



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF: )  
)  
HEARTLAND CAPITAL ADVISORS, L.C., CRD No. 116127; )  
and KENNETH ALLEN WOODRUFF, CRD No. 1322753, ) Case No. AP-16-21  
)  
*Respondents.* )

**CONSENT ORDER**

**SUMMARY OF ENFORCEMENT SECTION’S ALLEGATIONS**

1. The Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through its Counsels John R. Phillips and Roumen Manolov, has alleged that: (a) and Kenneth Allen Woodruff (“Woodruff”) , offered and sold unregistered, non-exempt securities; (b) Respondent Woodruff transacted business as an unregistered broker-dealer agent; (c) Respondent Woodruff engaged in dishonest or unethical practices in the securities business; and (d) Respondent Heartland Capital Advisers (“HCA”) failed to supervise Woodruff, and that this constitutes grounds to issue an order pursuant to Section 409.6-604, and to discipline, revoke, suspend, condition, or limit Respondents’ registrations in Missouri pursuant to Section 409.4-412.<sup>1</sup>
2. Respondents and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to the Respondents’ alleged violations of Section 409.3-301, 409.4-402, 409.4-412, and 409.5-502.

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<sup>1</sup> Unless otherwise noted, all statutory references are to the 2013 cumulative supplement to the Revised Statutes of Missouri.

### CONSENT TO JURISDICTION

3. Respondents and the Enforcement Section stipulate and agree that the Missouri Commissioner of Securities (“Commissioner”) has jurisdiction over the Respondents and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*
4. Respondents and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), which provides:

“The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”

### WAIVER AND EXCEPTION

5. Respondents waive Respondents’ rights to a hearing with respect to this matter.
6. Respondents waive any right that Respondents may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondents specifically forever release and hold harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondents stipulate and agree with the Enforcement Section that, should the facts contained herein prove to be false or incomplete in a material way, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

### CONSENT TO COMMISSIONER’S ORDER

8. Respondents and the Enforcement Section stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondents agree not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondents’ (a) testimonial obligations; (b) right to take legal or factual positions in connection with litigation, arbitration, or other legal proceeding in which the Commissioner is not a party; or (c) right to make public statements that are factual.
10. Respondents agree that Respondents are not the prevailing party in this action since the parties have reached a good faith settlement.

11. Respondents neither admit nor deny the allegations made by the Enforcement Section, but consents to the Commissioner's Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

COMMISSIONER'S FINDINGS OF FACT,  
CONCLUSIONS OF LAW, AND ORDER

I. FINDINGS OF FACT

12. Between April 23, 1998, and August 8, 2008, and since May 23, 2012, HCA was and has been a Missouri-registered investment adviser, with a current business address of 4200 Little Blue Parkway, Suite 610, Independence, Missouri 64057. HCA is registered in Missouri through the Central Registrations Depository ("CRD") with number 116127. During the period July 28, 2008, through June 20, 2012, HCA was registered as an investment adviser with the Securities and Exchange Commission ("SEC") and notice-filed with Missouri.
13. Woodruff has been a Missouri-registered investment adviser representative with HCA since April 29, 1998, with an office address of 4200 Little Blue Parkway, Suite 610, Independence, Missouri 64057. Woodruff is registered in Missouri through the CRD with number 1322753. Woodruff is also listed as a co-owner of HCA.
14. At all times relevant, Woodruff was not licensed as a broker-dealer and/or issuer agent.
15. Woodruff has been licensed to offer or sell insurance in Missouri from July 15, 1983 to the present.
16. Scott Osborne ("Osborne"), owner of Consolidated Wealth Management, L.L.C. ("CWM") and Consolidated Wealth Holdings, Inc. ("CWH"), was a resident of Texas and was a registered agent in Missouri until March 22, 2006.
17. Sometime in 2006, Woodruff met Osborne through a long-time family friend and client who knew of Osborne and Osborne's work in providing life settlement transactions for investors.
18. Osborne was involved in the sales of A & O capital appreciation bonds through CWM, a company incorporated in Texas on January 8, 2007. Osborne was one of the principals of CWM.
19. In early 2007, Woodruff encouraged a Missouri married couple ("MR1 and MR2") to liquidate MR1's Merrill Lynch retirement account because the account wasn't making any money. Woodruff recommended switching the Merrill Lynch retirement account to a different investment where MR1 and MR2 could generate a higher return. MR1 and MR2

had been clients of HCA since September 22, 2004.

20. Woodruff also advised MR1 that Osborne had a good investment opportunity that would allow MR1 to double MR1's money.
21. Sometime on or around July 17, 2007, MR1 and MR2 met with Woodruff and Osborne in MR1's dental office ("July 2007 Meeting"). This was the only time that MR1 and MR2 met with Osborne.
22. During this meeting, Osborne informed MR1 and MR2 about the investment opportunity in A & O's capital appreciation bonds. Osborne did most of the talking, although Woodruff was present at the meeting the entire time.
23. Following the July 2007 Meeting, MR1 closed his Merrill Lynch retirement account and invested in A & O's capital appreciation bonds.
24. On or around July 17, 2007, MR1 wrote a check totaling \$173,553 for an investment in A & O's capital appreciation bonds and gave it to Osborne that night. On that same date, MR2 wrote a check totaling \$28,012.61 for an investment in A&O's capital appreciation bonds, which was also given to Osborne that same night.
25. For their investments in A & O's capital appreciation bonds, MR1 and MR2 received two bond certificates.
26. The first bond certificate, NO. LF1248, was in the principal amount of \$173,553. The bond certificate was titled "Capital Appreciation Bond Series A" and was issued by A & O Life Fund, LLC, to MR1 on September 1, 2007. The certificate provided for a rate of interest of 12% and a maturity amount of \$336,024 to be paid on July 1, 2013. The bond certificate was signed by Abdulwahab in his capacity as the Manager of A & O Life Fund Management, LLC.
27. The first bond certificate was supported by a document named "Buy Direction Letter (Promissory Note)". This document acknowledged that a check had been issued by MR1 to A & O Life Fund, LLC without stating the specific amount of the check. This document referred to A & O Life Fund, LLC as "borrower" and described A & O's undertaking to pay the amount of \$336,024 on July 1, 2013.
28. The second bond certificate, NO. LS3219, was in the principal amount of \$28,012.61. The second bond certificate was titled "Capital Appreciation Bond" and was issued by A & O Bonded Life Settlements, LLC, to MR2 on September 1, 2007. The certificate provided for a rate of interest of 12% and a maturity amount of \$54,237 to be paid on July 1, 2013. The bond certificate was signed by Abdulwahab in his capacity as the Manager of A & O Life Fund Management, LLC.

29. The bond certificate was supported by a document named “Buy Direction Letter (Promissory Note)”. This document acknowledged that a check had been issued by MR2 to A & O Bonded Life Settlements, LLC without stating the specific amount of the check. This document referred to A & O Bonded Life Settlements, LLC as “borrower” and described A & O’s undertaking to pay the amount of \$54,237 on July 1, 2013.
30. On August 31, 2007, Osborne made a wire transfer of \$16,125.16 to Woodruff. The payment was paid to Woodruff as an individual and not to Woodruff Business Service.
31. On November 9, 2007, CWM reimbursed Osborne in the amount of \$16,125.16 for Osborne’s August 31, 2007 wire transfer to Woodruff. The memo line of this check states, “Ken \*\*\*Nuff Commission.”
32. Sometime in December of 2007, approximately 3 months after MR1 and MR2’s investment with Osborne, Woodruff approached MR1 and MR2 and requested MR1 and MR2 sign a document titled “Disclosures-Read Before You Invest.”
33. The document, among other things, contained the following:

You are entering into an agreement to appoint Consolidated Wealth Holdings, Inc. (“CWH”) as your agent to purchase an investment called a life settlement. Your investment in a life settlement is made outside of your typical relationship with Heartland Capital Advisors, LC. Although investing in a life settlement contract can be wise, it is an investment that is presently outside the norm in what is recommended by Heartland Capital Advisors, LC and should be considered carefully.
34. The document was prepared on CWH letterhead paper and was signed by MR1 and MR2 on December, 12, 2007.
35. The document was also signed by Woodruff and, according to the document, Woodruff signed the document in his capacity as “financial consultant” for MR1 and MR2 and not as “an agent, employee or representative of CWH.”
36. MR1 and MR2 lost their entire investment in A & O’s capital appreciation bonds.
37. HCA did not have knowledge of the investment MR1 and MR2 made in A & O’s capital appreciation bonds at the time that investment was made.
38. HCA’s records reveal that HCA does not have any adequate policies regarding what outside business activities (“OBAs”) are allowed or disallowed; any policies requiring its representatives to disclose OBAs to the firm; nor any policies and/or procedures regarding how HCA is to supervise OBAs.

39. HCA's records also reveal that HCA does have a conflict of interest disclosure form, but no adequate policy regarding conflicts of interest, particularly as they relate to OBAs. HCA's conflict of interest disclosure form deals solely with outside insurance or annuity sales and is not inclusive of outside securities sales, which is what MR1 and MR2 purchased through Woodruff, and ultimately, Osborne.

## II. CONCLUSIONS OF LAW

40. The Commissioner finds (a) Respondent Woodruff offered and sold unregistered, non-exempt securities; (b) Respondent Woodruff transacted business as an unregistered broker-dealer; (c) Respondent Woodruff engaged in dishonest or unethical practices in the securities business; and (d) Respondent HCA failed to supervise Woodruff, and that this conduct constitutes grounds to issue an order pursuant to Section 409.6-604 and Section 409.4-412.
41. The Commissioner, after consideration of the stipulations set forth above and on the consent of Respondents and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondents and this matter and that the following Order is in the public interest, necessary for the protection of public investors and consistent with the purposes intended by Chapter 409.

## III. ORDER

**NOW, THEREFORE,** it is hereby Ordered that:

1. Respondent Woodruff is permanently enjoined and restrained from offering and selling unregistered, non-exempt securities, transacting business as an unregistered broker-dealer, and engaging in dishonest or unethical practices in the securities business in violation of Sections 409.3-301, 409.4-402, and 409.4-412.
2. Respondent Woodruff's registration is hereby CENSURED.
3. Respondents HCA, their agents, employees and servants, and all other persons participating in the above-described violations with knowledge of this order are permanently enjoined and restrained from failing to supervise an agent, in violation of Section 409.4-412.
4. Respondent HCA shall furnish to the Enforcement Section within three (3) months of the effective date of this Consent Order revised supervisory and compliance policies and procedures relating to the outside business activities of HCA's representatives, HCA's participation in non-conventional investments, HCA's correspondence with its customers, HCA representatives' disclosure of conflict of interests, and HCA's reviews of private securities transactions of its representatives.

Provided these revised supervisory and compliance policies and procedures are not unacceptable to the Enforcement Section, HCA shall promptly adopt and implement these policies and procedures. Any subsequent changes in the implemented policies and procedures within five (5) years of the effective date of this Consent Order shall be made only after prior consent of the Enforcement Section.

5. Respondent Woodruff is ordered to pay \$28,000 in restitution, representing disgorgement of the \$16,000 commission paid to him by Osbourne plus \$12000 in additional restitution. This amount shall be paid in 59 equal monthly installments of \$466.66 each commencing December 1, 2016, and one monthly installment of \$467.06 on November 1, 2021. These payments shall be sent to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Restitution Fund. These payments will be distributed by that Fund to MR1 and MR2 in the amounts as stated on the attached Exhibit A.
6. Respondent HCA is ordered to pay \$5,000 in restitution. This payment shall be sent within ten (10) days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Restitution Fund. These payments will be distributed by that Fund to MR1 and MR2 in the amounts as stated on the attached Exhibit A.
7. Respondent Woodruff is ordered to pay \$50,000 to the Investor Education and Protection Fund. This payment shall be suspended for 5 years. All suspended payments and unpaid portions of amounts ordered above shall become due immediately upon the sooner of (1) Respondent's noncompliance with the terms of this Consent Order, or (2) a finding, after notice and opportunity for a hearing, by the Commissioner or a court of competent jurisdiction that Respondent has violated the Missouri Securities Act. Such immediately due payments shall be in addition to all other penalties then available under the law.
8. After 5 years from the date of this Consent Order, provided Respondent Woodruff has complied with all terms of this Consent Order, all suspended payments referenced in paragraphs 7 above are waived.
9. Respondent HCA is ordered to pay \$5,000 to the Investor Education and Protection Fund. This payment shall be suspended for 6 months. All suspended payments and unpaid portions of amounts ordered above shall become due immediately upon the sooner of (1) Respondent's noncompliance with the terms of this Consent Order, or (2) a finding, after notice and opportunity for a hearing, by the Commissioner or a court of competent jurisdiction that Respondent has violated the Missouri Securities Act. Such immediately due payments shall be in addition to all other penalties then available under the law.
10. After 6 months from the date of this Consent Order, provided Respondent HCA has complied with all the terms of this Consent Order, all suspended payments referenced in paragraph 9 above are waived.

11. Upon Respondents' failure to comply with the terms of this Consent Order, all remaining payments shall become immediately due and payable upon operation of law, and such immediately due payments shall be in addition to all other penalties then available under the law.
12. Respondents HCA and Woodruff are each ordered to pay \$1,000 as cost of this investigation. This amount shall be sent within 10 days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. The Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund.
13. Respondents shall pay their own costs and attorneys' fees with respect to this matter.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,  
MISSOURI THIS 1<sup>st</sup> DAY OF December, 2016.



JASON KANDER  
SECRETARY OF STATE

*Andrew M. Hartnett*

ANDREW M. HARTNETT  
COMMISSIONER OF SECURITIES

Consented to by:

THE ENFORCEMENT SECTION OF THE  
MISSOURI SECURITIES DIVISION

*John R. Phillips*  
Roumen Manolov  
John R. Phillips  
Counsel for Petitioner

HEARTLAND CAPITAL ADVISORS, L.C.

BY: *Gregory A. Dorsch*

NAME: GREGORY A. DORSCH

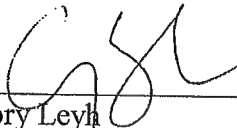


TITLE: \_\_\_\_\_

\_\_\_\_\_  
Kenneth Allen Woodruff

RESPONDENTS

Approved as to Form:

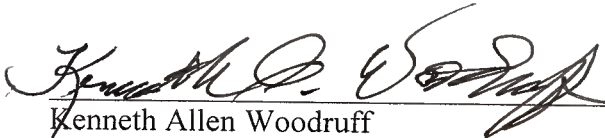
  
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Gregory Leyh  
Attorney for Respondent HCA

RESPONDENTS

Approved as to Form:

\_\_\_\_\_  
Joseph Gall  
Attorney for Respondent Woodruff

TITLE: \_\_\_\_\_

  
Kenneth Allen Woodruff

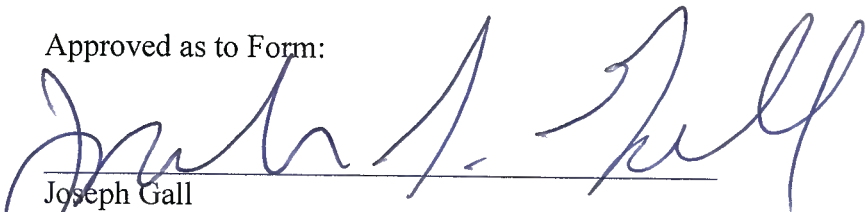
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