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**Advisor Choice Asset Management Program Plus**

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

March 2020

This Wrap Fee Program Brochure provides clients with information about H. Beck, Inc. and the Advisor Choice Asset Management Program Plus (ACAMP+) that should be considered before becoming a client. If you have any questions about the contents of this Brochure, please contact us at (301) 944-5900. For additional information about H. Beck, Inc., visit our website at [www.hbeckinc.com](http://www.hbeckinc.com). 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.

## **Item 2 - Material Changes**

This Item 2 discusses only specific material changes that were made to our previous Form ADV 2A Brochure dated July 3, 2019. There were no material changes to our present Form ADV 2A Brochure.

Pursuant to 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 provide you with a new Wrap Fee Program Brochure as necessary based on material changes or new material information, at any time, without charge.

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

### **ABOUT HBI**

H. Beck, Inc. ("HBI" or "H. Beck") is registered with the Securities and Exchange Commission ("SEC") as both an investment adviser 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 Kestra Financial, Inc., ("Kestra") and has been registered with the SEC as an investment adviser 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. Our primary methods of providing investment advisory services are: 1) advisor managed accounts; 2) selection of other investment advisers; 3) financial planning; 4) wrap-fee programs; and 5) qualified and non-qualified retirement plan services. Our investment advisory services are provided through our investment adviser 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. To the extent your IAR provides fixed insurance products or services to you (other than fixed indexed annuities), he or she does so outside of HBI and our supervision.

Some of our IARs are also involved in other business activities, such as accounting, legal, tax, and other non-investment services for which we are not responsible. Unless otherwise provided by applicable law and the particular circumstances, services provided by our IARs outside of HBI will not be subject to a fiduciary standard. HBI does not provide legal or tax advice and you should consult your own attorney or tax advisor for guidance relative to your specific circumstances.

This Wrap Fee Program Brochure describes the Advisor Choice Asset Management Program Plus Wrap Fee Program ("ACAMP+" or 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 PROGRAM PLUS**

Advisor Choice Asset Management Program Plus is an IAR-directed wrap fee program sponsored by HBI through which clients receive 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 adviser with respect to the Program and each client opens a brokerage account ("Account") with

HBI that will hold the client's assets covered by the Program. Pershing, LLC ("Pershing") acts as the clearing broker and qualified custodian for the Program. Trades in the Program are generally executed by HBI in its capacity as a broker-dealer and cleared through Pershing.

Additional information on this directed brokerage arrangement appears in Item 9 below.

The investment advice under the Program is formulated by the IAR and generally is non-discretionary in nature, meaning HBI usually does not place securities orders without obtaining the prior approval of clients. However, clients of a few IARs are able to grant discretionary authority to HBI to enable the IAR to replace a client's mutual fund holdings with mutual funds or other securities that have a similar objective and investment style (e.g., large cap growth, small cap value etc.) or to rebalance the client's account holdings. Most IARs are not able to exercise such discretion. Clients with questions about whether their IAR can exercise discretion should speak to their IAR. Aside from the exceptions noted above, clients in ACAMP+ are required to review and approve their IARs' recommendations and HBI will not place securities orders without obtaining the prior approval of clients.

### **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, the client's IAR recommends a strategy ("Strategy") that is appropriate for the client's Characteristics. Securities recommended may include mutual funds, exchange-traded funds, equities, fixed income securities, and options.

HBI is responsible for monitoring clients' ACAMP+ accounts on an ongoing basis to ensure adherence to the appropriate Strategy, and for the day-to-day and ongoing management of client Accounts as well as the suitability of (i) the client's participation in ACAMP+, (ii) the client's Strategy and (iii) the investments in the client's account. In addition, HBI is responsible for keeping abreast of changes in client circumstances and how such changes may impact the appropriateness of the ACAMP+, client strategy or the investments in client accounts.

The advice provided by IARs to clients in ACAMP+ is tailored to the needs of clients. In most cases, the IAR will recommend long-positions in mutual funds, exchange traded funds, equity, fixed income and other securities.

Clients are able to request reasonable restrictions on the management of their ACAMP+ accounts or to modify existing restrictions. Clients interested in requesting or revising reasonable restrictions on the management of their ACAMP+ accounts should reach out to the IAR assigned to their account. Only restrictions agreed to by HBI are binding on HBI.

The IAR will consult with clients at least annually regarding the account portfolio and whether clients' Characteristics have changed. This review is designed to ensure that the performance, composition, and the risk profile of the client's ACAMP+ account is still appropriate and consistent with client Characteristics. The IAR will also be available to clients on an ongoing basis to discuss client Characteristics, the account, or the securities therein or to process instructions from clients.

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 arranges, through its clearing broker-dealer, Pershing, to deliver to clients confirmations of each purchase and sale of securities in client accounts, to deliver brokerage statements to clients for each month in which activity occurs in client accounts, to deliver quarterly statements to clients regardless of whether there has been activity in client accounts, and to provide other custodial functions customarily performed with respect to securities brokerage accounts. HBI also arranges for Pershing to maintain custody of all assets in client accounts and to perform custodial services that include, among other things, crediting of interest and dividends on assets and crediting of principal on called or matured securities in accounts. HBI has also entered into an agreement with Pershing's affiliate, Lockwood Advisors, Inc. ("Lockwood"), to act as general administrator of client accounts, which includes charging and collecting account fees and processing, pursuant to client instructions transmitted by HBI, deposits to and withdrawals from ACAMP+ 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 that become subject to legal notices or proceedings, including bankruptcy proceedings.

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

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.

In addition to being an investment adviser HBI also is a broker-dealer. In its capacity as a broker-dealer, we act as a selling agent on a best efforts basis for fixed income securities,

which an HBI IAR may recommend for your advisory account. In such transactions, HBI will receive advisory fees on the fixed income securities in your advisory account but will not receive commissions or other transaction-based compensation on such trades.

In its capacity as a broker-dealer, HBI has a clearing agreement with Pershing to settle and clear all securities trades introduced to it by HBI. Clients in the ACAMP+ Program should be aware that HBI introduces all securities trades for these programs to Pershing, which settles and clears such trades. Trades for the ACAMP+ Program are directed to Pershing. As a result, 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.

Due to the foregoing, certain transactions may result in less favorable prices on the purchase and sale of securities than would otherwise be the case, and we may be unable to achieve most favorable execution of client transactions. In particular, clients may not achieve executions of the nature, quality, speed or price that they might otherwise, which means client accounts in the ACAMP+ Program might not generate the returns they would if orders were not directed as described above. Not all investment advisers require their clients to direct brokerage. The securities trades directed to Pershing in the ACAMP+ Program are included in the calculation of assets we introduce to Pershing and therefore may result in reduced fees charged to us by Pershing or in our receipt of additional services from Pershing.

As the introducing broker-dealer of record for ACAMP+ accounts, HBI has an interest in having Pershing settle and clear securities transactions under these Programs. Under HBI’s agreement with Pershing, the fees charged to HBI 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. Any such reduction in fees being charged to HBI does not result in a reduction of the Program Fees charged to clients in the Program.

HBI IARs may aggregate trades for client accounts in the ACAMP+ Program. Trades may be aggregated for various securities, including stocks and exchange traded funds. All clients participating in an aggregated or “block” trade receive the same average price for the relevant security and clients’ costs are allocated on a pro-rata basis. Aggregating trades does not guarantee that a client will pay a lower cost than if HBI had not aggregated a trade and at times could cause a given client to pay more in transaction costs than he or she would otherwise pay.

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, each of which is described below.

### **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.

Further, HBI may, in its sole discretion, reject any type of security that a client wishes to transfer into the account. The proceeds from the liquidation of any ineligible securities may be transferred into an account, but HBI will not liquidate any such ineligible securities without client authorization.

### **HBI IARs**

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 monthly or quarterly 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 any statements that HBI may provide. HBI statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **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, maintains a portion of this fee for the services it provides and pays the rest to HBI ("ACAMP+ Fee"). HBI then pays the IAR a portion of the amount it receives.

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.

Program Fees are charged quarterly 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.

Asset Level	Maximum Program Fee
First \$250,000	2.10 %
\$250,001 - \$500,000	2.00 %
\$500,001 - \$1,000,000	1.90 %
\$1,000,001-\$5,000,000	1.50 %
\$5,000,001 +	1.10 %

HBI is compensated for its services through the ACAMP+ Fees paid by clients as described above. Each IAR with clients in ACAMP+ 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 advisory programs provided by HBI, or paid separately for investment advice, brokerage and other services. Therefore, an IAR may have a financial incentive to recommend ACAMP+ over other advisory programs or services.

The Program Fee does not include certain fees and charges associated with securities transactions, including the following: (i) charges imposed by law; (ii) operating expenses charged by collective investment vehicles, such as mutual funds, closed-end funds, unit investment trusts, exchange-traded funds, or real estate investment trusts; (iii) costs relating to trading in certain foreign securities; and (iv) fees for optional services elected by clients. Pershing also 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. See the brokerage agreement or ask your IAR for more information regarding these fees.

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 adviser if the investment advisory and securities brokerage services were provided separately. The relative cost of ACAMP+ is affected by such factors as the administrative costs associated with wrap fee arrangements, the fees charged when investment adviser and brokerage services are purchased separately, the size of the client's account, and the level of trading activity in the client's account.

Clients that have accounts that do not trade or rarely trade and/or with high cash balances should be aware that a wrap fee program might be a relatively expensive account option. This is because the cost of trading is included in the wrap fee and such a client would be paying for services he or she does not receive. In addition, there generally is a disincentive for the investment adviser

to trade in wrap program accounts since trading costs are built into the asset based wrap fee charged to the client and the adviser has to pay for the execution of such trades. Accordingly, increased trading usually increases the costs that must be borne by the investment adviser.

The IARs are charged a transaction fee for each transaction in ACAMP+ accounts, which creates an incentive for them to recommend fewer trades in such accounts. The IARs are not charged transaction fees on transactions in other investment advisory programs sponsored by HBI. This aspect of the ACAMP+ Program creates an incentive for an IAR to recommend that clients choose another investment advisory program over ACAMP+. However, there is another aspect of the ACAMP+ Program Fee structure, as compared to the fee structure for another program offered by HBI called the Choice Program, which creates an incentive for an IAR to recommend to a client to select the ACAMP+ Program. In particular, the Choice Program Fee includes a 25 bps platform fee that is paid by the client and is not shared with the IAR. The ACAMP+ Program Fee has a 10 bps platform fee paid by the client that is not shared with the IAR. This means that for a given Program Fee paid by clients IARs receive a higher share of the total ACAMP+ Program Fee as compared to the Choice Program Fee. As a result, depending on the number of transactions executed, an IAR's total amount of compensation could be higher if he/she recommends the ACAMP+ Program over the Choice Program. The difference in an IAR's share of the ACAMP+ Program Fee compared to the IAR's share of the Choice Program Fee is likely to exceed the amount of transaction fees the IAR would pay in connection with transactions in ACAMP+ accounts. Clients should be aware of the conflict of interest that their IARs have in connection with the recommendation of ACAMP+ and Choice accounts.

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 ACAMP+ Program assets paid in advance, will be refunded to the client.

## **B. ADDITIONAL COMPENSATION**

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

HBI may also receive 12b-1 fees from mutual funds in which clients' assets are invested under ACAMP+. These 12b-1 fees are in addition to the investment advisory fees received by HBI. However, HBI credits back to each client's account an amount equal to the 12b-1 fees received by HBI.

### **Revenue Sharing**

In addition to the ACAMP+ Program Fee, HBI receives payments, commonly referred to as revenue sharing, from certain of the investment advisers, principal underwriters, or other affiliates of the mutual funds in which clients' accounts may be invested. None of the compensation we receive under these arrangements is credited back to clients or offset against our investment advisory fees. Accordingly,

these payments present a conflict of interest for us to recommend mutual funds that make these payments to us over mutual funds that do not make such payments. Please see Item 9 below for additional information.

### **Sales Compensation**

The principal business of HBI is that of a general securities introducing broker-dealer. Our IARs are compensated for the sale of securities and insurance products when they act in the capacity of registered representatives of the broker-dealer or as insurance agents when acting as agents for various insurance carriers (see item 9. below). When acting in these sales capacities they generally receive a portion of the transaction-based compensation received by HBI, such as commissions, on the sale of securities or may receive transaction-based compensation directly from the applicable insurance carrier. Such compensation is the primary compensation for HBI. This practice presents a conflict of interest and gives HBI and its IARs an incentive to recommend investment or insurance products based on the compensation received, rather than on a client's needs. We address this conflict by disclosing this conflict and by reviewing the securities recommendations made by our IARs when they act as registered representatives and insurance agents. We strive to have all such recommendations be suitable and appropriate for our clients. We also use reports and audits to review the investment advice provided by our registered representatives to see whether it satisfies applicable legal requirements. Clients have the option of purchasing investment products that we recommend through other broker-dealers that are not affiliated with us or purchasing insurance products through agents other than our IARs.

### **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.

If a client does not have sufficient cash in his or her account to cover the payment of the Program Fee, a debit is created in the account and the client's IAR is notified so that he or she can obtain the client's approval to sell a position to pay the Program Fee.

Additions to an account 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.

## **TERMINATION**

HBI or a client may terminate the Program Agreement at any time with written notice and thereby terminate an account under the Program. If an account is terminated during a quarter, or the client makes a full withdrawal of Program assets, 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 material disciplinary actions as a result of its activities as a registered investment adviser.

HBI is a federally registered investment adviser with the Securities Exchange Commission ("SEC") and a member broker-dealer of the Financial Industry Regulatory Authority ("FINRA"). All of the events disclosed below derive from its operations as a broker-dealer. Additional detail regarding these matters is available through FINRA's Broker/Check system.

Within the past ten years, solely in HBI's capacity as a broker-dealer, HBI has been assessed:

A fine in the amount of \$17,500 by FINRA pursuant to a settlement agreement, effective November 24, 2008, that HBI failed to comply fully with NASD Rules regarding the reporting of trades through the Order Audit Trail System ("OATS").

A fine in the amount of \$40,000 by the Virginia Department of Securities pursuant to a settlement agreement, effective January 6, 2009, that HBI failed to supervise an agent in violation of state regulations.

A fine in the amount of \$140,000 by FINRA pursuant to a settlement agreement, effective March 23, 2009, 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 an order from the Maryland Securities Commissioner, effective July 23, 2010, to reasonably supervise its registered representatives and agreed to revise its personal trading procedures.

A fine in the amount of \$9,500 by the Texas State Securities Board pursuant to a settlement agreement, effective July 27, 2010, that HBI failed to enforce written procedures regarding supervision of use of marketing materials by a representative.

A fine in the amount of \$150,000 by FINRA pursuant to a settlement agreement, effective July 18, 2011, that HBI failed to establish and maintain a supervisory system that were reasonably designed to achieve compliance with the rules and regulations applicable to the retention of electronic and written communications.

A fine in the amount 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.

A fine in the amount of \$425,000 by FINRA pursuant to a settlement agreement effective March 30, 2015, that HBI failed to apply sales charge discounts to eligible purchases of unit investment trusts and failed to establish a supervisory system and procedures reasonably designed to ensure that customers received sales charge discounts on all eligible unit investment trust purchases.

A fine in the amount of \$40,000 by FINRA pursuant to a settlement agreement, effective August 12, 2015, that HBI failed to enforce written supervisory procedures regarding on-going due diligence on three offerings from one issuer of a security.

A fine in the amount of \$50,000 by FINRA pursuant to a settlement agreement,



effective September 27, 2017, that HBI acting through a registered representative recommended nontraditional ETFs and metals and mining stocks to a customer that were unsuitable and the failure to adequately to supervise the sale of nontraditional ETFs.

HBI was censured and fined \$ 400,000 pursuant to a settlement agreement effective November 20, 2018. Without admitting or denying the findings, HBI consented to findings that it failed to establish and enforce written supervisory procedures, systems and training in connection with the sale of multi-share class variable annuities, including L-Share contracts with long term Riders and B-Share contracts. Additionally, the findings stated that HBI failed to enforce written supervisory procedures in connection with the use and review of consolidated reports issued by registered representatives to customers.

## **B. 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 state securities agencies and is a member of FINRA. 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, direct participation programs and variable insurance products. HBI also has the ability to recommend managed futures as an introducing broker. HBI is an affiliated entity and subsidiary of Kestra Financial, Inc. Kestra Financial, Inc. and affiliates are ultimately owned by Kingfisher Holding, LP (Kingfisher).

Your IAR 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. In those separate capacities, he or she may offer products or services to you. If you purchase other products or services recommended by your representative, you might be charged commissions or transaction-based fees; however, HBI and the representative 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 adviser. In particular, when we are acting as a broker-dealer or insurance agency (and when your IAR is acting as a registered representative or an insurance agent) we are acting (directly or indirectly) as an agent of the issuer of the security or insurance product and are being paid by the issuer to distribute and sell their product. We or our IAR receive commissions and other transaction-based compensation if we are successful in selling

the products on behalf of the issuer. When acting in these sales capacities, any recommendations we make must be suitable for our customers. In contrast, when we are acting as an investment adviser (and your IAR is acting as an investment adviser representative) we are acting as your agent in providing investment advice to you. In doing so, we are fiduciaries to you and owe you a duty of care, a duty of loyalty and must act in your best interest.

You are under no obligation, however, to purchase any other products or services from HBI or our representatives.

A number of our IARs own their own companies or engage in other outside businesses that are not affiliated with our company (each an Outside Business), including but not limited to certain insurance agencies as discussed above. HBI does not provide investment advisory services through these Outside Businesses, does not supervise these businesses and is not responsible for any product or service purchased through these businesses. To the extent you purchase a product or service through an Outside Business, the IAR or his or her Outside Business will receive compensation in addition to any amount you pay HBI for investment advisory services. Since HBI does not own or control these Outside Businesses, you should discuss any compensation or other arrangements regarding an Outside Business with your IAR.

Some of our IARs are registered with or affiliated with an investment adviser other than HBI. You should read the brochure and any other materials provided by these other investment advisers for information regarding their services and fees if you engage them to provide you advisory services

## **C. CONFLICTS OF INTEREST**

Various situations and programs present a conflict of interest for HBI and/or IARs. Typically, these conflicts of interest arise because HBI and/or the IAR receive compensation or other benefits in addition to the investment advisory 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 adviser (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. Specific conflicts of interest that arise in the context of the ACAMP+ and Choice Programs are discussed above under Item 2. 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 below), that are 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 clients' interests first. We address conflicts by disclosing them to clients so they can make an informed decision as to whether to continue with the advisory relationship and by reviewing the recommendations made by our IARs. We also use reports and audits to review the advice provided by our IARs and the accounts they manage.

#### **Payments from Strategic Partners**

In its capacity as a broker-dealer and insurance agency, HBI offers products issued by over 200 sponsor companies. In its capacity as an investment adviser, HBI can provide access to third-party investment advisers. However, we have a focused relationship with a limited number of sponsor companies and third-party investment advisers ("Strategic Partners"). Pursuant to HBI's Strategic Partner Program, HBI receives payments commonly referred to as "revenue sharing" from some of the Strategic Partners or their affiliates. Such revenue sharing is in addition to the regular compensation HBI receives when acting as a broker-dealer, insurance agency or investment adviser (such as loads, commissions, 12b-1 fees, and investment advisory fees). Revenue sharing payments are paid to HBI by the Strategic Partners or their affiliates.

In addition to revenue sharing payments, which typically are based on a percentage of initial sales of securities and/or a percentage of annual assets held (or assets under management), HBI receives compensation in the form of flat fees for providing certain Strategic Partners with access to conferences and meetings with its field force (together with revenue sharing, "additional compensation").

HBI may use the additional compensation for general financial support to offset the costs of product management support and compliance. The actual amount HBI receives is negotiated in each case and varies by Strategic Partner. In return for the revenue sharing payments, Strategic Partners have greater access to our representatives to provide training and other educational presentations and product information so they can serve investors better, visibility on our representative website and assistance with coordinating access to and educational opportunities for our representatives. In addition, the Strategic Partners and we

agree to provide each other periodic reports.

There is no direct economic incentive for representatives of HBI to sell securities or insurance products issued by, or investment advisory programs managed by, the Strategic Partners over any other security, insurance product, or investment advisory program. In this respect, the HBI representatives do not receive any part of the additional compensation. Accordingly, we believe these financial arrangements do not create incentives that will influence the advice you receive from your representative. Nevertheless, the Strategic Partner arrangements create a conflict of interest since HBI receives financial benefits from certain of the Strategic Partners if their securities or investment advisory programs are selected that HBI does not receive if securities and investment advisory programs of non-Strategic Partners are chosen.

Information about payments received during 2018 from Strategic Partners that participated in the HBI Strategic Partner Program, which are relevant to HBI's investment advisory services, are included in another brochure, H. Beck, Inc.'s Form ADV 2A, which contains the information about HBI's advisory business and which is offered to all HBI advisory clients on an annual basis.

**D. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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

- To act at all times with the utmost integrity and honesty, dealing fairly with clients, HBI, its associates and service providers;
- To place the interests of clients first;
- To render professional and unbiased investment advice to clients;
- To provide full, fair, and, timely information to clients;
- To avoid conflicts of interest with clients when supervised persons conduct personal securities transactions;
- To exercise diligence and care in maintaining and protecting clients' non-public, personal or confidential information; and
- To comply at all times with the 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. Our access

persons also are prohibited from purchasing any security that is part of an initial public offering without prior approval. Access Persons must also obtain prior approval from HBI's Chief Compliance Officer before purchasing any security as part of a private placement or other limited offering.

In order to avoid conflicts of interest that arise from the personal securities trading activity, the Code requires Access Persons to provide, and HBI to review, both initial and annual reports of all reportable securities beneficially owned by such Access Person. Quarterly reports of all transactions in reportable securities by Access Persons are also required under the Code and are reviewed by HBI.

Each supervised person receives a copy of the Code and of 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 HBI's Chief Compliance Officer.

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

HBI and its affiliates have investment responsibilities, render investment advice to, and perform other investment advisory services for, other individuals and entities ("Other Accounts"). HBI and its affiliates (and their respective partners, directors, officers, agents and employees) may buy, sell or trade in any securities for their own respective accounts ("Affiliated Accounts"). HBI and its affiliates may give advice or exercise investment responsibility and take such other actions with respect to Other Accounts and Affiliated Accounts which may differ from the advice given or the timing or nature of action taken with respect to a client's Account.

Other Accounts and Affiliated Accounts may at any time, hold, acquire, increase, decrease, dispose of or otherwise deal with positions in investments in which a client's Account may have an interest from time to time, whether in transactions which involve the client's Account or otherwise. HBI has no obligation to purchase for a client's Account a position in any security which Other Accounts or Affiliated Accounts may acquire.

## **E. 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.

In addition to being an investment adviser HBI also is an introducing broker-dealer. In its capacity as a broker-dealer, we act as a selling agent on a best efforts basis for fixed income securities, which an HBI IAR may recommend for your advisory account. In such transactions, HBI will receive advisory fees on

the fixed income securities in your advisory account but will not receive commissions or other transaction-based compensation on such trades.

In its capacity as a broker-dealer, HBI has a clearing agreement with Pershing to settle and clear all securities trades introduced to it by HBI. Clients in the ACAMP+ Program should be aware that HBI introduces all securities trades for these programs to Pershing, which settles and clears such trades. Trades for the ACAMP+ Program are directed to Pershing. As a result, HBI will not be able to: (i) select broker-dealers on the basis of the lowest price or other attributes; (ii) shop around to different broker-dealers to negotiate commissions (or mark-ups or mark-downs on fixed income and other securities) or impact or improve the price or quality of the execution 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 other than for other accounts also custodied or cleared through Pershing.

Due to the foregoing, certain transactions might result in less favorable prices on the purchase and sale of securities than would otherwise be the case, and we may be unable to achieve most favorable execution of client transactions. In particular, clients may not achieve executions of the nature, quality, speed or price that they might otherwise, which means client accounts in the ACAMP+ Program might not generate the returns they would if orders were not directed as described above. Not all investment advisers require their clients to direct brokerage.

The securities trades directed to Pershing in the ACAMP+ Program are included in the calculation of assets we introduce to Pershing and therefore may result in reduced fees charged to us by Pershing or in our receipt of additional services from Pershing.

As the introducing broker-dealer of record for ACAMP+ accounts, HBI has an interest in having Pershing settle and clear securities transactions under these Programs. Under HBI’s agreement with Pershing, the fees charged to HBI 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 ACAMP+ 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. Any such reduction in fees being charged to HBI does not result in a reduction of the Program Fees charged to clients in the ACAMP+ Program.

Investment advisers must act in the best interest of their clients, including the selection of appropriate mutual fund share classes, and disclose fees associated with the recommended share classes. A single mutual fund may offer more than one “class” of its shares to investors, but each class represents a similar interest in the mutual fund’s portfolio. The principal difference between the classes is that the mutual fund charges different fees and expenses on the various share

classes based primarily on the amount invested. Even within a share class, expenses will vary by fund and by fund company. These fees and expenses negatively impact investment returns. The brokerage or clearing platforms we utilize do not make available all mutual fund families or all share classes of all mutual funds. Certain share classes are not eligible to be managed as advisory assets. We do not allow B or C share mutual funds to be held as advisory assets.

In an effort to ensure we your Advisor recommends an appropriate mutual fund share class, we offer a single share class for a subset of the mutual fund families available through on our custodians., and of those fund families we offer one share class is available for each fund recommended on our platform within the fund families we offer and the funds of those families available through the applicable brokerage or clearing platform. We refer to this subset as “covered funds”. Covered funds are chosen based on a set of criteria designed to offer the best appropriate share class for the largest segment of our clients while still offering consistency across our platforms. The funds on our platform may not be the absolute lowest cost share class available in the marketplace but will meet our standard criteria of analysis that includes cost, custodial availability, and average client trade volumes.

HBI receives securities service fees, 12b-1 fees and other third-party payments if you implement our recommendations through our affiliated broker-dealer. Relative to your mutual fund purchases, for the period in which you maintain an investment with the mutual fund, HBI will receive ongoing 12b-1 and service fees directly from the mutual fund company or ongoing fees from the adviser, underwriter or distributor of the mutual fund. Mutual funds with 12b-1 fees are generally more expensive than those funds without such fees. There is a conflict of interest when we recommend these products or services since they result in increased compensation to HBI. To mitigate this conflict of interest, HBI will credit back to your account an amount equal to the 12b-1 and service fees collected in connection with your advisory assets, except for 12b-1 fees generated through the default sweep money market mutual funds available on the Pershing platform, which Pershing remits to HBI and which HBI retains. This credit is only available for accounts custodied at Pershing.

Pershing offers a no-transaction-fee (NTF) program where the transaction charge is waived for the purchase and sale of mutual funds participating in the program. Other mutual funds participate in a program where the transaction charge is waived for the purchase of mutual funds but not the sale. Participating funds compensate Pershing as applicable, which in turn compensates HBI based on the amount of assets invested in those funds. As a result, HBI has a conflict of interest to the extent IARs recommend these funds, because HBI will receive compensation in addition to any advisory fees you pay. If your IAR absorbs the transaction fees for your account, the NTF program creates a conflict of interest as it results in increased compensation to your IAR. The funds in the program also have higher expense ratios than similar funds not in the program. Thus, over time, you will pay higher costs for funds in this program than you would for

non-NTF funds subject to transaction charges.

When you establish an account with HBI on the Pershing platform, you are required to select a bank sweep option or money market mutual fund in which the cash in your account will be held. The FDIC bank deposit sweep program is the default option for cash contributed to non-entity (individual) accounts and HBI receives more from Pershing for assets held in that sweep program than we do for assets placed into a money market fund. Entities are not eligible to participate in the bank deposit sweep program.

The bank sweep account will have a yield that will vary based on prevailing interest rates. HBI has the ability to dictate what portion of the yield (interest rate paid) on the bank sweep accounts it will retain. HBI's ability to adjust the yield creates a conflict of interest since the lower the portion of the yield paid to you, the more HBI earns. Our IARs do not receive any portion of the bank sweep compensation paid to HBI.

HBI does not select or recommend other broker-dealers. In some programs, client's direct trades to us for introduction to Pershing, LLC, HBI's clearing firm.

HBI IARs may aggregate trades for client accounts in the ACAMP+ Program. Trades may be aggregated for various securities, including stocks and exchange traded funds. All clients participating in an aggregated or "block" trade receive the same average price for the relevant security and clients' costs are allocated on a pro-rata basis. Aggregating trades does not guarantee that a client will pay a lower cost than if HBI had not aggregated a trade and at times could cause a given client to pay more in transaction costs than he or she would otherwise pay.

## **F. 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 that 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.



## **G. 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.

In order to help cover or defray the costs of transitioning from another investment adviser to HBI, our IARs receive various forms and amounts of transition assistance. Such transition assistance may include loans, technology services, administrative support, termination fees associated with moving accounts and regulatory services, payments based on production, reimbursement of fees, attendance at conferences and events, and access to preferred pricing. HBI receives compensation from our custodians to offset the cost of transitioning assets.

In addition, Buckingham Strategic Wealth offers HBI IARs with assets on their platform a basic subscription to MoneyGuidePro at no cost to the IAR. Furthermore, IARs can pay \$660 to receive an upgraded version of MoneyGuidePro with Buckingham Strategic Wealth's data integrated into the software. Those IARs who place at least \$10MM on Buckingham Strategic Wealth's platform receive the upgrade at no cost. This creates a conflict interest because it incentivizes an IAR to place business with Buckingham Strategic Wealth in exchange for software access.

HBI makes loans to IARs which may be forgivable based on years of service with HBI or its affiliates, assets under management, the amount of production with HBI or our affiliates or some combination of these factors. This practice creates a conflict of interest since the IAR has a financial incentive to recommend a client engage HBI for advisory services, engage HBI for brokerage services, and to recommend additional products and services in order for their loan to be forgiven.

## **H. FINANCIAL INFORMATION**

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