

## **BENIN MANAGEMENT CORPORATION**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Benin Management Corporation (hereinafter “BMC” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. 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 the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

**Item 2. Material Changes**

In this Item, BMC is required to discuss any material changes that have been made to the brochure since the last annual amendment dated July 18, 2014. While the format and general language of the brochure have been overhauled, no substantive changes have been made. As such, there are no material changes to disclose pursuant to this Item.

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## Item 4. Advisory Business

BMC has been investing funds for clients for over forty years. BMC distinguishes itself by customizing each account to the individual needs of the client and by offering a personal, professional relationship. BMC endeavors to manage accounts according to client appropriate investment parameters and with careful attention to the Firm's responsibility to act as a fiduciary placing a client's best interests ahead of its own.

BMC offers a variety of advisory services, which include investment management and investment advisory services. Prior to BMC rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with BMC setting forth the relevant terms and conditions of the advisory relationship (the "Advisory Agreement").

BMC was founded in 1973 as an investment adviser. The Firm is wholly owned by Christopher Benin. As of April 30, 2014, BMC had \$278,878,177 in assets under management, all of which was managed on a discretionary basis.

While this brochure generally describes the business of BMC, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on BMC's behalf and is subject to the Firm's supervision or control.

### Investment Advisory Services

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The Firm manages client investment portfolios on a discretionary basis. BMC tailors investment advice to the needs of each individual client. The Firm primarily provides clients with investment management services, but may also provide or advise on areas such as Business Planning, Investment Consulting, Charitable Giving, Retirement Planning, Insurance Planning and Tax Planning.

In performing these services, BMC is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. In providing certain of these services, clients retain discretion over decisions regarding implementation. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising BMC's recommendations and/or services.

In regards to portfolio management, BMC manages client investment portfolios on a discretionary basis. This discretion allows BMC to allocate client assets. The Firm primarily allocates client assets among individual debt and equity securities, options and various mutual funds and exchange-traded funds ("ETFs") in accordance with their stated investment objectives. The Firm may also provide ongoing management to qualified tuition plans (i.e., 529 plans).

Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios. As some of these legacy positions may include assets held away, clients may engage BMC to advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans. In these situations, BMC does not provide ongoing management, but may recommend the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

BMC tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on an ongoing basis, that client portfolios are managed in a manner consistent with those needs and objectives. BMC consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify BMC if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions on the management of their accounts if BMC determines such conditions would not be overly burdensome to the Firm's management efforts.

#### **Retirement Plan Consulting Services**

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BMC provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized.

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by BMC as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of BMC's fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

#### **Sub Advisor Services**

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BMC offers a platform of management services to other investment advisers through a sub-advisory relationship. Adviser clients must promptly notify BMC if there are changes in their clients' financial situation or investment objectives, or if they wish to impose any reasonable restrictions upon the Firm's management services. There is no material difference between assets managed for adviser clients and those managed directly.

## Item 5. Fees and Compensation

BMC offers services on a fee basis, which may include fixed and/or hourly fees, as well as fees based upon assets under management or advisement.

### Investment Advisory Fees

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BMC offers investment management services for an annual fee based on the amount of assets under the Firm's management. This management fee generally varies between 50 and 100 basis points (0.50% – 1.00% in accordance with the following fee schedule:

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
First \$2,000,000	1.00%
Above \$2,000,000	0.50%

The annual fee is charged biannually, in advance, based upon the market value of the assets being managed by BMC on the last day of the previous billing period. Fees are assessed upon the anniversary of the client engagement and six months thereafter.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is not adjusted to reflect the interim change in portfolio value. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), BMC may negotiate a fee rate that differs from the range set forth above.

Only under limited circumstances are fees negotiable. Fees will be determined upon the scope and complexity of the services and the professional rendering services.

### Retirement Plan Consulting Fees

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BMC generally charges for a fee based upon assets under management to management services for qualified employee benefit plans. Each engagement is individually negotiated to accommodate the needs of the individual plan sponsor, as memorialized in the Agreement. These fees vary, based on the scope of the services to be rendered.

**Fee Discretion**

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BMC may, in its sole discretion, negotiate to charge a lesser or no fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

**Additional Fees and Expenses**

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In addition to the advisory fees paid to BMC, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, fees attributable to alternative assets, reporting charges, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm’s brokerage practices are described at length in Item 12, below.

**Direct Fee Debit**

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Clients generally provide BMC with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to BMC. Alternatively, clients may elect to have BMC send a separate invoice for direct payment.

**Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to BMC’s right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client’s account. Clients may withdraw account assets on notice to BMC, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. BMC may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

BMC does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7. Types of Clients**

BMC offers services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Requirements**

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BMC does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship.

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

### **Methods of Analysis**

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BMC utilizes a combination of fundamental, technical and cyclical methods of analysis.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular company or fund. For BMC, this process typically involves an analysis of a company's management team, industry, financial strength, projected growth, and future prospects as well as its relative valuation. Nonetheless, one of the principal risks in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the investment.

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that BMC will be able to accurately predict such a reoccurrence.



Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (entire market or economy) or micro (company specific) level, rather than focusing on the overall fundamental analysis of the health of the particular company that BMC is recommending. The risks with cyclical analysis are similar to those of technical analysis.

### **Investment Strategies**

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Prior to developing an investment strategy tailored to each client, the Firm gathers and analyzes information about the client, which might include goals, existing investments, insurance coverage, sources of income and other assets and liabilities. The Firm then seeks to define the client's investment objectives and risk profile, which together form the basis for the selection of investments. The Firm's investment advisors monitor its clients' portfolios on an ongoing basis, making changes as needed.

### **Risk of Loss**

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#### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of BMC's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that BMC will be able to predict those price movements accurately or capitalize on any such assumptions.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted “strike” price at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Selling a covered option involves giving the buyer of the option the right to buy at a specified price on or before the expiration date. The option is sold for a premium that is paid to the client. This premium acts as a partial hedge and a potential source of cash flow for an account. Investors transact in options to either hedge (i.e., limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations. In addition, any time a covered option is exercised by the buyer, the sale of the stock results in brokerage fees to the client, as well as the brokerage fees associated with the sale of the covered option.

### *Use of Margin*

While the use of margin borrowing can substantially improve returns, it may also increase overall portfolio risk. Margin transactions are generally effected using capital borrowed from a Financial Institution, which is secured by a client’s holdings. Under certain circumstances, a lending Financial Institution may demand an increase in the underlying collateral. If the client is unable to provide the additional collateral, the Financial Institution may liquidate account assets to satisfy the client’s outstanding obligations, which could have extremely adverse consequences. In addition, fluctuations in the amount of a client’s borrowings and the corresponding interest rates may have a significant effect on the profitability and stability of a client’s portfolio.

### *Short Sales*

A short sale allows an investor to sell a security before owning it. Short sales contain inherent risks, including that the investor may not be able to obtain the security that is sold short at a lower price than the price at which it was sold, so that the short sale does not result in a profit for the investor and could result in a loss. There is unlimited risk on short sales.

**Item 9. Disciplinary Information**

BMC has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

**Item 10. Other Financial Industry Activities and Affiliations**

BMC does not have any financial industry activities or affiliations to disclose pursuant to this Item.

**Item 11. Code of Ethics**

BMC has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. BMC's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of BMC's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact BMC to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

### **Recommendation of Broker/Dealers for Client Transactions**

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BMC generally recommends that clients utilize the custody, brokerage and clearing services of TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. ("TD Ameritrade") for investment management accounts. BMC participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. BMC receives some benefits from TD Ameritrade through its participation in the program.

Factors which BMC considers in recommending TD Ameritrade or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. TD Ameritrade may enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by TD Ameritrade may be higher or lower than those charged by other Financial Institutions.

The commissions paid by BMC's clients to TD Ameritrade comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where BMC determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. BMC seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist BMC in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but brokerage

commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because BMC does not have to produce or pay for the products or services.

BMC periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### **Software and Support Provided by Financial Institutions**

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BMC may receive without cost from TD Ameritrade computer software and related systems support, which allow BMC to better monitor client accounts maintained at TD Ameritrade. BMC may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at TD Ameritrade. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit BMC, but not its clients directly. In fulfilling its duties to its clients, BMC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that BMC's receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, BMC may receive the following benefits from TD Ameritrade:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

There is no direct link between BMC's participation in TD Ameritrade's institutional customer program and the investment advice it gives to its clients, although BMC receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. Additionally, BMC may receive the following benefits from TD Ameritrade through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. The Firm also has the ability deduct advisory fees directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds

with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the Firm by third party vendors. TD Ameritrade may fund business consulting and professional services received by BMC's related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit BMC but not its client. These products or services may assist BMC in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help BMC manage and further develop its business enterprise. The benefits received by BMC's participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

### **Brokerage for Client Referrals**

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BMC may consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party. This arrangement, the inherent conflicts of interest and the Firm's procedures for handling such conflicts are described at length in response to Item 14 below.

### **Directed Brokerage**

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The client may direct BMC in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by BMC (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, BMC may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Trade Aggregation**

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Transactions for each client generally will be effected independently, unless BMC decides to purchase or sell the same securities for several clients at approximately the same time. BMC may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among those clients identified in the pre-allocation. To the extent that the Firm determines to aggregate client orders for the purchase or sale of

securities, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. BMC does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the order is not completely filled, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) when an allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis; or (vii) allocations may be given to accounts that would have more beneficial tax consequences.

## Item 13. Review of Accounts

### Account Reviews

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BMC monitors client portfolios on an ongoing basis while regular account reviews are conducted on a biannual basis. Such reviews are conducted by the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with BMC and to keep the Firm informed of any changes thereto. The Firm sends notice to ongoing investment advisory clients at least annually to ascertain whether there have been any changes in the client's financial situation and/or investment objectives.

### Account Statements and Reports

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from BMC and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account

holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from BMC or an outside service provider.

## Item 14. Client Referrals and Other Compensation

### TD Ameritrade AdvisorDirect

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BMC has entered into an agreement with TD Ameritrade to participate in TD AMERITRADE AdvisorDirect (“AdvisorDirect”), a referral service designed to match investors with an independent investment adviser in their area. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, the Firm may have been selected to participate in AdvisorDirect based on the amount, and profitability to TD Ameritrade, of the assets in and trades placed for client accounts maintained with TD Ameritrade. BMC does not compensate or receive any compensation from TD Ameritrade for participating in AdvisorDirect. BMC has agreed not to charge clients introduced through AdvisorDirect fees or costs greater than the fees or costs BMC charges its advisory clients who were not introduced through AdvisorDirect and who have similar portfolios under management with BMC. BMC’s participation in AdvisorDirect may raise potential conflicts of interest. Although not required by AdvisorDirect, BMC may be more likely to execute transactions for their clients referred through AdvisorDirect with TD Ameritrade, consistent with BMC’s duty of best execution as further discussed above.

BMC’s participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisers that encourage their clients to custody assets at TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, BMC may have an incentive to recommend to clients that the assets under management by the Firm be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, BMC has agreed not to solicit clients, referred to it through AdvisorDirect, to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. BMC’s participation in AdvisorDirect does not diminish its duty to seek best execution.

TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management or financial planning services to independent investment advisers. TD Ameritrade does not supervise BMC and has no responsibility for its management of client portfolios, advice or services. The Firm pays TD Ameritrade an on-going fee for each successful client referral, usually a percentage (not to exceed 25%) of the advisory fee (“Solicitation Fee”). BMC will also pay TD Ameritrade the Solicitation Fee on any advisory fees received from any of a referred client’s family members (including a spouse, child or any other immediate family member who resides with the referred client) and who hired BMC on the recommendation of such referral. The Firm will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its



clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

## **Item 15. Custody**

While the Firm never maintains physical custody of cash or securities, the ability to deduct fees is deemed to be non-reportable custody. The Advisory Agreement and/or the separate agreement with any Financial Institution generally authorize BMC to debit client accounts for payment of the Firm's fees and to directly remit that those funds to the Firm in accordance with applicable custody rules. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to BMC.

In addition, as discussed in Item 13, BMC may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from BMC.

## **Item 16. Investment Discretion**

BMC may be given the authority to exercise discretion on behalf of clients. BMC is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. BMC is given this authority through a power-of-attorney included in the agreement between BMC and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). BMC takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

## Item 17. Voting Client Securities

### Declination of Proxy Voting Authority

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BMC does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

### Other Legal Actions

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BMC does not advise or act for Clients in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by them.

## Item 18. Financial Information

BMC has included audited financials though the Firm is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

**Independent Auditors' Report****The Board of Directors  
Benin Management Corp.**

We have audited the accompanying financial statements of Benin Management Corp., which comprise the balance sheets as of April 30, 2014 and 2013, and the related statements of operations and accumulated deficit and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benin Management Corp. as of April 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*O'Connor Davies, LLP*

Stamford, Connecticut  
July 9, 2014

# Benin Management Corp.

## Balance Sheets

	April 30,	
	2014	2013
<b>ASSETS</b>		
Current Assets		
Cash	\$ 39,073	\$ 19,696
Accounts receivable	67,909	74,955
Total Current Assets	106,982	94,651
Property and equipment, net	58,758	60,918
	<u>\$ 165,740</u>	<u>\$ 155,569</u>
 <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 29,886	\$ 39,693
Deferred revenue	410,985	380,268
Total Current Liabilities	<u>440,871</u>	<u>419,961</u>
Stockholders' Deficit		
Capital stock, \$0.01 par value, 10,000 shares authorized, 1,000 shares issued and outstanding	10	10
Paid-in capital	9,990	9,990
Accumulated deficit	(285,131)	(274,392)
Total Stockholders' Deficit	<u>(275,131)</u>	<u>(264,392)</u>
	<u>\$ 165,740</u>	<u>\$ 155,569</u>

See notes to financial statements