



## Form ADV PART 2 BROCHURE

April 20, 2020

**Replaces the Brochure version dated February 19, 2020**

**See changes on next page**

**We will provide you with an updated Brochure at any time, without charge. Our Brochure may be requested by contacting Bill Gregory, Chief Compliance Officer at 512-345-6789 X302 or [bill@beckcapitalmanagement.com](mailto:bill@beckcapitalmanagement.com)**

This brochure provides information about the qualifications and business practices of Beck Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at 512-345-6789. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Beck Capital Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Beck Capital Management LLC is 152705.

Beck Capital Management LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Beck Capital Management LLC  
Form ADV Part 2A  
Brochure

IARD/CRD No: 152705  
SEC File No.: 801-70977  
April 2020

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Material Changes since the last annual update on March 17<sup>th</sup> 2020

Beck Capital Management has the following material changes to our Form ADV Part 2A.

- Lew Spellman is no longer a UT professor and is no longer on the board for Public Services Employees Mutual Insurance Co.
- Michael E. Quigley is now a Solicitor for Beck Capital Management LLC

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## ADVISORY BUSINESS

Form ADV Part 2A, Item 4

Beck Capital Management LLC (referred hereinafter to as “Advisor”) offers personalized investment advisory services to clients. Advisor’s investment philosophy centers around a method called Sector Rotation. It begins with a macro-economic view of the world. As economies cycle, different sectors of those economies have distinct advantages, while others move from favor to disadvantage. Advisor will look further into the qualities of the specific investments within the favored sectors in an attempt to find value relative to the amount of risk and potential reward.

Mr. James “Frank” Beck is Chief Investment Advisor and the principal owner of Beck Capital Management LLC established as Capital Financial Group in 1997 and incorporated as Beck Capital Management LLC in 2009. Mr. Beck makes almost all of the portfolio investment decisions for Beck Capital Management, LLC’s client and advisor brokerage accounts. If Frank is unable to or unavailable to make necessary decisions Bryan Anderson (VP and Market Strategist) and / or Bill Gregory (Chief Compliance Officer, VP Operations) will make the final decisions. Mr. Beck’s education and business background is provided below:

Bachelor of Science – University of Texas, 1977

Beck Capital Management LLC, Managing Member	12/2009 – Present
Partnervest Advisory Services LLC (Doing business under the name Capital Financial Group)	07/2005 – 02/2010
Frishberg, Jordan & Stewart Advisory Services LLC (Doing business under the name Capital Financial Group)	02/1998 – 07/2005
JP Securities (Doing business under the name Capital Financial Group)	09/1997 – 08/1998
MONY Securities	05/1987 – 08/1997
Computer Consultants Inc., President	07/1983 – 04/1987

Advisor provides asset management services defined as giving continuous investment advice to a client and making investments for the client based on the individual needs of the client. Through this service, Advisor offers a highly customized and individualized investment program for clients. A specific asset allocation strategy and investment policy is crafted to focus on the specific client’s goals and objectives. Advisor typically constructs portfolios consisting of some of the following securities; equity securities, corporate debt securities, municipal securities, mutual funds, exchange traded funds, United States government securities, publicly-registered non-traded REIT’s and publicly-registered non-traded Business Development Companies.

As part of its asset management services, Advisor provides clients with financial planning services that may be specific or modular in their preparation (unique to each client in their depth of preparation). Topics included as part of the financial planning services may include the following: organization and assessment,

retirement planning, education planning, long-term care, insurance planning, debt management, investments, tax planning, estate planning, and life events.

Advisor does not charge a separate or additional fee for financial planning services provided as part of its asset management services. Planning services are provided on request from the client or if recommended by the advisor because of a specific need. The scope of services and topics covered will be detailed in the client agreement for services.

Advisor offers a customized and individualized investment program for clients. A specific asset allocation strategy and investment policy is crafted to focus on the specific client’s cash flow needs and risk tolerance. The client may impose restrictions on investing in specific industries and/or securities. The client may also request that certain securities be purchased for their own account.

Advisor does not participate in wrap fee programs.

The Advisor does manage client assets. As of December 31, 2019, the Advisor’s assets under management totaled the following:

Assets Under Management – \$266,929,504.10 under

ASSETS UNDER MANAGEMENT		
Household Accounts Total	(Annual Fee)	Quarterly fee
\$0 to \$250,000	1.80%	0.45%
\$250,001 to \$500,000	1.50%	0.375%
\$500,001 to \$1,000,000	1.20%	0.30%
\$1,000,001 to \$5,000,000	1.00%	0.25%
\$5,000,001 to \$10,000,000	0.85%	0.2125%
Above \$10,000,000	0.75%	0.1875%

discretionary authority in 832 accounts as of December 31<sup>st</sup>, 2019. The Advisor has approximately \$25 million in registered non-traded REIT’s and registered non-traded BDC’s held in some of the clients Fidelity accounts. These investments are sold by prospectus and require signed subscription agreements. Advisor does not collect a commission for the sale of any non-traded REIT’s or BDC’s. Non-traded REIT’s and non-traded BDC’s are billed along with the other assets in the client account according to the client’s fee schedule. Frank Beck, Jerry McIlhon, and Justin Simmons are the agent for multiple fixed insurance contracts totaling about \$20 million (no variable contracts) with various insurance companies. Any transactions with the insurance companies require signed applications from the client and will result in a commission to the agent. If funds are used for the purchase of insurance that have already been billed a management fee in advance the pro-rata remaining fee for the quarter will be refunded. When discretionary authority is granted, Advisor will not need to contact the client prior to executing trades in a client brokerage account (with the exception of the alternative investments and insurance

mentioned above). Advisor holds educational investment seminars for clients and prospects on occasion. There is no cost to the attendees and no products are offered for sale other than the services of Advisor for asset management.

## FEES AND COMPENSATION

*Form ADV Part 2A, Item 5*

**Asset Management Fees.** Clients are charged for Advisor's asset management services in advance based on a percentage of assets under management. Fees are negotiable based on factors such as, but not limited to, the number of accounts being managed, the amount of assets under management, overall complexity of the client's financial situation or relations to other clients. All client fees must be paid in advance. Advisor does not bill more than one quarter in advance. Family and friends may have a lower fee or no fee. Some clients that were on a prior fee schedule may have a lower fee than the current schedule. The current fee schedule is shown above.

The exact services and fees will be agreed upon and disclosed in the agreement for services prior to services being provided. Quarterly fees are calculated by multiplying the client's quarterly rate by the balance of the account on the final day of the prior quarter. Fees will be prorated based on the number of days that services are provided when the account is funded at any time other than the beginning of a calendar quarter. Any future deposit of funds over \$10,000 may be charged at the client's current rate for the remaining days of the quarter. Any deposit in the last 21 days of a quarter will not be charged for the remainder of the quarter. Beck Capital may waive or reduce a client fee at Frank Beck's discretion. Fees are stated on the calendar quarter statement (January, April, July, and October), listed as "Advisor fee" under the Section labeled "Fees and Charges".

Advisor prefers to have its advisory fees deducted directly from the client's account. In these cases, clients must provide the custodian (i.e. Fidelity) with written authorization (Included in the account application) to have fees deducted from the account and paid to Advisor. Upon discretion of Advisor, clients may pay fees directly to Advisor. For clients that pay directly, payment is due upon receipt of a billing statement from Advisor. The custodian "Fidelity" delivers monthly account statements to clients, which among other details, lists disbursements from the account, including the amount of the advisory fee when deducted directly from the account. Advisor may waive, lower or refund the fee at its discretion.

**Other Fees-** Brokerage commissions and/or transaction ticket fees charged by the custodian will be billed directly to the client. Advisor will not receive any portion of such commissions or fees from the custodian or client. Though Advisor seldom recommends

the following, it is important to note that in addition, clients may incur certain charges imposed by third parties other than the advisor in connection with investments made through the account, including but not limited to, trade ticket charges, mutual fund fees and surrender charges, and IRA / qualified retirement plan fees. Fees charged by Advisor are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus. When the advisor recommends an insurance product the advisor will receive a commission from the insurance company. Insurance products are not held in the brokerage accounts and are not charged a management fee. The insurance company issues a contract to the policy holder and the assets are held by the insurance company.

**Termination-** Either party may terminate the agreement for services at any time. If services are terminated within five (5) business days of executing the agreement a full refund of all fees paid in advance will be provided. If services are terminated by the Advisor after the initial five-day period, Advisor shall provide the client with a prorated refund of any fees paid in advance. In the event Advisor terminates the relationship, the agreement will be terminated on the thirtieth (30) day after written notification is delivered to the client or such time as may be mutually agreed upon, also subject to the settlement of transactions in progress and a final refund of prorated advisory fees. The refund will be based on the number of days service was actually provided during the final billing period. In the event a client terminates services, termination shall be effective 30 days from the time Advisor receives written notification or such other time as may be mutually agreed upon, subject to the settlement of transactions in progress. If such notice is given after five business days but still in the client's first quarter with Beck Capital, fees are considered earned for advice given and design and implementation of the portfolio construction. In the case of a termination of the relationship by the Client or Advisor after the client's first full quarter, all pro rata fees remaining in the quarter will be refunded upon notice from the client of the termination. If the account is closed, transferred or has removed Beck Capital's access to the account without notice from the client the pro rata refund for the remainder of the quarter is forfeited. There will be no penalty charged by Advisor upon termination. For any partial account withdrawals after the client's first full quarter, a pro-rata refund for the remainder of the quarter will be credited to the account if the withdrawal is over 10% of the account's total current value and over \$1000. In addition to the above partial withdrawal policy Beck Capital may refund a fee if it is less than 10% of an account's value or under \$1000 at Frank Beck's discretion.

Neither Advisor nor any supervised persons accepts compensation for the sale of securities or other investment products, which may include asset-based sales charges or service fees from the sale of mutual funds.

Clients have the option to purchase investment products that Advisor recommends through other brokers or agents that are not affiliated with Advisor.

Advisor does not receive 50% or more of its revenue from commissions or other compensation for the sale of investment products Advisor recommends to its clients, including asset-based distribution fees from the sale of mutual funds.

Commissions or markups are not charged in addition to advisory fees. In the instance where an insurance product sale is funded from a managed brokerage account, the advisor fee for the transferred amount will be refunded to the client.

## PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

*Form ADV Part 2A, Item 6*

Neither Advisor nor any of its supervised persons accepts performance-based fees. Performance-based fees are fees that are based on a share of the capital gains on or a capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle).

## TYPES OF CLIENTS

*Form ADV Part 2A, Item 7*

The types of clients the Advisor generally provides investment advice to includes, but is not limited to, individuals, high net worth individuals, trusts, estates, charitable organizations, corporations or businesses.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

*Form ADV Part 2A, Item 8*

The Advisor may use some or all of the following methods of analysis: Fundamental, Technical, or Cyclical in formulating its investment strategies for giving investment advice or managing client assets. Each client should be aware that securities investing involves risk of loss and should be prepared to bear any such loss of that investment.

Advisor's investment philosophy centers around a method called Sector Rotation. The Advisor believes that as economies cycle, different sectors of those economies have distinct advantages, while others move from favor to disadvantage. Advisor will look further into the qualities of the specific investments within the favored sectors in an attempt to find value relative to the amount of risk and potential reward. Accounts are actively-managed and taxation is heavily considered.

The Advisor does not recommend any one particular type of security in its underlying investment portfolio. Sector Rotation, instead, allows for a diversified portfolio which simply eliminates the sectors and economies which are currently at the highest perceived and/or statistical risk of decline, while focusing on those sectors with the highest probability of gain in the opinion of Advisor.

Of course, there are no guarantees that Sector Rotation will outperform other methods of investing. It is simply a strategy that Advisor believes is superior to other investment strategies.

## DISCIPLINARY INFORMATION

*Form ADV Part 2A, Item 9*

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management to disclose.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

*Form ADV Part 2A, Item 10*

Neither Advisor nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker – dealer.

Neither Advisor nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Advisor has no related person relationship or arrangement that is material to its advisory business.

Advisor does not recommend or select other investment advisers for its clients.



Investment Advisory Representatives may recommend insurance products and may also, as independent insurance agents, sell those recommended insurance products to clients. When such recommendations or sales are made, a conflict of interest exists as the insurance licensed IARs earn insurance commissions for the sale of those products, which may create an incentive to recommend such products. We require that all IARs disclose this conflict of interest when such recommendations are made. When an insurance licensed IAR of BCM sells an insurance product, Frank Beck, owner and chief investment advisor of BCM will receive a portion of the commission paid to the advisor. BCM requires IARs to disclose that clients may purchase recommended insurance products from other insurance agents not affiliated with BCM.

Justin Simmons is a non-paid Director for the charity RBI Austin, and Melanie Johnson owns and operates Divorce Financial Solutions and has the Certified Divorce Financial Analyst designation. Frank Beck, Justin Simmons and Jerry McIlhon are licensed with various Insurance Companies to sell fixed insurance products.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

*Form ADV Part 2A, Item 11*

Advisor is a SEC-registered adviser and is subject to a code of ethics pursuant to SEC Rule 204A-1.

Code of Ethics. Section 204A-1 of the Investment Advisers Act of 1940 requires all investment advisers to establish, maintain and enforce a Code of Ethics. Advisor has established a Code of Ethics that will apply to all of its associated persons. An investment adviser is considered a fiduciary according to the Investment Advisers Act of 1940. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Advisor has a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for the advisor's Code of Ethics which also covers its Insider Trading and Personal Securities Transactions Policies and Procedures. Advisor requires all of its supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and when changes occur, all supervised persons will sign an acknowledgement that they have read, understand and agree to comply with the advisor's Code of Ethics. Advisor has the responsibility to make sure that the interests of all clients are placed ahead of Advisor's or its supervised person's own

investment interest. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. Advisor and its supervised persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of advisor's Code of Ethics. However, if a client or a potential client wishes to review advisor's Code of Ethics in its entirety, a copy will be provided promptly upon request.

All Advisor representatives are monitored and trained on an ongoing basis. Also, each advisor is required to annually acknowledge receipt of and attest to follow the BCM Code of Ethics.

Advisor does not recommend to clients, nor buys from or sells to client accounts, securities in a manner in which it or a related person would have a beneficial financial interest.

BCM and its supervised persons may buy or sell securities or hold a position in securities identical to the securities recommended to clients. It is BCM's policy that no supervised person will put his or her interest before a client's. Supervised persons may not trade ahead of any client in a way that would cause the supervised person to manipulate the price in order to get a better price than the client would obtain. In addition, in accordance with its fiduciary duty to clients, Advisor and its associated persons will place client interests ahead of their own interests.

## BROKERAGE PRACTICES

*Form ADV Part 2A, Item 12*

Advisor currently selects Fidelity Investments to custody its client assets. Advisor does not recommend other broker-dealers for client transactions. Fidelity and other available brokerage alternatives are reviewed quarterly to ensure quality trade execution and delivery of statements. Fidelity may not be the lowest cost available for trades, however based on other factors including trade execution, overall cost, online access and client service Advisor currently believes Fidelity is the best choice.

Advisor does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions. These practices are known as "soft dollar benefits".

Advisor does not select or recommend broker-dealers in exchange for brokerage client referrals.

Advisor does not accept directed brokerage instructions for any of its client accounts.

Advisor may aggregate the purchase or sale of securities for various client accounts when the number of accounts involved is large. The Advisor will create an allocation spreadsheet that will determine the total number of shares needed based on client needs, shares owned, cash available or other conditions. The orders are placed throughout the day usually. Occasionally if volumes are very high and the market can absorb the order the Advisor will place a single or very few block order tickets. After the block order is complete the shares are divided between the accounts according to the spreadsheet that was created in advance. On rare occasions block orders may not be completely filled. In this event the accounts being allocated will receive proportional allocations unless the amount allocated is so small that the trade cost would be too high of a percentage of the purchase. In this case Frank Beck will select a method that makes the most sense (such as by account size) to determine the accounts to receive the allocated shares.

When a small number of accounts are involved in a purchase or sale the advisor will usually place the trades one at a time, from each client account. There is no extra cost to the client if the trades are aggregated or traded individually.

BCM may engage in cross trades when it is deemed to be in the best interest of the client. A cross trade occurs when a transaction is implemented between two different clients, both of which are managed by BCM. These types of cross transactions will only be used when it can be determined that doing so would achieve “best execution” and benefit the clients involved by saving commissions, market impact costs, and other transaction charges.

Cross trades will not be performed if an account is subject to ERISA since it is virtually prohibited. In addition, if a client account managed by BCM is deemed to hold “plan assets” cross trades will be prohibited regardless of whether the other side to the transaction is subject to ERISA.

## REVIEW OF ACCOUNTS

*Form ADV Part 2A, Item 13*

Account reviews are provided in connection with asset management accounts. For clients participating in this program, one of the Advisor’s representatives will contact clients at least annually for the purpose of reviewing their account and to determine if there have been changes in their financial situation or investment objectives. The representative will provide the client with a “client profile” questionnaire. This questionnaire helps to determine suitability and risk tolerance. The reviews may be performed by having a meeting with the client. The advisor representative may also perform the review using the information provided by the client in regard to their financial situation, investment objectives and risk tolerance. The calendar is the main

triggering factor, although more frequent reviews may also be triggered by changes in the client’s circumstances, client request, or changes within the market. The underlying investments held in client accounts are reviewed on a more frequent basis. Portfolios are usually reviewed as frequently as weekly, and not less than monthly. Most market traded equities that are in the portfolios are monitored daily. Triggering factors for changes to underlying portfolios include the relative valuation changes between asset classes, valuation of the individual security, or economic or political changes that change the perceived risk/ reward ratio of a sector or sub-sector of the global or national economy.

Client investment portfolios are reviewed on an on-going basis by Advisor. For financial plans, client request is the main triggering factor, although more frequent reviews may also be triggered by changes in the client’s circumstances, the calendar, or changes within the market.

Clients receive account statements directly from the custodian (usually Fidelity Investments). Brokerage account statements are delivered monthly. Statements for insurance products are usually delivered quarterly or annually depending on the particular product or insurance company. In addition, Advisor may provide newsletters covering general financial planning and investment topics, explaining current views of the global economies and factors driving investment decisions.

## CLIENTS REFERRALS AND OTHER COMPENSATION

*Form ADV Part 2A, Item 14*

Advisor does not have someone who is not a client that provides an economic benefit to Advisor for providing investment advice or other advisory services to its clients.

Keith Schnelle and Michael E. Quigley are solicitors for Beck Capital Management LLC. Advisor compensates Solicitors for solicited referrals. If the solicited person becomes a client of the Advisor the solicitor will receive a portion of that client’s quarterly billed fee. There is no extra cost to the client whether they are referred by a solicitor or not.

## CUSTODY

*Form ADV Part 2A, Item 15*

BCM is deemed to have custody of client funds or securities as a result of maintaining standing letters of authorization (SLOA) for the purpose of distributing funds from a client’s account. For those accounts in which we have the ability to initiate distributions from a client’s account, via journal, ACH or wire to a third party, which



is an account held in the name of someone other than the client, we will ensure the following conditions have been met in order for us to be in compliance with SEC and State Custody Rules and ensure the safe keeping of our client's funds:

1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
  3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
  4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
  5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
  6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
  7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.
- Advisor does not send statements to its clients.

## VOTING CLIENT SECURITIES

*Form ADV Part 2A, Item 17*

Advisor does not perform proxy-voting services on a client's behalf. Clients are instructed to read through the information provided with the proxy-voting documents and to make a determination based on the information provided. Upon request from the client, Advisor may provide limited clarifications of the issues presented in the proxy voting materials based on Advisor's understanding of issues presented in the proxy-voting materials. However, the client will have the ultimate responsibility for making all proxy-voting decisions. Clients will receive their proxies or other solicitations directly from their custodian or transfer agent.

## FINANCIAL INFORMATION

*Form ADV Part 2A, Item 18*

We are required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that would impair our ability to meet any contractual and fiduciary commitments to you, our client. We have not been the subject of any bankruptcy proceedings. In no event shall we charge advisory fees that are both in excess of twelve hundred dollars and more than six months in advance of advisory services rendered.

## INVESTMENT DISCRETION

*Form ADV Part 2A, Item 16*

Upon receiving written authorization from the client, Advisor provides discretionary investment advisory services for client accounts. Advisor's discretionary authority will be granted by the client in the client agreement. When discretionary authority is granted, it is limited in that Advisor will only be given discretionary trading authority. This authority will allow Advisor to determine the type of securities and the amount of securities that can be bought or sold for the client portfolio without obtaining the client's consent for each transaction.