

## **H. BECK, INC.**

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

### **Advisor Choice Asset Management Plus Program**

#### **Wrap Fee Program Brochure Pursuant to Part 2A, Appendix 1 of Form ADV**

March 2014

This Wrap Fee Program 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.

Additional information about H. Beck, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). "Registration" or being "registered" with the SEC does not imply a certain level of skill or training.

**This Brochure provides clients with information about H. Beck, Inc. and the Advisory Choice Asset Management Plus (ACAMP+) Program that should be considered before becoming a client. This information has not been approved or verified by any governmental authority.**

## Item 2 – Material Changes

This Item discusses only specific material changes that were made to our previous ACAMP+ Wrap Fee Program Brochure dated March 28, 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. For more information please visit [www.securian.com](http://www.securian.com).

Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and our subsequent ACAMP+ Wrap Fee Program 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 Wrap Fee Program Brochure as necessary based on material changes or new material information, at any time, without charge. Our **currently Wrap Fee Program 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 web site [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.

### Item 3 – Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents.....	3
Item 4: Services, Fees and Compensation .....	4
A. Program Fee .....	8
B. Additional Compensation.....	9
C. Payment of Fees .....	9
Item 5: Account Requirements and Types of Clients.....	11
Item 6: Portfolio Manager Selection and Evaluation .....	11
Item 7: Client Information Provided to Portfolio Managers .....	11
Item 8: Client Contact with Portfolio Managers.....	11
Item 9: Additional Information .....	11
A. Disciplinary Information .....	11
B. Other Financial Industry Activities and Affiliations.....	12
1. Brokerage Service Business .....	12
2. Insurance Services Business .....	13
3. Business Affiliations .....	13
4. Conflicts of Interest.....	14
C. Code of Ethics .....	15
D. Review of Accounts.....	15
E. Client Referrals and Other Compensation .....	15
F. Financial Information.....	15

## **Item 4 – Services, Fees and Compensation**

### **ABOUT HBI**

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

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 for individuals and businesses, asset allocation and portfolio management.

This Wrap Fee Program Brochure describes the Advisor Choice Asset Management Plus Wrap Fee Program (the “Program”). Other advisory services offered by HBI are described in another brochure, H. Beck, Inc. Form ADV 2A, which contains the information required by Part 2A of Form ADV.

### **ADVISOR CHOICE ASSET MANAGEMENT PLUS**

Advisor Choice Asset Management Plus (“ACAMP+”) is a wrap fee program sponsored by HBI through which clients are provided investment advisory, administrative, execution, custody and clearing services for a bundled fee, all as more particularly described herein. HBI acts as both a broker-dealer and an investment advisor with respect to the Program. Pershing, LLC (“Pershing”) acts as the clearing broker and qualified custodian for the Program.

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 by HBI at the direction of the client. In limited circumstances, HBI may permit a client to grant limited discretionary authority to HBI and its investment advisory representatives (“IARs”).

### **HBI’S SERVICES**

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 that is appropriate for the client’s Characteristics. Securities recommended may include mutual funds, exchange-traded funds, equities and fixed income securities. HBI’s IARs are responsible for the day-to-day and ongoing management of client Portfolios as well as the suitability of (i) 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.

HBI will consult with clients at least annually regarding the Portfolio and whether clients' Characteristics have changed. This review is designed to ensure that the performance, composition, and the risk profile of client Portfolios are still appropriate and consistent with client Characteristics. HBI, through its IAR, is available to clients on an ongoing basis to discuss client Characteristics, the Portfolio and the securities therein or to process instructions from clients concerning ACAMP+ accounts.

HBI's securities recommendations seek to be consistent with a client's Characteristics and any guidelines or restrictions provided by a client in writing. Unless otherwise instructed by the client, all dividends and other distributions will be reinvested in client accounts.

HBI is authorized to follow the instructions of clients in every respect concerning the client's participation in the Program. However, HBI may reject such instructions if, in HBI's reasonable judgment, such instructions (i) are not consistent with the terms of the Program, or (ii) if implemented, would violate any applicable law, rule or regulation.

The investment strategies used by HBI may vary from client to client.

Clients are responsible for voting all proxies, consents, waivers and other documents regarding corporate actions, with respect to any securities held in their account. HBI will not vote proxies. Nor will HBI be responsible for taking action or rendering any advice with respect to securities held in ACAMP+ accounts which become subject to legal notices or proceedings, including bankruptcy proceedings.

### **ADMINISTRATIVE, EXECUTION AND CLEARANCE SERVICES**

Clients participating in the Program are required to enter into an agreement with HBI to open a brokerage account ("Account") that will hold the assets of the Portfolio. All orders for the purchase or sale of securities in client Portfolios will be introduced to Pershing by HBI and settled and cleared by Pershing. By directing trades in the foregoing manner, HBI will not be able to: (i) select broker-dealers on the basis of price or other attributes; (ii) negotiate commissions (or mark-ups or mark-downs on fixed income and other securities) or impact or improve the price or quality of the services provided by Pershing; or (iii) aggregate or "batch" orders for purposes of execution with orders for the same securities for other accounts managed by HBI under this Program other than for other accounts also custodied or cleared through Pershing. As a result, certain transactions may result in less favorable net prices on the purchase and sale of securities than would otherwise be the case. The ability to achieve best execution may be partially or wholly limited by the nature of the directed brokerage arrangement and clients may not achieve executions of the nature, quality, speed or price than might otherwise occur. As a result of the foregoing, an ACAMP+ account might not generate the returns it would if orders were not directed.

HBI or its IAR may aggregate purchase and sale orders for securities held (or to be held) in client accounts with similar orders being made on the same day for HBI's other accounts which are also custodied or cleared through Pershing. HBI may aggregate trades for clients and transmit "batched" orders in an effort to reduce market impact and to obtain best execution. When an order is so aggregated: (i) the actual prices applicable to the aggregated transaction will be averaged and the Account and each other account or portfolio participating in the aggregated transaction shall be treated as having purchased or sold its portion of the securities at such average price; and (ii) all transaction costs incurred in effecting the aggregated transaction shall be shared on a pro-rata basis among the accounts participating in the transaction. Where the batched order is not filled in its entirety, clients will be deemed to have purchased or sold a proportionate share of the securities involved. In some cases, aggregating orders may adversely affect the size of the position obtainable, and in some cases, clients would receive better price execution if not participating in a batched order.

HBI has an agreement with Pershing. HBI has an interest in having Pershing settle and clear securities transactions under the Program. Under its agreement with Pershing, the fees charged and the level of services provided by Pershing are dependent upon the amount of assets introduced by HBI to Pershing. The securities trades directed to Pershing under the Program are included in the calculation of assets introduced by HBI to Pershing and therefore may result in reduced fees being charged to HBI by Pershing or in HBI's receipt of additional services from Pershing.

Pershing maintains custody of all Account assets and performs custodial functions including, among other things, crediting of interest and dividends on Account assets and crediting of principal on called or matured securities in the Account, together with other custodial functions customarily performed with respect to securities brokerage accounts.

Cash balances in the Account are subject to periodic sweeps into short term investment vehicles offered by HBI such as a money market mutual fund or an FDIC-insured sweep program. Clients select, through the brokerage account application with HBI, from an array of money market mutual funds and FDIC-insured sweep programs. All sales proceeds, dividends and interest will be swept into this investment vehicle. If a client selects a money market mutual fund, the client will receive a separate prospectus relating to the mutual fund(s) in which the cash in the Account is invested which will contain a complete description of the relevant fees and/or expenses of the mutual fund(s); clients should refer to the prospectus for more information about the applicable fund. If the client selects an FDIC-insured sweep program, the client will receive a terms and conditions document for each program; clients should refer to the terms and conditions of the applicable FDIC-insured sweep program for more information about the program. HBI reserves the right to change the investment vehicle options at any time. Clients can change investment vehicles at any time by calling the client's IAR.

The costs of the custody, clearance and administrative services provided by Pershing are included in the Program Fee and therefore also in the total ACAMP+ fee.

## **OPENING AN ACCOUNT**

Clients enter the Program by executing an investment management agreement with HBI ("Agreement"). As noted above, clients also must open a brokerage account with HBI to participate in the Program.

In connection with opening an Account, HBI obtains information regarding a client's investment objective, risk tolerance, time horizon, and other financial characteristics. Based upon the information provided by the client, HBI will develop and recommend an investment strategy and securities for the client's Portfolio. Except as discussed herein, it is up to the client to decide whether to accept or reject HBI's recommendations.

## **HBI CONSULTANTS**

The services provided by HBI under the Program are provided by IARs who are also registered securities representatives of HBI (i.e., registered with FINRA to sell securities) and may also be licensed as insurance agents for various insurance companies.

For more information about an IAR, please refer to the particular IAR's Form ADV 2B.

Each IAR who has clients in the Program is compensated by HBI for providing investment advisory and related services. The amount of this compensation may be more than what the IAR would receive if the client participated in other programs offered by HBI, or paid separately for investment advice, brokerage and other services. An IAR, therefore, may have a financial incentive to recommend the Program over other programs or services.

## **ACCOUNT REVIEWS**

HBI periodically reviews and monitors the performance, composition and risk profile of the client's Portfolio and, if appropriate, makes recommendations based on the results of the reviews. In addition, the IAR consults with each of the IAR's clients in the Program at least annually regarding the client's Portfolio and whether anything has changed in the client's financial circumstances or investment objectives that might affect the manner in which the client's assets should be managed. The review considers whether the client's Account remains properly aligned with the client's financial objectives, risk tolerance and other financial characteristics.

HBI is available on an ongoing basis to discuss the client's Portfolio, any questions relating to the securities therein and any changes which may have occurred in the client's financial circumstances or investment objectives.

Clients receive quarterly account statements, quarterly performance reports, brokerage statements for each month in which trading activity occurs in the client's Account, and confirmations of each purchase and sale in an account (unless the client elects to suppress

confirmations or elects to receive only quarterly statements). HBI is available to assist a client in reviewing all these reports and statements.

## **FEES**

### **A. PROGRAM FEE**

Each client in the Program will pay an annualized asset-based fee Program Fee which includes the costs of investment advisory, execution, clearance, and administrative services provided by HBI and Pershing (exclusive of certain charges associated with securities transactions described below and charges for optional services). Pershing deducts the Program fee from the Account and pays the ACAMP+ Fee to HBI. HBI then pays the IAR a portion of the Program fee.

The maximum ACAMP+ Fee schedule is set forth in the table below and is negotiable. In negotiating the fee, an IAR may take into consideration, among other things, the amount of assets in the ACAMP+ 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	Total Program Fee Range
First \$250,000	210 bps
\$250,001 - \$500,000	200 bps
\$500,001 - \$1,000,000	190 bps
\$1,000,001-\$5,000,000	150 bps
\$5,000,001 +	110 bps

The total fees charged under the Program may be higher than what another investment advisor would charge for a similar combination of services, or what would be charged by HBI or another investment advisor if the investment advisory and securities brokerage services were provided separately. The relative cost of the Program is affected by such factors as the administrative costs associated with wrap fee arrangements, the fees charged when investment advisor and brokerage services are purchased separately, the size of the client's account, and the level of trading activity in the client's account.

The ACAMP+ 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. Pershing charges 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.

## **B. ADDITIONAL 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 as well as product information so they can serve investors better.

There is no greater direct economic incentive for registered representatives or IARs 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.

### **12b-1 Fees**

HBI may also receive 12b-1 fees from mutual funds in which clients' assets are invested. These 12b-1 fees are in addition to the Program Fee paid under the Program. Clients in the Program might be able to purchase such mutual funds without paying the 12b-1 fees and the Program Fee; however, in such cases, clients would not receive the benefits of the 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.

## **C. PAYMENT OF FEES**

The Program 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 the Account). The first payment will be assessed on a pro-rata basis in the event the Agreement is executed at any time other than the first day of the billing cycle. For the purposes of fees and valuations, securities are valued at the closing price on the principal exchange on which they are traded. All cash and securities in the Account are included in determining the value of the Account for the purpose of calculating the Program Fee. Securities not listed on a national securities exchange will be valued in a manner determined in good faith by HBI by consulting other exchanges or validation services.

The Program 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. HBI may, in its discretion and without seeking the prior consent of clients, sell securities to the extent necessary to pay the Program Fee. Such discretion may be exercised only if the free credit balances in a client's Account are not sufficient to pay the Program 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 Program Fee.

Additions may be made at any time and will result in an adjustment to the Program Fee with respect to such new assets prorated from the date of the addition. If the 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.

The client will authorize Pershing to deduct all applicable fees from the client's Account. All such fees will be clearly noted on the client's statements.

All mutual fund shares that are transferred into the account will be analyzed on a case-by-case basis and may, in the discretion of HBI, be liquidated within sixty days of such transfer or permitted to be held in the account. Further, HBI may, in its sole discretion, reject any other type of security that a client wishes to transfer into the Account.

## **TERMINATION**

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, HBI 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.

Upon termination of the Agreement, HBI has no obligation of any kind to recommend any action with regard to the assets in a client's ACAMP+ account. A client shall have sole responsibility to decide what happens to the assets in the Account and to issue instructions in writing to HBI regarding the assets held in the Account. A client may either liquidate the assets in the Account or transfer the assets to a third party. If the client instructs HBI to liquidate the assets in the Account, HBI's then-current standard commission and fee schedule shall apply. If the client does not provide instructions regarding the account assets upon termination of this Agreement, then HBI retains the right to automatically

liquidate the assets and send the assets to the client. Termination of this Agreement shall not affect the validity of any action previously taken under this Agreement or any liabilities or obligations incurred prior to termination. Accordingly, HBI may retain assets in the Account sufficient to effect any open and unsettled transactions or to pay any outstanding fees or charges.

## **Item 5 – Account Requirements and Types of Clients**

HBI has been in the investment advisory business since 1999 and provides investment advisory and brokerage services to a variety of clients all over the United States, including individuals, businesses, and retirement plans. Clients may simultaneously receive both investment advisory and brokerage services from HBI.

There is no minimum to participate in this Program.

## **Item 6 – Portfolio Manager Selection and Evaluation**

The ACAMP+ Program does not use portfolio managers to manage assets in Portfolios. Rather, as a part of opening an account, HBI obtains information regarding client Characteristics, and based upon the Characteristics, HBI recommends a Strategy and a Portfolio of securities that is appropriate for the client's Characteristics.

## **Item 7 – Client Information Provided to Portfolio Managers**

As stated in Item 6, the ACAMP+ Program does not use portfolio managers to manage assets in portfolios. Clients have regular access, however, to HBI and their HBI IAR to discuss their accounts, Characteristics, Strategies, and Portfolios.

## **Item 8 – Client Contact with Portfolio Manager**

As stated in Item 6, the ACAMP+ Program does not use portfolio managers to manage assets in Portfolios. Clients have regular access, however, to HBI and their HBI IAR to discuss their accounts, Characteristics, Strategies, and Portfolios.

## **Item 9 – Additional Information**

### **A. DISCIPLINARY INFORMATION**

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

## **B. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The following other financial industry activities and affiliations pertain to HBI.

## **1. BROKERAGE SERVICES BUSINESS**

HBI's principal business activity is as a securities broker-dealer. HBI's securities brokerage business consists primarily of the sale of mutual funds, variable annuity and variable life insurance contracts, direct investments and, on a fully-disclosed basis, general securities through HBI's clearing agreement with Pershing. In this capacity HBI receives other compensation in the form of dealer concessions, commissions from brokerage customers, and/or distribution (Rule 12b-1) fees, from which HBI pays commissions to HBI financial advisors.

As a securities broker-dealer, HBI also provides investment advice to clients which is incidental to the brokerage services provided and for which HBI does not receive any special compensation, other than the customary commissions or fees charged for such brokerage services.

## **2. INSURANCE SERVICES BUSINESS**

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. Certain insurance products may also be purchased through H. Beck, Inc.

## **3. BUSINESS AFFILIATIONS**

HBI is a wholly-owned subsidiary of Securian Financial Group, Inc., which is the holding company parent of a group of companies that provide a broad range of financial services. These companies include Minnesota Life Insurance Company, Advantus Capital Management, Allied Solutions, Cherokee National Life Insurance Company, Insurance America, Personal Finance Company, Securian Casualty Company, Securian Life Insurance Company, Securian Trust Company, and H. Beck, Inc. 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 life 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.

HBI believes that HBI benefits from these affiliations in various ways, including access to additional investment-related research and information.

Some of HBI’s affiliates may coincidentally trade for their own accounts in securities that HBI has recommended to HBI clients.

#### **4. 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.

### **C. CODE OF ETHICS**

As required by law, HBI maintains certain policies and procedures (such as our "Code of Ethics") 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.

For more information about these programs and the benefits received by your HBI IAR, please contact HBI and see HBI's Form ADV Part 2A Brochure.

### **D. REVIEW OF ACCOUNTS**

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

Pershing will provide you with monthly account statements and access to quarterly reports analyzing the investment performance of your account. You will also receive confirmation of activity in your account. The statements, reports, and confirmations may be delivered in writing or electronically, as you choose.

## **E. CLIENT REFERRALS AND OTHER COMPENSATION**

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.

## **F. FINANCIAL INFORMATION**

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.