict investment adviser representatives of First Heartland® Consultants from consulting with you prior to making significant changes in the account even though they are not required to do so.

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your Account. You may also place reasonable limitations on the discretionary power granted to First Heartland® Consultants so long as the limitations are specifically set forth or included as an attachment to the client agreement. Reasonable limitations on discretionary authority include specifically prohibiting discretionary authority with respect to 1 or more accounts under management. However, discretionary authority cannot be limited to specific positions or securities.

With respect to TAMP services, you will typically authorize the third-party investment adviser to purchase and sell securities on a discretionary basis. This authorization will be set out in the TAMP client agreement. Neither First Heartland® Consultants nor your investment adviser representative will have discretionary authority to purchase and sell securities on a discretionary basis with respect to TAMP services, however, First Heartland® Consultants and the investment adviser representative may have discretionary authority to change allocation within the TAMP platform. Any such authorization will be set out in the TAMP client agreement.

## ITEM 17 - VOTING CLIENT SECURITIES

First Heartland® Consultants and its investment adviser representatives do not vote proxies on behalf of Clients. Therefore, it is your responsibility to vote all proxies for securities held in Account.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact your investment adviser representative. However, you will have the ultimate responsibility for making all proxy-voting decisions.

With respect to assets managed by a third-party investment adviser, we will not vote the proxies associated with these assets. You will need to refer to each third-party investment adviser's disclosure brochure to determine whether the third-party investment

adviser will vote proxies on your behalf. You may request a complete copy of third-party investment adviser's proxy voting policies and procedures as well as information on how your proxies were voted by contacting the third-party investment adviser or by contacting First Heartland® Consultants at the address or phone number indicated on Page 1 of this disclosure document.

### **CLASS ACTION LAWSUITS**

You retain the right under applicable securities laws to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased or sold by or for you. First Heartland® Consultants and our investment adviser representatives do not initiate such a legal proceeding on behalf of clients and do not provide legal advice to clients regarding potential causes of action against such a security issuer and whether the client should join a class-action lawsuit. We recommend that you seek legal counsel prior to making a decision regarding whether to participate in such a class-action lawsuit. Moreover, our services do not include monitoring or informing you of any potential or actual class-action lawsuits against the issuers of the securities that were held, purchased or sold by or for you.

### **ITEM 18 - FINANCIAL INFORMATION**

First Heartland® Consultants does not require any client to prepay an advisory fee of \$1,200 or more, 6 or more months in advance for advisory services.

First Heartland® Consultants is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over client accounts.

First Heartland® Consultants has not been the subject of a bankruptcy petition.