

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)	
)	
HEARTLAND INVESTMENT)	ADMINISTRATIVE ORDER
ASSOCIATES, INC.)	NO. CO-2002-0003
)	
<u>RESPONDENT</u>)	

CONSENT ORDER

The Alabama Securities Commission ("Commission"), having the power to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act, upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities into, within or from the state of Alabama, has determined as follows:

RESPONDENT

1. HEARTLAND INVESTMENT ASSOCIATES, INC. ("RESPONDENT"), is represented to be an Iowa domiciled corporation, registered as a BD in the state of Iowa, et al, with a business address of 693 Marion Boulevard, Marion, IA 52302.

STATEMENT OF FACTS

2. On October 30, 2001, RESPONDENT electronically filed a Form BD, through the National Association of Securities Dealers, Inc., Central Registration Depository ("NASDCRD"), for registration as a dealer in the state of Alabama. On December 5, 2001, a letter was dispatched to RESPONDENT which enumerated certain documentation and information that must be provided as part of the application for registration, among which was a requirement to furnish a statement concerning any prior sales activity that had occurred in the state of Alabama. RESPONDENT was advised that failure to file a complete application may result in denial of the application

and that the notification constituted an Order of the Commission deferring the registration effective date until such time as all deficiencies were resolved and an Order of Registration issued. By letter, dated December 18, 2001, RESPONDENT provided a response to the visitation letter, among which was the statement **“There has not been any prior activity in the state of Alabama by our firm.”**

3. December 5, 2001, a visitation letter was dispatched to RESPONDENT's clearing firm, National Financial Services, LLC (“NFS”), for a listing of Alabama clients of RESPONDENT, and documents, including transaction reports detailing transactions and date of transactions, if any.

4. On January 2, 2002, the Commission received transaction information from NFS reflecting RESPONDENT has 7 accounts, with 5 with Alabama residents, as follows:

- a. Account **OTA-0678373-1** (3 buys and 6 sales during the period 12/22/98 to 10/03/01). **NOTE: Account holder was contacted and he furnished advice that his account was opened in Iowa, but he has been a resident of Alabama for 4 ½ years.**
- b. Account **OTA-213136-1** (6 buys and 5 sales during the period 08/29/01 to 12/24/01).
- c. Account **OTA-182508-1** (5 sales during the period 05/16/00 to 05/17/00).
- d. Account **OTA-182494** (3 sales on 05/16/00).
- e. Account **OTA-152129-1** (4 buys on 11/03/99).
- f. Account **OTA-073547-1** (2 buys and 1 sale during the period 11/23/99 to 12/28/99).
- g. Account **OTA-167266-1** (4 sales on 11/05/99).

5. Review of the files of the Commission, disclosed no record of registration or exemption from registration of RESPONDENT as a dealer in the state of Alabama.

6. On March 4, 2002, a Cease and Desist Order was issued to RESPONDENT alleging violations of Section 8-6-3(a) and 8-6-3(j)(1), Code of Alabama 1975 for transacting business in the state of Alabama as a dealer without benefit of registration or exemption from registration and for filing an application containing a false statement (see highlighted portion of paragraph 2, page 2, above).

7. By letter, dated March 25, 2002, Ronald Feltes, president of RESPONDENT, furnished advice that he was unaware that RESPONDENT had opened accounts for individuals residing in Alabama and he was revising procedures to avoid similar embarrassing situations in the future. He also advised that 5 of the alleged accounts (OTA-182508-1, OTA-182494-1, OTA-152129-1, OTA-073547-1 (husband and wife accounts) and OTA-167266-1) were opened as the result of deaths of Iowa clients, and the resultant distribution of assets to their 2 children, who resided in Alabama (these individuals have since relocated to other states). NOTE: Mr. Feltes subsequently furnished information that transactions in another alleged Alabama account (OTA-067873-1) were not transacted in Alabama.

8. By letter, dated March 29, 2002, RESPONDENT was advised that a rescission offer was required to be made to the holder of Account #OTA-213136-1, as reflected in paragraph 4, page 2, above. RESPONDENT subsequently furnished evidence that a rescission offer, in the amount of \$31,888.27, was made to and rejected by the Alabama resident.

CONCLUSIONS OF LAW

9. RESPONDENT is not registered nor exempt from registration as a dealer in the state of Alabama, and has effected securities transactions with a resident of the state of Alabama.

10. Transacting business in the state of Alabama as a dealer, without benefit of registration or exemption from registration, is a violation of Section 8-6-3(a), Code of Alabama 1975.

11. RESPONDENT has filed an application for registration which, as of its effective date, or as of any date after filing, was incomplete or contained a false statement (see highlighted part of paragraph 2, page 2, above).

12. The filing of an application for registration, that was incomplete or contained a false statement, is a violation of Section 8-6-3(j)(1), Code of Alabama 1975.

WHEREAS, RESPONDENT neither admits nor denies the findings of the Commission, but states that the information and assertions presented to the Commission during its investigation of this matter are true and correct; that RESPONDENT understands the Commission relied upon such information and assertions in its determination to accept this Order and that should information or assertions prove to be incorrect or misrepresented, the Commission may seek such other administrative, civil or criminal remedies that may available to it under the provisions of the Alabama Securities Act, and

WHEREAS, RESPONDENT has voluntarily waived all rights to a hearing upon entry of this Order and has consented to the entry of this Order, and

WHEREAS, the Commission finds this Order necessary and appropriate in the public interest for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act, and

WHEREAS, the Commission and RESPONDENT are desirous of settling this matter as hereafter set forth and agree to the entry of this Order,

ACCORDINGLY, IT IS HEREBY ORDERED:

1. That RESPONDENT shall, until such time as properly registered in the state of Alabama, refrain from effecting securities transactions into, within or from the state of Alabama.

2. That RESPONDENT shall ensure that proper procedures are enacted to preclude any future violation of the Alabama Securities Act.

3. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, RESPONDENT shall pay to the **state of Alabama** an administrative assessment in the sum of One Thousand Dollars (\$1,000), said funds to be tendered in certified funds contemporaneously with the entry of this Order.

4. That in accordance with Section 8-6-19(k)(1), Code of Alabama 1975, RESPONDENT shall pay to the **Alabama Securities Commission**, as partial reimbursement for the Commission's cost for investigating this matter, the sum of Five Hundred Dollars (\$500), said funds to be tendered in certified funds contemporaneously with the entry of this Order.

5. That the entry of this Consent Order resolves the Cease and Desist Order, Administrative Order No. CD-2002-0003, issued March 4, 2002 to RESPONDENT.

AGREED AND CONSENTED to on date indicated:

RESPONDENT
HEARTLAND INVESTMENT ASSOCIATES, INC.

BY: *Richard Feltner, Pres.*
TITLE: *President*
DATE: *5-18-02*

APPROVED AND ORDERED this 21st day of May, 2002.

ALABAMA SECURITIES COMMISSION
770 Washington Avenue, Suite 570
Montgomery, AL 36130-4700
(334) 242-2984



A handwritten signature in dark ink, appearing to read "Susan B. Anderson", written over a horizontal line.

SUSAN B. ANDERSON
Deputy Director