

**FORM ADV – PART 2A**  
**Disclosure Brochure • March, 2014**

**H. BECK, INC.**

**6600 Rockledge Drive, 6<sup>th</sup> Floor  
Bethesda, Maryland, 20817  
(301) 468-0100  
[www.cfginc.com](http://www.cfginc.com)**

This Brochure provides information about the qualifications and business practices of H. Beck, Inc. If you have any questions about the contents of this Brochure, please contact us at (301) 468-0100. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

H. Beck, Inc. is a Registered Investment Adviser (RIA) with the SEC. Registration of an investment adviser does not imply any level of skill or training.

Additional information about H. Beck, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

This Item discusses only specific material changes that were made to our previous Form ADV 2A Brochure dated March 28, 2013.

- Item 4 has been updated to reflect the firm's assets under management as of December 31, 2013.
- Item 9 has been updated to reflect the firm's current applicable material disciplinary events.
- In Item 10, we include updated Business Affiliation information to describe our relationship with Securian Financial Services, Inc., an affiliate of Securian Financial Group and deleted the affiliation with the law firm of Meyers Eisler LLC.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Form ADV 2A Brochures within 120 days of the close of our business fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Form ADV 2A Brochure as necessary based on material changes or new material information, at any time, without charge.

Our current Form ADV 2A Brochure may be requested by contacting our RIA Compliance Department at 800-333-6884.

Additional information about H. Beck, Inc. is available via the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with H. Beck, Inc. who are registered, or are required to be registered, as investment advisor representatives of H. Beck, Inc.

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## **Item 4 – Advisory Business**

### **A. DESCRIPTION OF OUR FIRM & PRINCIPAL OWNERS**

H. Beck, Inc. (“HBI”) is registered with the Securities and Exchange Commission (“SEC”) as both an investment advisor and a securities broker-dealer. HBI is also a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). As a broker-dealer, HBI offers a wide range of securities brokerage services and products, including mutual funds and variable insurance products.

HBI is a wholly owned subsidiary of Securian Financial Group, Inc., and has been registered with the SEC as an investment advisor since October 1999.

HBI provides investment advisory and brokerage services to a variety of clients, including individuals, businesses, and retirement plans. Clients may simultaneously receive both investment advisory and brokerage services from HBI. Advisory services offered by HBI include but are not limited to financial planning, asset allocation, portfolio management and selection of other advisors. Our investment advisory products and services are provided through our investment advisor representatives (“IARs”) located throughout the country. Our IARs may also be registered representatives of ours (i.e., registered with FINRA to sell securities) and licensed as insurance agents.

### **B. TYPES OF ADVISORY SERVICES OFFERED**

#### **Financial Planning**

Financial planning services typically involve assisting clients in identifying long-term economic goals, analyzing their current financial situation, and preparing a financial program to achieve those goals. A comprehensive financial plan seeks to address a wide spectrum of a client’s long-term financial needs, including insurance, savings, tax and estate planning, and investments, taking into consideration the client’s goals and current situation. A modular financial plan seeks to address one or more, but not all of the client’s long term financial needs. These services incorporate a formalized and personalized approach and result in a written financial plan being provided to the client (“Financial Plan”). Financial Plans are provided in an array of formats and involve a variety of tools and techniques, including client questionnaires, educational materials, and financial software.

In addition to the financial planning services discussed above, clients can engage our IARs for general financial advice. Examples of these services include, but are not limited to:

- Outside account monitoring – ongoing monitoring of a non-H. Beck, Inc. account
- Asset allocation services – analysis of a client’s overall asset allocation

- or asset allocation analysis of a non-H. Beck, Inc. account
- Advice on the pros and cons of a major financial decision

Financial planning services of this type may or may not result in a written document given to the client.

## **Portfolio Management**

HBI currently has three portfolio management programs available where the IAR acts as the portfolio manager: *Envestnet Asset Management, Inc.–Representative as Portfolio Manager (Envestnet RPM)* Advisor Choice Asset Management Program (ACAMP+) and *Securian Advisor Choice*. Each is discussed below.

### *Envestnet RPM*

Envestnet RPM is a non-discretionary program that offers individual investors a portfolio comprised of products chosen directly by their IAR. These model portfolios are constructed and rebalanced directly using the Envestnet web-based platform. This provides the advisor the freedom to choose the best solutions available to suit investor needs.

The client completes an investor profile questionnaire (the "Questionnaire") stating the client's investment objectives, risk tolerance and investment time horizon for the client's program assets. The IAR provide the client with an investment proposal (the "Investment Proposal"). The Investment Proposal contains a proposed, long-term strategy for allocating the client's program assets among a combination of the major asset classes in the capital markets. The Investment Proposal is based upon and objectively correlated to the Questionnaire responses and is provided to assist the client in making informed asset allocation decisions.

In response to the Investment Proposal, the client may impose restrictions on the percentage of program assets allocated to certain asset classes. Any restrictions that a client imposes on an allocation to a particular asset class may result in the development of an asset allocation proposal for the client that deviates from the allocation HBI would otherwise propose. HBI will not exercise any investment discretion over such program assets and HBI will not purchase or sell program assets without first obtaining the client's approval.

### *Securian Advisor Choice*

Securian Advisor Choice is a wrap-fee program sponsored by Securian Financial Services, Inc. ("Securian"), an affiliate of HBI, through which clients are provided investment advisory, administrative, execution, custody, and clearing services for a bundled fee, all as more particularly described below. Securian acts as both a

broker-dealer and an investment advisor with respect to the program, but HBI acts only as an investment advisor with respect to the program.

As a part of opening an account, HBI will obtain information regarding client investment objectives, risk tolerance, time horizon, and other financial characteristics ("Characteristics"). Based upon the information provided by the client, HBI will recommend a strategy, which may or may not employ a model strategy developed by Securian ("Strategy"), and a portfolio of securities ("Portfolio") that is appropriate for the client's Characteristics. HBI may recommend an asset allocation model that HBI itself developed, as well securities for which HBI itself has conducted all of the relevant research. Such securities may include mutual funds, exchange-traded funds, equities, and fixed income securities. HBI is responsible for monitoring client investments under the program on an ongoing basis to ensure adherence to the appropriate Strategy. HBI, through its IARs, is responsible for the day-to-day and ongoing management of client Portfolios as well as the suitability of (1) client participation in the program, (2) client Strategy, and (3) the investments in client Portfolios. In addition, HBI is responsible for keeping abreast of changes in client circumstances and how such changes may impact the appropriateness of the program, client Strategy, or the investments in client Portfolios. Except for the ability to liquidate securities in order to generate cash to pay fees owed by clients, the services provided by HBI under the program are generally non-discretionary in nature. Trades in the program are generally executed at the direction of the client. In limited circumstances, HBI may permit a client to grant limited discretionary authority to HBI and its IARs.

### **Selection of Other Advisors**

HBI also provides access to investment service programs in which client accounts are managed by independent third party investment advisors. These programs provide investment opportunities among mutual funds, exchange-traded funds, variable annuity subaccounts, stocks, bonds, and other securities. Based on a client's individual circumstances and needs, HBI will recommend an appropriate investment program to the client.

Factors considered in making recommendations include account size, risk tolerance, the opinion of the client, and the investment philosophy of the third party investment advisor. HBI will assist the client in reviewing the client's income and expenditures, investment objectives, risk tolerance, liquidity requirements, investment restrictions, and other relevant factors. HBI will provide this information to program sponsors selected by the client.

HBI will meet with the client on a regular basis, or as determined by the client, to review the account. HBI will contact the client on at least an annual basis to review the client's investments. HBI will also provide updated information about the clients' financial circumstances as necessary to program sponsors.

**Every client investing with a third party investment advisor should also receive a copy of the third party's disclosure brochure (Form ADV 2A). This document should be reviewed carefully as it will contain details about the third party investment advisor and their investment options.**

Currently HBI has agreements with the following third party investment advisors:

- Morningstar Managed Portfolios
- SEI
- Envestnet Asset Management, Inc
- Lockwood Advisors, Inc
- Genworth Financial Wealth Management, Inc.
- LWI Financial Inc. (Loring Ward)
- Manning & Napier Advisors, Inc.

## **Retirement Plan Services**

### *Plan Level Advisory Services*

*Description.* We provide services to pension, retirement, and profit sharing plans and to the sponsors of such retirement plans. HBI, through a select group of its IARs, provides fiduciary services which include investment policy statement consultation and review, performing due diligence review on and recommending investment options, and monitoring investment performance. We also provide various non-fiduciary services, including but not limited to assistance with provider selection and participant enrollment and education. For more detailed information about the services, see the retirement plan advisory services agreement that you entered into with HBI.

Your financial advisor is a registered representative authorized to provide securities brokerage services through HBI and may be separately licensed as an insurance agent for one or more insurance companies (including our affiliate, Minnesota Life Insurance Company). In those separate capacities, he or she may offer products or services to you. If you purchase other products or services recommended by your financial advisor, you may be charged commissions or fees; however, HBI and the financial advisor will forego such compensation in connection with those transactions related to the advisory services offered while a plan services agreement is in force. Our obligations to you when we are acting as a broker-dealer or insurance agency differ from our obligations to you when we are acting as an investment advisor. Your financial advisor's obligations to you when acting as an insurance agent or providing securities brokerage services to you differ from your financial advisor's obligations to you when your financial advisor is acting as an investment advisor representative. You are under no obligation, however, to purchase any other products or services from HBI or our financial advisors.

*Requirements.* In order to receive retirement plan services, you are required to execute a retirement plan advisory services agreement.

*Termination.* The retirement plan advisory services agreement may be terminated at any time by either party upon sixty (60) days' written notice to the other party.

### **C. HOW SERVICES ARE TAILORED TO FIT YOUR NEEDS**

HBI's advisory services are tailored to the individual needs of our clients and where possible clients may impose restrictions on investing in certain securities or types of securities. HBI advisory services offered in conjunction with unaffiliated third party advisors may not allow clients to impose restrictions on investing in certain securities or types of securities. Specific program characteristics will be disclosed prior to entering into an agreement.

### **D. WRAP FEE PROGRAMS**

In addition to the investment advisory services and programs described in this Brochure, we sponsor a wrap-fee investment advisory program, Advisor Choice Asset Management Program Plus (ACAMP+), which is described in its own separate wrap-fee program brochure.

### **E. MANAGEMENT OF CLIENT ASSETS**

We manage client assets on both a discretionary basis and a non-discretionary basis. As of December 31, 2013 we had \$4,941,131 of assets under management on a discretionary basis and \$1,723,601,880 of assets under management on a non-discretionary basis.

#### **Assets Under Management as of 12/31/2013:**

Discretionary:	\$4,941,131
Non-Discretionary:	\$1,723,601,880

## **Item 5 – Fees and Compensation**

### **Financial Planning**

Financial or business planning services are provided in exchange for an hourly fee ranging from \$50 to \$500 per hour or a fixed fee, which in either case is negotiable. For most plans, fixed fees may not exceed \$25,000 per year. This fee may vary from client to client based upon the complexity of the client's financial position as well as the client's financial objectives. Fees may be charged either in advance or arrears, but clients are not required to prepay more than \$500 in fees more than six months in advance. In a situation where fees are payable before the service is provided, the fees will be pro rated if the client elects an early termination of the advisory service.



## Portfolio Management

### Envestnet RPM\*

Program fees are charged in advance and calculated quarterly based on the market value of the client's program assets as of the last business day of the preceding calendar quarter. Program fees cover, as applicable, investment planning, asset allocation services, securities review, evaluation and presentation, and performance measurement. Program fees, do not cover any margin interest; national securities exchange fees; charges for transactions including brokerage commissions, mark-ups, mark-downs and spreads earned by HBI on non-program assets; costs associated with exchanging currencies; fees and expenses charged by funds selected by the client or any investment company in which the program assets may be invested; wire transfer and other service fees; or other fees required by law. Mark-ups, mark-downs and spreads charged by a dealer unaffiliated with HBI may be included in the price of certain transactions executed on behalf of the client.

The maximum Envestnet RPM Fees Schedule is as follows:

Account Value	Program Fee
\$25,000 to \$250,000	2.25%
Next \$250,000	2.25%
Next \$500,000	2.22%
Next \$1,000,000	1.60%
Next \$3,000,000	1.18%
Total Program Fees on Accounts over \$5,000,000 may be negotiated.	
Custody fees not included.	

Some program fees may be negotiated. To the extent that program fees charged are negotiable, they may differ from client to client based upon a number of factors, including, but not limited to, the amount of the program assets and the client-related services to be provided. Moreover, program fees may vary as a result of the application of prior fee schedules depending upon a client's program inception date. In addition, different fee schedules for the program may apply to clients who also participate in other Envestnet programs.

In the event a client's agreement is terminated prior to the last day of a calendar quarter, a pro rata portion, based upon the number of days remaining in such quarter, of the quarterly program fee with respect to such program assets paid in advance, will be refunded to the client.

**\*Please refer to the Envestnet Asset Management, Inc. Form ADV Part 2A or relevant disclosure brochure as provided to clients for additional information regarding fees associated with the Envestnet RPM program.**

### Securian Advisor Choice\*

A client in the program pays an annualized asset-based Securian Advisor Choice fee which includes the costs of investment advisory, execution, clearance, and administrative services. The Securian Advisor Choice fee is comprised of two components: (i) the “Program Fee” charged by Securian for the services Securian, HBI, and Pershing, LLC (Securian’s and HBI’s clearing firm) provide under the program and (ii) the “IAR Fee,” which is the fee charged for the services provided by HBI through its IAR(s).

The Program Fee is set forth in the table below, and is non-negotiable. The total Program Fees and IAR Fees are paid to Securian. Securian then pays HBI its the Program Fee for HBI’s services and the IAR Fee. HBI in turn pays the IAR their applicable portion of the IAR Fee. The IAR Fee is negotiable, within the limits shown in the table below, by the client and the IAR. In negotiating the IAR Fee, the IAR may take into consideration, among other things, the amount of assets in the Securian Advisor Choice account, whether the client maintains other securities brokerage or investment advisory relationships with HBI, the amount of assets in such other accounts, and the duration and scope of the client’s relationship with HBI.

Asset Level	IAR Fee Range	Program Fee for HBI	Program Fee for Securian	Total Securian Advisor Choice Fee Range
First \$250,000	0 – 200 bps	10 bps	15 bps	25 – 225 bps
\$250,001 - \$500,000	0 – 190 bps	10 bps	15 bps	25 – 215 bps
\$500,001 - \$1,000,000	0 – 180 bps	9 bps	13 bps	22 – 202 bps
\$1,000,001- \$2,000,000	0 – 140 bps	8 bps	11 bps	19 – 159 bps
\$2,000,001- \$3,000,000	0 – 140 bps	7 bps	8 bps	15 – 155 bps
\$3,000,001- \$4,000,000	0 – 140 bps	6 bps	6 bps	12 – 152 bps
\$4,000,001- \$5,000,000	0 – 140 bps	5 bps	5 bps	10 – 150 bps
Over \$5,000,000	0 – 100 bps	3 bps	3 bps	6 – 106 bps

The Securian Advisor Choice fee is payable at inception and quarterly in advance thereafter, based on the value of the assets in the account on the date of inception, and thereafter, on the last business day of the prior quarter (except as discussed below in connection with additions to an account). The first payment is assessed on a pro rata basis in the event the program agreement is executed at any time other

than the first day of the billing cycle. For the purposes of fees and valuation, securities are valued at the closing price on the principal exchange on which they are traded. All cash and securities in an account are included in determining the value of the account for the purpose of calculating the Securian Advisor Choice fee. Securities not listed on a national securities exchange are valued in a manner determined in good faith by Securian by consulting other exchanges or validation services.

The Securian Advisor Choice fee is paid first out of free credit balances, if any, in the account, second, from the liquidation or withdrawal of shares of any money market funds or balances in any money market account, and to the extent that such assets are insufficient to satisfy payment of the fee, from the sale and liquidation of other account assets. Securian may, in its discretion and without seeking the prior consent of clients, sell securities to the extent necessary to pay the Securian Advisor Choice fee. Such discretion may be exercised only if the free credit balances in a client's account are not sufficient to pay the Securian Advisor Choice fee. Clients are solely responsible for any losses or tax consequences as a result of a sale of account assets to satisfy their obligation to pay the Securian Advisor Choice fee.

Additions may be made at any time and will result in an adjustment to the Securian Advisor Choice fee with respect to such new assets prorated from the date of the addition. Withdrawals of assets may be made at any time and will result in an adjustment to the Securian Advisor Choice fee with respect to the withdrawn assets prorated from the date of the withdrawal. The proceeds of a withdrawal will be delivered to the client after the time necessary for the resulting trades to clear and settle. If an account is terminated by either party, fees paid for that quarter will be prorated based on the number of days in the quarter for which the program was in effect and any unearned investment advisory fees will be returned to the client, and the market value of the assets in the account shall be calculated as of the close of trading on the last business day that HBI provides investment advisory services under the program agreement.

Securian, HBI or a client may terminate the program agreement at any time with written notice and thereby terminate an account under the program. As noted, if an account is terminated during a quarter, or the client makes a full withdrawal of program assets, Securian will refund to the client a pro rata portion of any pre-paid, but unearned fees paid for that quarter. The amount refunded to the client will be based on the number of days remaining in the quarter as of the date of termination. However, termination will not affect any liabilities or obligations incurred or arising from transactions in a client's account that are initiated before such termination.

The Program Fee does not include certain fees and charges associated with securities transactions, including the following: (i) dealer markups or markdowns; (ii) charges imposed by law; (iii) costs relating to trading in foreign securities and (iv) internal charges and fees that may be imposed by collective investment vehicles, such as mutual funds, closed-end funds, unit investment trusts, exchange-

traded funds or real estate investment trusts. The clearing firm will also charge interest on any outstanding loan balances to clients who borrow money from it. A client also may be charged for specific account services, such as ACAT transfers, annual and termination fees for retirement accounts, wire transfer charges, and charges for other optional services selected by the client.

**\*Please refer to the Securian Advisor Choice Wrap Fee Brochure as provided to clients for additional information regarding fees associated with the Securian Advisor Choice program. The terms used to describe fees were given new definitions as of March 31, 2013. Prior to that time, the Program Fee was defined as the total of the Securian Advisor Choice Fee and the IAR Fee.**

### **Selection of Other Advisors**

Clients participating in a third party investment advisor program will be charged fees that may include various program fees in addition to the fee charged by HBI. Such program fees may include, but are not limited to, the investment advisory fees of the independent money managers, fees for separate brokerage transactions, custodial fees, fees for separate asset allocation advice and/or fees for separate independent reporting. Program fees will be directly debited, on a quarterly basis, from the client account upon authorization by the client.

HBI's fee for participation with a third party investment advisor program will not exceed 3% of assets under management per year.

The exact fee received by HBI for its services and the total program fee will be disclosed to the client either in a separate disclosure brochure, or in the investment management agreement between the client, HBI and third party investment advisor.

Depending on the program selected fees may be charged in advance or arrears. Clients may terminate the program agreement at any time with written notice to HBI. Upon termination any fees charged in advance will be refunded pro rata based on the days remaining in the quarter.

Fees do not include certain fees and charges associated with securities transactions, including the following: (i) dealer markups or markdowns; (ii) charges imposed by law; (iii) costs relating to trading in foreign securities and (iv) internal charges and fees that may be imposed by collective investment vehicles, such as mutual funds, closed-end funds, unit investment trusts, exchange-traded funds or real estate investment trusts.

**Clients investing with a third party investment advisor will receive a separate disclosure brochure for the third party investment advisor. HBI urges clients to carefully review this document as it will contain information on the investment options and the associated fees.**

## Retirement Plan Services

### Plan Level Advisory Fees

Retirement plan services are provided in exchange for a fee which is negotiable. This fee may be a fixed fee, an asset-based fee (which may not exceed the maximum fees shown in the table below), or a combination thereof, and may vary from client to client, based upon the complexity of the retirement plan, the plan's objectives, and the services to be provided. Fees are payable each calendar quarter in advance. You may also be charged for any and all applicable sales or use taxes, however designated or levied.

Account Assets	Maximum Annual Fee (as percentage of assets)
First \$500,000	1.75%
\$500,001 to \$2.0 million	1.10%
\$2,000,001 to \$3.0 million	0.90%
\$3,000,001 to \$4.0 million	0.70%
\$4,000,001 to \$5.0 million	0.45%
Over \$5.0 million	0.25%

One or more of our affiliates issue group variable annuities to retirement plans (see Item 10). Our affiliates also receive compensation as investment managers of some mutual funds (see Item 10). While we receive no direct benefit from these arrangements, this presents a conflict of interest for us (see Item 10). None of the compensation our affiliates receive under these arrangements is credited back to you in calculating our investment management fee.

If the retirement plan services agreement is terminated prior to the end of its term or any renewal term, our fees will be prorated based upon the number of days elapsed in the quarter prior to the termination date. You will also be responsible for all reimbursable out-of-pocket expenses that have not been paid as of such termination date.

### Seminar and Educational Services Fees

Individuals participating in the seminars or educational services will typically be charged a fixed fee. In certain instances, however, an employer or other organization may agree to bear the cost of sponsoring a seminar or educational service for a group of employees or other individuals. In those cases the individuals attending the seminar or educational service are not charged a separate fee for their participation. The financial advisor presenting the seminar or educational service determines the actual amount of the fee. For educational services, the fees as negotiated will be set forth in our agreement with each client for such services.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

HBI does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

HBI provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, corporations, retirement plans and other business entities.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

**Investing in securities involves risk of loss that clients should be prepared to bear.**

### **METHODS OF INVESTMENT ANALYSIS**

We seek to recommend investment strategies or products that will give a client a diversified portfolio consistent with the client's investment objective. We do this by analyzing the various products, investment strategies, and money management firms to which we provide access. That analysis includes a review of the structure, cost and investment performance history of each program.

In several of our programs, we and/or the third party managers involved in such programs, use "Modern Portfolio Theory" to attempt to develop optimal long-term strategic securities portfolios. Modern Portfolio Theory involves describing a portfolio of securities in terms of its projected long-term rate of return and its projected short-term risk. The goal is to identify a client's risk tolerance, and then find a portfolio with the maximum expected return for that level of risk. Using Modern Portfolio Theory over the long-term can reduce risk, but over shorter time horizons (such as less than three years) risk may not be materially reduced. Not all portfolios are constructed using Modern Portfolio Theory, and we utilize other methods of constructing portfolios when it is appropriate for a particular client.

We also use traditional methods of fundamental security analysis which make a basic assumption that markets may misprice a security in the short term but that the correct price will eventually be reached. Fundamental security analysis involves estimating the value of a particular security and then comparing that estimate with the current price for the security. Fundamental security analysis involves assumptions that may or may not turn out to be accurate.

## **WHERE WE GET OUR INFORMATION**

The client is our most important source of information. We collect financial and other data from clients, review their investment objectives, investment time horizons, financial circumstances, and risk profiles. It is the information a client provides about his or her specific financial situation that drives our recommendations. In addition, we draw on research materials including financial newspapers and publications, research services, annual reports, prospectuses, and filings with the SEC.

## **INVESTMENT STRATEGIES**

Typically, we emphasize long-term strategies. However, the level of service and consultation we provide and the strategies we recommend vary with the client's objectives and needs. Once we have a profile of a client's situation, we can develop customized recommendations regarding allocation strategies, including short-term strategies, margin transactions, options writing, etc., as appropriate.

## **TYPES OF SECURITIES**

Depending on a client's needs and the investment advisory services the client selects, we provide advice about a wide range of securities, including, but not limited to:

- Mutual funds
- Exchange-Traded Funds
- Common and preferred stocks (exchange listed and over-the-counter)
- Fixed income investments such as bonds, commercial paper and certificates of deposit
- Municipal securities
- U.S. Government securities

All investments involve risk. Investment recommendations provided by HBI and its IARs are subject to the risks associated with investing in securities and will not always be profitable. HBI and our IARs do not guarantee the results of any advice or recommendations nor do we guarantee that a client's investment objectives will be met.

## **Item 9 – Disciplinary Information**

HBI has not been the subject of any material disciplinary actions as a result of its activities as an investment advisor.

HBI is a federally registered investment adviser and broker-dealer. All of the events disclosed below derive from its operations as a broker-dealer.

Solely in HBI's capacity as a broker-dealer, within the past ten years, HBI has:

Consented to a censure and fine in the amount of \$17,500 by FINRA pursuant to a settlement agreement effective November 24, 2008. Without admitting or denying the allegations, HBI accepted and consented to the finding that HBI failed to fully comply with NASD Rules regarding the reporting of trades through the Order Audit Trail System ("OATS").

Consented to a fine in the amount of \$40,000 by the Virginia Department of Securities pursuant to a settlement agreement effective January 6, 2009. Without admitting or denying the allegations, HBI accepted and consented to the findings that HBI failed to supervise an agent in violation of state regulations.

Consented to a censure and fine in the amount of \$140,000 by FINRA pursuant to a settlement agreement effective March 23, 2009. Without admitting or denying the allegations, HBI accepted and consented to the findings that HBI failed to accurately complete its self-assessment regarding breakpoint compliance in Mutual Fund Class A shares, and failed to reasonably monitor its fee-based brokerage accounts to ensure that they continued to be appropriate for customers.

Consented to a cease and desist order from the Maryland Securities Commissioner effective July 23, 2010. Without admitting or denying any finding of fact or conclusion of law, HBI accepted and consented to the findings that HBI failed to reasonably supervise its registered representatives and agreed to revise its personal trading procedures.

Consented to a reprimand and fine in the amount of \$9,500 by the Texas State Securities Board pursuant to a settlement agreement effective July 27, 2010. Without admitting or denying the allegations, HBI accepted and consented to the findings that HBI failed to enforce written procedures regarding supervision of use of marketing materials by a representative.

Consented to a censure and fine in the amount of \$150,000 by FINRA pursuant to a settlement agreement effective July 18, 2011. Without admitting or denying the allegations, HBI accepted and consented to the finding that HBI failed to establish and maintain a supervisory system, and failed to establish, maintain and enforce written supervisory procedures, that were reasonably designed to achieve compliance with the rules and regulations applicable to the retention of electronic and written communications and various operational procedures.

On May 17, 2012, HBI consented to a fine of \$90,000 by Massachusetts Securities Division relating to the alleged failure to supervise a registered representative in violation of the Massachusetts Securities Act. HBI also provided restitution to a customer and retained a consultant to review certain supervisory procedures.



## **Item 10 – Other Financial Industry Activities and Affiliations**

The principal business of HBI is that of a full service general securities introducing broker/dealer registered with the SEC, and reporting to the SEC, FINRA and state securities agencies. HBI is subject to the rules and regulations of the Municipal Securities Rulemaking Board (MSRB) and National Futures Association (NFA). HBI is involved in the sale of various types of securities, including but not limited to, mutual funds, stocks, bonds, options, managed futures, direct participation programs and variable insurance products.

Persons associated with HBI also may be affiliated with CFG Insurance Services, Inc., an independent insurance brokerage entity that provides life insurance, health insurance, disability income coverage, group insurance, long term care and non-qualified deferred compensation, as well as other executive benefit programs. These services are independently offered. HBI clients are not obligated to use CFG Insurance Services, Inc.

HBI is a wholly-owned subsidiary of Securian Financial Group, Inc., and indirect subsidiary of a mutual insurance holding company, Minnesota Mutual Companies, Inc. Securian Financial Group, Inc. is the holding company parent of a group of companies that provide a broad range of financial services. Please visit [www.securian.com](http://www.securian.com) for more information.

The insurance companies owned directly or indirectly by Securian Financial Group, Inc. include Minnesota Life Insurance Company (“Minnesota Life”) (see [www.minnesotalife.com](http://www.minnesotalife.com)), Securian Life Insurance Company (see [www.securianlife.com](http://www.securianlife.com)), Securian Casualty Company, Cherokee National Life Insurance Company (see [www.cnlf.com](http://www.cnlf.com)), CNL/Insurance America, Inc., American Modern Life Insurance Company and Southern Pioneer Life Insurance Company. These insurance companies provide a variety of insurance and annuities products (including term life insurance, indexed life insurance, variable life insurance, fixed and indexed annuities, group term and variable life insurance, accidental death and dismemberment insurance, mortgage life insurance, credit life and disability insurance, debt protection, guaranteed asset protection, and collateral protection insurance) to individuals, businesses, employers, banks, and credit unions.

Securian Financial Services, Inc. (“Securian”) is a wholly owned subsidiary of Securian Financial Group, Inc. Securian is registered with the SEC as both an investment advisor and a broker-dealer. Securian is also a member of FINRA and the SIPC. Securian provides mutual funds, brokerage services, and general securities to individuals, trusts, estates, and businesses. See [www.securian.com/FinancialServices/home.asp](http://www.securian.com/FinancialServices/home.asp) for more information.

Advantus Capital Management, Inc. (“Advantus”) is also a wholly-owned subsidiary of Securian Financial Group, Inc. Advantus is registered as an investment advisor with the SEC. Advantus provides investment advice to affiliated entities, including Minnesota Life, and to unaffiliated entities, including unaffiliated insurance companies, public and corporate pension plans, retirement plans, mutual fund companies, Taft-Hartley plans, foundations, and endowments. See [www.advantuscapital.com](http://www.advantuscapital.com) for more information.

CRI Securities, LLC (“CRI”) is 50% owned by Enterprise Holding Corporation, which is a wholly-owned subsidiary of Minnesota Life. CRI is registered with the SEC as both an investment advisor and a broker-dealer. CRI is also a member of FINRA and the SIPC. CRI provides mutual funds, brokerage services, and general securities to individuals, trusts, estates, and businesses. See [www.crisecurities.com](http://www.crisecurities.com) for more information.

Securian Trust Company, N.A. (“Securian Trust”) is also a wholly owned subsidiary of Securian Financial Group, Inc. Securian Trust is a national bank chartered by the Office of the Comptroller of the Currency. Securian Trust provides expertise in trust administration and trust investment management.

### **CONFLICTS OF INTEREST**

Various situations and programs present a conflict of interest for HBI and/or IARs. Typically, this conflict of interest is because HBI and/or the IAR receive compensation or other benefits in addition to the fees we receive from the client. Conflicts of interest also arise when (i) we can achieve certain expense reductions based upon how a client’s assets are invested (e.g. the rates we pay third party service providers may decrease as we introduce more assets to those third party service providers); (ii) we receive additional compensation from a client in a capacity other than as the client’s investment advisor (e.g. for certain programs where we also act as the broker-dealer and receive additional compensation in that capacity); or (iii) one of our affiliates may receive compensation through some of our programs (e.g. a program where an affiliate of ours provides trust services). In all of these situations we have an economic interest in how a client’s assets are invested, thus resulting in a conflict between the client’s interests and ours.

An IAR is compensated as a result of a client engaging the IAR to provide services to the client. The amount of that compensation varies between our programs or may be more than what the IAR would earn if the client paid separately for services that we may bundle together (e.g. paying separately for investment advice and brokerage services). Therefore, an IAR may have an economic interest in whether the client receives investment advisory services versus securities brokerage or other services, or which investment advisory program a client utilizes, thus resulting in a conflict between the client’s interests and those of the IAR. For more information about your IAR’s compensation, please contact your IAR.

As required by law, HBI maintains certain policies and procedures, such as our “Code of Ethics” (see Item 11) reasonably designed to prevent HBI and our IARs from acting in any way that is inconsistent with our legal obligations to a client, including the requirement that we put our client’s interests first.

### **NON-CASH COMPENSATION**

In accordance with FINRA rules, HBI or our affiliates (see Item 10) may issue credits which allow IARs who are responsible for the sale of investment advisory services, insurance products, and other investment products to attend conventions and other meetings

sponsored by HBI or our affiliates for the purpose of promoting the sale of investment advisory services, insurance products, and other investment products offered by HBI and our affiliates. Such credits may entitle the IAR to reimbursement for transportation, hotel accommodations, meals, registration fees, and the like.

All of the non-cash compensation described in this Item, in conjunction with any other compensation or benefits provided by us or our affiliates, may be more or less than the overall compensation on similar or other products. The amount and/or structure of the compensation may influence an IAR to favor certain investment alternatives over others. However, the differences in compensation may also reflect differences in sales effort or ongoing customer services expected of the IAR.

For more information about these programs and the benefits received by your IAR, please contact your IAR.

Some of the third parties involved with the investment advisory services we offer (e.g. portfolio managers, investment managers, sub-managers, custodians, or executing brokers) may provide non-cash benefits to our IARs such as meals or tickets to sporting or entertainment events. In addition, some of those third parties sponsor or participate in conventions, conferences, or training events and may provide our IARs and/or our home office employees with transportation, hotel accommodations, meals, registration fees, and the like in order to encourage them to attend such events. For additional information about these programs, including whether your IAR receives any of these non-cash benefits, please contact your IAR.

#### **MARKETING AND OTHER ASSISTANCE**

The sponsors of our advisory programs provide some of our IARs with additional financial support by reimbursing our IARs for certain marketing related expenses, such as client seminars, client appreciation events, and donations to charities or charitable events. In general, sponsors are more willing to make such reimbursements or will make larger reimbursements based on the amount of assets invested in their program by an IAR's clients. This is a conflict of interest for an IAR. We maintain policies that limit the amount of this financial support that IARs may receive. For more information about whether your IAR receives the type of support described in this paragraph, please contact your IAR.

#### **PRODUCT COMPENSATION**

HBI currently offers products and services distributed by over 200 sponsor companies; however, we have a focused relationship with a limited number of sponsor companies. HBI receives payments for expenses incurred in connection with providing services intended to result in the sale of the products and services of these companies and/or shareholder support services. These companies have greater access to our representatives to provide training and other educational presentations and product information so they can serve investors better.

There is no greater direct economic incentive for registered representatives of HBI to sell products of these sponsor companies over any other product. They do not receive any additional compensation based solely on whether that company is participating in this program.

### **ERISA CONSIDERATIONS**

If the Employee Retirement Income Security Act of 1974 (“ERISA”), as interpreted by the Department of Labor, imposes obligations on HBI to take certain actions with respect to revenue sharing payments, 12b-1 fees charged to mutual fund shares owned by employee benefit plans or other sources of revenue, HBI will act in accordance with such obligations.

HBI acts as an investment adviser under the Investment Advisers Act of 1940 and a non-discretionary fiduciary investment adviser within the meaning of ERISA Section 3(21)(A)(ii) with regard to the ERISA Fiduciary Services (defined below) HBI provides to plans subject to ERISA.

The “ERISA Fiduciary Services” include only the provision of investment advice; all other services are provided on a non-fiduciary basis.

## **Item 11 – Code of Ethics**

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the “Act”), we have established and enforce a written code of ethics (“Code”) that describes standards of business conduct, including applicable fiduciary obligations, that must be observed by HBI and our “supervised persons” (as defined in the Act) in connection with our investment advisory business. These standards include the following requirements:

- To act at all times with the utmost integrity and honesty, dealing fairly with our clients, our company, our associates, and our service providers;
- To place the interests of our clients first;
- To render professional and unbiased investment advice to our clients;
- To provide full, fair, and, timely information to our clients;
- To avoid any conflicts of interest with our clients when conducting personal securities transactions;
- To exercise diligence and care in maintaining and protecting our clients’ non-public, confidential information; and
- To comply at all times with federal securities laws.

All supervised persons are prohibited from trading on the basis of material non-public information. In addition, the Code prohibits certain supervised persons (“Access Persons”) from trading, in their personal accounts or in other accounts in which they have a beneficial

interest, in “reportable securities” (as defined in Rule 204A-1 and the Code) ahead of a client’s trade in the same security, and from purchasing any security that is part of an initial public offering. Access Persons must also obtain prior approval from our Chief Compliance Officer before purchasing any security as part of a private placement or other limited offering.

In order to avoid conflicts of interest, the Code requires Access Persons to provide, and HBI to review, both initial and annual reports of all reportable securities beneficially owned by Access Persons. Quarterly reports of all transactions in reportable securities by Access Persons are also required under the Code and are also required to be reviewed by us.

Each supervised person receives a copy of the Code and each amendment thereto, and is required to acknowledge such receipt in writing. The Code further requires each supervised person to report any violation of the Code promptly to our Chief Compliance Officer.

A copy of our Code of Ethics will be provided to any client or prospective client upon request.

## **Item 12 – Brokerage Practices**

HBI does not receive research or other products or services (also known as “soft dollar benefits”) from a broker-dealer or third party in connection with client securities transactions. HBI does not select or recommend other broker-dealers. In some programs, clients direct trades to us or to our affiliate Securian Financial Services (“SFS”) for introduction to Pershing, LLC, HBI’s and SFS’s clearing firm. In other programs, clients direct trades to other broker-dealers or a third party, and the other broker-dealer or third party manager selects or recommends the broker-dealer.

## **Item 13 – Review of Accounts**

As a part of our investment management services, an IAR will review a client’s account with the client at least once each year to determine whether the assets in the client’s account are allocated consistently with the parameters of the allocation strategy selected. The review covers such things as changes in the value of the account, the success of the investment strategy in meeting the client’s investment needs and objectives, whether any material changes have taken place in the client’s financial circumstances or investment objectives, and any recommendations we make with respect to the account(s). We are also available on an ongoing basis to discuss any changes which may have occurred in the client’s circumstances or investment objectives.

Clients receive monthly account statements and quarterly reports analyzing the investment performance of their accounts. Clients also receive confirmation of activity in their accounts. The statements, reports, and confirmations may be delivered in writing or electronically, as indicated by the clients and as available with the program selected.

HBI urges clients to carefully review such statements and compare such official custodial records to the account statements that HBI may provide. HBI statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 14 – Client Referrals and Other Compensation**

HBI may assist clients in selecting an investment management program from among several such programs sponsored by unaffiliated investment management firms to which we may refer clients. Pursuant to our agreements with these firms, the firms compensate us for our services by paying us a percentage of the advisory fees received by such firms from clients we have referred. Each client we refer to a sponsor receives a written statement disclosing that we act as a solicitor for the program sponsor and that we are compensated by the sponsor for our referrals.

HBI may enter into solicitor referral agreements with individuals, professional firms and financial institutions, which may or may not be affiliated or associated with HBI. HBI may pay these individuals, professional firms, and financial institutions a flat fee, or percentage of the regular fee charged to the client for services rendered by HBI. In no instance will this result in higher fees being charged to clients referred to HBI.

## **Item 15 – Custody**

Depending on the program selected, all of a client's cash, securities, and other assets in our investment management programs will remain in the client's custody or in the custody of HBI's clearing firm, Pershing, LLC ("Pershing") or another program custodian. Pershing and the other custodians provide usual and customary custodial services and certain administrative services.

We do not receive or retain custody of any of the client assets in our investment management programs. Clients receive quarterly, or more frequent, account statements directly from Pershing or other program custodians. Clients should review these account statements carefully. HBI urges clients to compare the account statements received from Pershing with those that received from others.

## **Item 16 – Investment Discretion**

In both the Securian Advisor Choice and the Asset Choice Asset Management Plus (ACAMP+) programs, the services provided by HBI under the programs are generally non-discretionary in nature. Trades in the programs are generally executed at the direction of the client; however, in limited circumstances; HBI may permit a client to grant limited discretionary authority to HBI and its IAR.

At the outset of an advisory relationship, HBI may receive discretionary authority from the client to select the identity and amount of securities to be bought or sold. In all cases such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

### **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, HBI does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

### **Item 18 – Financial Information**

As a registered investment advisor, HBI is required to provide certain financial information or disclosures about HBI's financial condition. HBI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.