



# BENJAMIN F. EDWARDS®

## INVESTMENTS *for* GENERATIONS®

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## Form ADV Part 2A

### Item 1 - Firm Brochure

*March 29, 2019*

*This brochure provides information about the qualifications and investment advisory business practices of Benjamin F. Edwards & Co. If you have any questions about the contents of this brochure, please contact us at (855) 825-6885 or [ADV@benjaminfedwards.com](mailto:ADV@benjaminfedwards.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 Benjamin F. Edwards & Co. also is available on the SEC's website at <https://www.adviserinfo.sec.gov/Firm/146936>.*

## ADV Part 2A Firm Brochure

### Item 2 - Material Changes to Benjamin F. Edwards & Co.'s Firm Brochure

The following update to Benjamin F. Edwards & Company's (BFE) Firm Brochure disclosure document was made since the previous update, which occurred on December 3, 2018:

**As a result of a voluntary self-reporting effort initiated by the SEC, in March 2019, BFE reached a settlement with the SEC regarding allegations that from January 1, 2014 to July 10, 2018 (the "Period"), BFE purchased, recommended or held for advisory clients mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds for which clients were eligible.**

**To address this issue, BFE has updated its policies and procedures related to the selection of mutual fund share classes used in its advisory programs. In situations where a client is charged 12b-1 fees, BFE will ensure the fees are rebated to clients. Furthermore, BFE has agreed to refund these fees to effected clients for the Period. More information on the settlement can be found in this document in *Item 5* and *Item 9*.**

A complete copy of Benjamin F. Edwards & Co.'s most recent ADV Part 2A Firm Brochure is available on our website [www.benjaminfedwards.com](http://www.benjaminfedwards.com). To access this document online, click on "Important Disclosures" at the bottom of the page, and then select "Investment Advisory Program Disclosures." Alternatively, clients may obtain a complimentary copy by contacting their financial advisor, calling BFE's home office at (855) 825-6885 or requesting one by e-mail to [ADV@benjaminfedwards.com](mailto:ADV@benjaminfedwards.com). Additional information about Benjamin F. Edwards & Co. is available on the SEC's website at <https://www.adviserinfo.sec.gov/Firm/146936>.

## ADV Part 2A Firm Brochure

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*Section headings are keyed to SEC form ADV 2A. If particular sections of the form are not applicable, this document will so state.*

## ADV Part 2A Firm Brochure

### Item 4 - Advisory Business

Benjamin F. Edwards & Company ("BFE" or the "Firm") is a registered investment adviser and a broker-dealer. BFE became registered as a broker-dealer in March of 2009 and, until May 2010, conducted its investment advisory business through an affiliate, BFE Asset Management, LLC. In May 2010, all investment advisory operations and programs of BFE Asset Management transitioned to BFE, which at that time had become registered as an investment adviser subject to the jurisdiction of the Securities and Exchange Commission.

BFE also operates an equity and fixed income trading desk. Transactions facilitated by the trading desk that involve investment advisory clients will generally only be done on an agency basis. In limited circumstances, BFE is permitted to engage in transactions involving an investment advisory account on a principal basis; however, any such transaction would require the client's prior express consent. Transactions facilitated by the trading desk that involve brokerage clients are done on an agency, principal or "riskless principal" basis. BFE also provides "mergers and acquisition" (M&A) advice to businesses. Such advice is not typically provided as part of the Firm's investment advisory services, and would typically involve separately negotiated compensation.

BFE's principal owner is its holding company, Benjamin Edwards, Inc. (BEI), which owns 100% of BFE. In August of 2018 BEI started a separate related registered investment advisor firm, Benjamin F. Edwards Wealth Management, which is also registered as investment advisor subject to the jurisdiction of the Securities and Exchange Commission.

BFE's primary advisory service is investment programs that bundle or "wrap" services (i.e. investment advice, reporting, trade execution, custody, etc.) together and charges a single fee based on the value of assets under management. Additionally, BFE offers Financial Planning, Retirement Plan Consulting, Investment Management Consulting, and Plan Participant Consulting services. All of these programs are outlined in further detail below.

Please note, there is an Investment Management Consulting (with Execution) program that is a wrap program because the cost of trade executions is included in the advisory fee. Additionally, there is an Investment Management Consulting non-wrap program for when trade execution costs are not included as part of the advisory fee. Which program a client is in is dependent on services and fee structure negotiated.

BFE does not currently provide portfolio management services other than in connection with its wrap fee programs and the programs offered through its affiliated adviser, Benjamin F. Edwards Wealth Management.

BFE retains a portion of advisory fees paid, including wrap fees, as compensation for its services; the remainder is used to compensate third parties, such as Pershing LLC, Lockwood Advisors, and non-affiliated money managers or model providers for services they provide.

As of December 31, 2018, BFE has \$2,636,909,054 managed on a discretionary basis and \$4,014,244,178 managed on a non-discretionary basis.

#### ***Wrap Programs***

BFE offers investment advisory services through the following programs:

- **Benjamin F. Edwards Mutual Fund Portfolios**
- **Benjamin F. Edwards Mutual Fund Model Strategies**

- **Benjamin F. Edwards Active Passive Portfolios**
- **Benjamin F. Edwards Exchange Traded Fund Portfolios**
- **Benjamin F. Edwards Custom Mutual Fund Portfolios**
- **Benjamin F. Edwards Client Portfolios**
- **Benjamin F. Edwards Private Portfolios**
- **Benjamin F. Edwards Separately Managed Portfolios (Covered and Non-Covered)**
- **Benjamin F. Edwards Unified Managed Account**
- **Lockwood Asset Allocation Portfolios**
- **Lockwood Investment Strategies**
- **Investment Management Consulting (with Execution)\***

BFE's wrap fee investment advisory accounts are not the same as transaction-oriented brokerage accounts.

In a brokerage account, the relationship between the client and the financial advisor is centered on transactions. Therefore, a client pays a separate commission for each transaction that covers the cost of executing the transaction, and certain related services and incidental advice. For example, if a client desires that a financial advisor make recommendations in connection with a brokerage account, the financial advisor will document, usually at account opening, certain suitability characteristics based on questions contained in the Firm's new account form. Based on that information, the financial advisor, from time to time, provides incidental recommendations or advice. Transaction commissions also compensate the Firm for some non-transaction-related services such as delivery of account statements and required documents such as prospectuses and proxy mailings; and, if desired, custody services for securities owned by the client.

In an investment advisory account, on the other hand, the relationship between the client and the financial advisor is centered on advice. Therefore, in a wrap fee based advisory account, a client pays a single fee based on the value of assets in the account, which compensates the Firm for more comprehensive initial client assessment, ongoing investment advice, ongoing monitoring of the account, the cost of any transactions that may be effected, and for certain responsibilities and risks that BFE assumes in connection with being a statutory fiduciary that is subject to a different regulatory scheme. For example, to better align the Firm's interests with those of the client, the investment advisory regulatory scheme prevents BFE from engaging in some of the same types of transactions that it could if the account were a brokerage account, such as certain transactions where BFE is a counterparty to the transaction without the client's consent (as opposed to acting solely as agent for the client).

In addition, BFE will serve as a fiduciary as defined by the Department of Labor for certain qualified retirement accounts.

With that background, services provided as part of the wrap fee for wrap fee based advisory accounts include:

- Access to a BFE advisor for personal service and financial advice
- Review of suitability based on information provided in advisory agreement, new account form and client interview\*
- Portfolio management services\*
- Monthly account statements
- Performance reporting\*
- Fee billing\*
- Execution of transactions
- Custody and clearance of securities\*
- Delivery of required documents, such as mutual fund prospectuses and proxy mailings

*\*These services may or may not be provided in the Investment Management Consulting (with Execution) program depending on the services negotiated and agreed upon. See the Investment Management Consulting (with Execution) section that follows for further detail.*

Additional services may be provided based on the advisory program selected. In addition, some of the services above will vary in situations where any assets are held with the issuer or a custodian other than Pershing, LLC, as described further below.

Fees and additional services for each program, including additional information about the fees applicable to investment advisory accounts, are detailed in the following sections:

### ***Financial Planning***

BFE provides investment advisory financial planning services. Financial plans are individually-tailored analyses of a client's current portfolio and projected financial needs, together with a recommended approach to meeting those needs. Individual securities recommendations are not typically included as part of a financial plan. Depending on the client's individual situation, financial plans may include an overview of investment objectives, risk tolerance, time horizon, net worth, cash flow analysis, college cost and savings estimates, and asset allocation analyses. Part of the portfolio analysis may include in-depth assessment of the client's securities such as equity, bond or mutual fund holdings. The assessment may show historical return, yield, market value, sector breakout, bond rating, yield-to-maturity, and percentage that each category comprises of the total portfolio. It may also include an analysis of investments managed by third party money managers.

Retirement planning analyses may include a hypothetical wealth accumulation table that compares lifetime income needs to portfolio resources, together with an assessment of the probability of achieving the desired financial outcome based on those resources. Estate planning analyses may include an assessment of estate tax estimates, survivor income projections, long-term care coverage and estate planning strategies for consideration. A financial plan may include product analysis, such as an analysis of equity, fixed income, mutual funds and other financial products.

The financial planning relationship ends upon delivery of the agreed-upon financial plan. A client may choose to implement the plan with any financial services firm, including BFE or others, or not to implement the plan at all. If updates or reassessments of the financial plan are desired, they would generally be prepared pursuant to a new financial planning arrangement.

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

The Retirement Plan Consulting Program is a service whereby BFE may, based on a negotiated scope of services, consult with retirement plan administrators, other fiduciaries to retirement plans, plan participants and other parties. BFE will not actually manage plan assets as part of the Retirement Plan Consulting Program.

Depending on the negotiated scope of services between the parties, BFE may participate in enrollment meetings, provide supplemental educational materials to the plan or plan participants, conduct education and provide investment materials for participant-directed plans, search and evaluate investment alternatives for the plan, review past performance of the plan's current investment options, provide one-time, ongoing or periodic performance monitoring reports for the plan's current investment options. Services provided to plan participants may be provided at a group level, or to individual plan participants. Unless otherwise specified in the agreement

between BFE and the plan, any education and investment materials provided are intended to constitute “education” and not individualized “investment advice.” BFE may also negotiate other services based on the needs of the plan.

### ***Investment Management Consulting***

The Investment Management Consulting Program is a service whereby BFE may, based on a negotiated scope of services, consult with clients with respect to any or all of the services below, either on an ad-hoc or ongoing basis. BFE will not actually manage client assets as part of the Investment Management Consulting Program.

Depending on the negotiated scope of services between the parties, BFE may prepare, review and/or monitor an Investment Policy Statement (IPS), search and evaluate investment alternatives, perform ongoing monitoring and due diligence of investment managers, perform ongoing performance monitoring, review past performance of the client’s investments, provide fee-billing services, custody assets through our clearing firm, provide performance monitoring reports, and participate in periodic meetings as needed. BFE may also negotiate other services based on the needs of the client.

### ***Plan Participant Consulting Service***

The Plan Participant Consulting Services program is a consulting service whereby BFE will enter into an agreement with retirement plan participants to provide investment advice for ERISA or other types of participant- directed plans. Financial Advisors will review the investment options available to the plan participant within the employer-sponsored retirement plan. Financial Advisors will then work with clients to identify their needs, objectives and risk tolerance. From the information obtained, the Financial Advisor will provide a written security level asset allocation recommendation. This service may be performed for a one-time fee or an ongoing basis. If an ongoing service is the option selected in the agreement, the Financial Advisor will have subsequent meetings (at least annually) with the client to discuss whether changes to the initial recommendation may be appropriate. It is the sole responsibility of the client whether or not to implement the advice provided.

### ***Tailoring of Advisory Programs and Reasonable Restrictions***

For all wrap advisory programs, BFE clients select the financial advisor with whom they wish to work. The financial advisor will assess the client’s prior investment experience, financial goals, time horizon, risk tolerance, and investment objectives in order to determine the appropriate program for the client.

Clients may request reasonable restrictions on the management of their discretionary accounts. Such restrictions may include imposition of limitations or preferences concerning transactions in certain securities, frequency of rebalancing, tax-loss selling, frequency of distributions and similar matters.

With respect to security-specific restrictions in the Benjamin F. Edwards Private Portfolios program, such restrictions are individually negotiated between the client and financial advisor. With respect to all other programs involving transactions in individual equity securities, clients may request security-specific restrictions on those equities or restrictions based on the following categories: Alcohol, Cosmetic, Defense/Military/ Weapons, Entertainment, Foreign Securities, Gambling, Finance, Trucking, Meat Products, Nuclear Power, Oil Stocks, Textiles, Drugs, Tobacco, Public Utilities, Paper/Forest Products, and Healthcare/Medical Industries. With respect to model based mutual fund and ETF wrap programs, BFE will consider requests for reasonable restrictions on the management of the account. Such restrictions may be placed on particular mutual funds or ETFs from the model selected, but cannot restrict the individual securities held within the mutual funds or ETFs. If such investment

restrictions are implemented, the client will experience a different investment return than what will be realized by the model itself. Such performance may be better or worse than the model. For these reasons, if a client wishes to make a request concerning restrictions based on specific securities, it may be more appropriate for the client to participate in other BFE advisory programs that are not so uniquely positioned. It should be noted; any standardized reports of model performance will not reflect the performance of the model with restrictions applied. (Quarterly performance reports of the client's account will accurately reflect the client's actual account performance with restrictions).

With respect to Financial Planning, the financial advisor will prepare a tailored assessment and plan that is designed to meet the particular needs of the individual client.

With respect to Retirement Plan Consulting, the financial advisor will determine with the appropriate retirement plan administrator, fiduciary, or other authorized person, the specific consulting services that are needed. BFE will not provide individualized investment advice to particular plan participants.

With respect to Investment Management Consulting, the financial advisor will work with the client to determine the specific consulting services that are needed.

### ***Legal and Tax Advice***

BFE Financial Advisors do not provide legal or tax advice. It is recommended that clients discuss their personal situation with a tax or legal advisor.

## **ADV Part 2A Firm Brochure**

### **Item 5 - Fees and Compensation**

Fees and additional services for each program are as follows:

#### **Benjamin F. Edwards Mutual Fund Portfolios**

Benjamin F. Edwards Mutual Fund Portfolios is a discretionary, mutual-fund-only portfolio advisory program. The asset allocation models include a variety of asset types that, together, offer appropriate style diversification (i.e. diversification among large-, mid- and small-cap funds, as well as value vs. growth strategies as well as models with exposure to alternative investments) to accommodate each investment objective. Additionally, models containing only alternative investments are available. Clients will work with their financial advisor to determine the asset allocation model most appropriate for their needs. The models developed and used by BFE are strategic in nature. Changes may occur from time to time to style (sub-category) allocations, but adjustments to the asset allocation (equity vs. fixed income) are expected to be infrequent. The models are designed to provide the investor with broad style diversification. Where appropriate, multiple funds are selected for a style to provide additional diversification.

*The annual fee for this advisory service is as follows:*

- First \$250,000 in assets = 1.50%
- Next \$250,000 in assets = 1.25%
- Next \$500,000 in assets = 1.00%



Amounts greater than \$1,000,000 = 0.75%

*Additional Services:*

- BFE shall invest, reinvest, sell or retain assets in its sole discretion for this account
- Ongoing monitoring, due diligence and research on the mutual funds offered in the Benjamin F. Edwards Mutual Fund Portfolios
- Maintenance and trade implementation of the mutual fund models
- Rebalancing of the funds to conform to the investment allocations per the frequency selected and as needed for deposits/withdrawals

**Benjamin F. Edwards Mutual Fund Model Strategies**

Models in this program are provided by Russell Investments and American Funds. Mutual Fund Model Strategies is a discretionary advisory program.

Russell offers three sets of models: mutual fund only, tax managed mutual fund only, and hybrid models that utilize exchange traded products and mutual funds. In these models, the mutual funds are Russell Investment's funds and the exchange trade products are not Russell product. Russell provides the models and the funds to use within each model. These models allow for balanced and diversified portfolios.

American Funds offers a suite of thirteen mutual fund only models comprised of American Funds' mutual funds. American Funds provides the models and the funds to use within each model. These models are diversified objective based portfolios.

Clients will work with their financial advisor to determine the asset allocation model most appropriate for their needs.

*The annual fee for this advisory service is as follows:*

First \$250,000 in assets = 1.50%  
Next \$250,000 in assets = 1.25%  
Next \$500,000 in assets = 1.00%  
Amounts greater than \$1,000,000 = 0.75%

*Additional Services:*

- BFE shall invest, reinvest, sell or retain assets in its sole discretion for this account
- Ongoing monitoring, due diligence and research by BFE on the Model Strategies
- Ongoing monitoring, due diligence and research by the model providers on the funds and allocations
- Maintenance and trade implementation of the mutual fund models on BFE's platform
- Rebalancing of the funds to conform to the investment allocations per the frequency selected and as needed for deposits/withdrawals

**Benjamin F. Edwards Active Passive Portfolios**

Benjamin F. Edwards Active Passive Portfolios is a discretionary portfolio advisory program that combines actively managed mutual funds with passive exchange traded funds offered in a suite of models. The asset allocation models include a variety of asset types that, together, offer appropriate style diversification (i.e. diversification among large-, mid- and small-cap funds, as well as value vs. growth strategies as well as models with exposure to

alternative investments) to accommodate each investment objective. Clients will work with their financial advisor to determine the asset allocation model most appropriate for their needs. The models developed and used by BFE are strategic in nature. Changes may occur from time to time to style (sub-category) allocations, but adjustments to the asset allocation (equity vs. fixed income) are expected to be infrequent. The models are designed to provide the investor with broad style diversification. Where appropriate, multiple funds are selected for a style to provide additional diversification.

*The annual fee for this advisory service is as follows:*

First \$250,000 in assets = 1.50%  
Next \$250,000 in assets = 1.25%  
Next \$500,000 in assets = 1.00%  
Amounts greater than \$1,000,000 = 0.75%

*Additional Services:*

- BFE shall invest, reinvest, sell or retain assets in its sole discretion for this account
- Ongoing monitoring, due diligence and research on the mutual funds and ETFs offered in the Benjamin F. Edwards Active Passive Portfolios
- Maintenance and trade implementation of the models
- Rebalancing of the securities to conform to the investment allocations per the frequency selected and as needed for deposits/withdrawals

### **Benjamin F. Edwards Exchange Traded Fund Portfolios**

Benjamin F. Edwards Exchange Traded Fund Portfolios is a discretionary advisory program that utilizes Exchange Traded Funds (ETF) or Exchange Traded Notes (ETN) as the portfolio's investment vehicles. BFE, Confluence Investment Management LLC (Confluence), First Trust Portfolios L.P. (First Trust), Laffer Investments (Laffer), and Morningstar Investment Services, LLC (Morningstar) serve as the model providers for this program, and supply the models and recommendations for specific investments within each model. BFE may modify those recommendations when implementing the program. The Confluence models are style-diversified and cyclical in nature. The First Trust models are designed to meet core equity and core fixed income objectives or to meet broadly defined risk profiles. Laffer provides a global equity strategy model and a U.S. inflation model. BFE and Morningstar Strategic Ibbotson models are style-diversified and strategic in nature. We continue to support the Morningstar Contrarian models for existing clients that follow a contrarian strategy, but they are no longer open for new clients to purchase. Clients will work with their financial advisor to determine the asset allocation model most appropriate for their needs.

*The annual fee for this advisory service using the Confluence, First Trust and Laffer models is as follows:*

First \$250,000 in assets = 2.25%  
Next \$250,000 in assets = 1.75%  
Next \$500,000 in assets = 1.50%  
Amounts greater than \$1,000,000 = 1.25%

*The annual fee for this advisory service using the Morningstar Strategic Ibbotson models is as follows:*

First \$250,000 in assets = 1.75%  
Next \$250,000 in assets = 1.50%  
Next \$500,000 in assets = 1.25%  
Amounts greater than \$1,000,000 = 1.00%

*The annual fee for this advisory service using the BFE models is as follows:*

First \$100,000 in assets\* = 1.25%

Next \$250,000 in assets = 1.00%

Amounts Greater than \$350,000 = 0.75%

\* For these models, there is a minimum fee of \$125 per year.

*Additional Services:*

- BFE shall invest, reinvest, sell or retain assets in its sole discretion for this account
- Ongoing monitoring, due diligence and research by BFE on Confluence Investment Management LLC, First Trust Portfolios L.P., Laffer Investments and Morningstar Investment Services
- Ongoing monitoring, due diligence and research by Confluence Investment Management LLC, First Trust Portfolios L.P., Laffer Investments and Morningstar Investment Services in connection with securities and allocations that they recommend
- Maintenance and trade implementation of the models
- Rebalancing of the securities to conform to the investment allocations and as needed for deposits/withdrawals

**Benjamin F. Edwards Custom Mutual Fund Portfolios**

Benjamin F. Edwards Custom Mutual Fund Portfolios is a mutual-fund-only advisory program with limited discretion. The financial advisor and client will work together to identify an appropriate investment model. The client retains final decision-making authority with respect to the mutual funds used and the percentage allocated to each fund in the model. Limited discretion is granted to the financial advisor to:

- Rebalance the account on a discretionary basis to the model's baseline allocation
- Invest cash deposits
- Sell and reinvest deposits of securities
- Sell funds for fees and requested withdrawals

The financial advisor will monitor the account to ensure it remains consistent with the strategy and make recommendations for changes as needed.

*The annual fee for this advisory service is as follows:*

First \$250,000 in assets = 1.50%

Next \$250,000 in assets = 1.25%

Next \$500,000 in assets = 1.00%

Amounts greater than \$1,000,000 = 0.75%

*Additional Services:*

- Recommendation of customized asset allocation
- Maintenance and trade implementation of the mutual fund model
- Rebalancing of the funds to conform to the investment allocations on a discretionary basis and as needed for deposits/withdrawals
- Recommendations by the financial advisor to invest, reinvest, sell or retain mutual funds, if appropriate
- Ongoing monitoring of the account by the financial advisor

## **Benjamin F. Edwards Client Portfolios**

Benjamin F. Edwards Client Portfolios is an advisory program where portfolio management services are provided to the client on a non-discretionary basis for a wrap fee based on the value of the account. As a non-discretionary account, the client retains final decision-making authority with respect to all transactions. The financial advisor and client will work together to identify an appropriate investment strategy. The financial advisor will monitor the account to ensure it remains consistent with the strategy and make recommendations as needed.

*The fee schedule is as follows:*

First \$250,000 = 2.00%  
Next \$250,000 = 1.50%  
Next \$500,000 = 1.25%  
Next \$1,500,000 = 1.00%  
Next \$2,500,000 = 0.75%  
Amounts greater than \$5,000,000 = 0.65%

*Additional Services:*

- Recommendation of customized asset allocation
- Recommendations by the financial advisor to invest, reinvest, sell or retain assets, if appropriate
- Ongoing monitoring of the account by the financial advisor
- Advice by the financial advisor on the client's proposed unsolicited transactions

## **Benjamin F. Edwards Private Portfolios**

Benjamin F. Edwards Private Portfolios is an advisory program where portfolio management services are provided to the client on a discretionary basis for a wrap fee based on the value of the account. As a discretionary account, the financial advisor is not required to contact the client prior to each transaction. The financial advisor and client will work together to develop an investment strategy and portfolio model. The financial advisor will monitor the account to ensure it remains consistent with the investment strategy and that the portfolio model remains appropriate.

*The fee schedule is as follows:*

First \$250,000 = 2.25%  
Next \$250,000 = 1.75%  
Next \$500,000 = 1.50%  
Next \$1,500,000 = 1.25%  
Next \$2,500,000 = 0.85%  
Amounts greater than \$5,000,000 = 0.75%

*Additional Services:*

- Investing, reinvesting, selling or retaining assets at the financial advisor's sole discretion, based on client suitability profile and model
- Ongoing monitoring and security selection by the financial advisor
- Development of customized asset allocation
- Rebalancing of the securities as needed to conform to the investment allocations and/or for deposits/withdrawals
- Advice by the financial advisor on the client's proposed unsolicited transactions

### **Benjamin F. Edwards Separately Managed Portfolios (Covered)**

The Benjamin F. Edwards Separately Managed Portfolios (Covered) advisory program provides the client with an opportunity to access strategies of select third-party money managers that are covered by BFE (“Covered Managers”), meaning that BFE conducts initial and ongoing research and due diligence on these managers. To be a Covered Manager, certain information must be readily available to support BFE’s initial and ongoing due diligence of the money manager, the manager must meet BFE’s qualitative due diligence requirements, and there must be sufficient economic efficiencies including the amount of fees charged by the money manager or the level of interest in the money manager on the part of BFE clients. BFE is the sponsor of the program with the money manager serving as the sub-advisor. Strategies may be implemented by the Covered Manager directly or by the Covered Manager providing models to Lockwood Advisors, Inc. (Lockwood), an affiliate of Pershing LLC and a Registered Investment Adviser, who will manage the account per the model provided. The client pays one wrap fee that includes the money manager fee. Periodic information regarding the manager and its strategy will be available to BFE’s financial advisors to provide to clients upon request.

The annual fee for this advisory service varies based on the type of securities managed and is as follows:

	<b>Equity/Balanced</b>	<b>Fixed Income</b>
First \$500,000 in assets	2.75%	1.25%
Next \$500,000 in assets	2.25%	1.15%
Next \$1,500,000 in assets	1.75%	1.00%
Amounts greater than \$2,500,000	1.25%	0.85%

#### *Additional Services:*

- The Covered Manager or Lockwood, as applicable, shall invest, reinvest, sell or retain assets in its sole discretion for this account
- Ongoing monitoring and due diligence by BFE on the Covered Managers
- Ongoing monitoring, due diligence and research by the Covered Manager on the securities selected
- Proxy voting by the Covered Manager or Lockwood, as applicable, depending on election made on the client advisory agreement. If client elects the manager to vote the proxies, clients may contact their financial advisor to request information regarding how the proxies were voted.

### **Benjamin F. Edwards Separately Managed Portfolios (Non-Covered)**

The Benjamin F. Edwards Separately Managed Portfolios (Non-Covered) advisory program provides the client with an opportunity to utilize strategies of third-party money managers that are available on the platform but are not covered by BFE (“Non-Covered Managers”), meaning that BFE performs only minimal ongoing research and due diligence on these managers. A Non-Covered Manager may not be covered for a variety of reasons including: not meeting the due diligence standards required by BFE’s Covered Program; lack of ready availability or access to information necessary for BFE to perform required diligence; or for economic inefficiencies including the amount of fees charged by the money manager; or the level of interest in the money manager on the part of BFE clients. BFE is the sponsor of the program with the money manager serving as the sub-advisor. Strategies may be implemented by the Non-Covered Manager directly or by the Non-Covered Manager providing models to Lockwood Advisors, Inc. (Lockwood), an affiliate of Pershing LLC and a Registered Investment Adviser, who will manage the account per the model provided. The client pays a wrap fee that excludes the fee charged by the Non-Covered Manager, which is paid separately by the client. The total fee may be more or less than the wrap fee

charged by BFE on Covered Managers depending on the fee charged by the third-party money manager. However, the advisory fee charged by BFE is less, due to the lower degree of due diligence performed. Unlike the Covered Program, periodic information regarding the manager and its strategy will only be provided if the information is readily available and accessible to BFE.

The annual fee for this advisory service, excluding the separate money manager's fee which differs among managers, varies based on the type of securities managed and is as follows:

	<b>Equity/Balanced</b>	<b>Fixed Income</b>
First \$500,000 in assets	2.00%	0.75%
Next \$500,000 in assets	1.50%	0.65%
Next \$1,500,000 in assets	1.00%	0.60%
Amounts greater than \$2,500,000	0.75%	0.60%

*Additional Services:*

- The Non-Covered Manager or Lockwood, as applicable, shall invest, reinvest, sell or retain assets in its sole discretion for this account
- Limited ongoing monitoring and due diligence by BFE on the Non-Covered Managers
- Ongoing monitoring, due diligence and research by Non-Covered Managers on the securities selected
- Proxy voting by the Non-Covered Manager or Lockwood, as applicable, depending on election made on the client advisory agreement. If client elects the manager to vote the proxies, clients may contact their financial advisor to request information regarding how the proxies were voted.

**Benjamin F. Edwards Unified Managed Account (UMA)**

UMA is a discretionary, multi-discipline managed account product housed in a single account.

There are six diversified core models that span the Firm's nine strategic allocation models. BFE is the sponsor, and Lockwood Advisors, Inc. (Lockwood), an affiliate of Pershing LLC., serves as the overlay manager. BFE and Lockwood work together to determine the default asset allocation percentages and allowable bands for each model. Lockwood and BFE select the investments to be used for each style allocation, also known as each sleeve, of the core models. Additionally, Lockwood's investment committee and BFE approve each investment vehicle available in the UMA. A sleeve can contain a third-party money manager's equity model, an exchange traded fund, a mutual fund or a combination of all three. Additionally, a mutual fund model or ETF model provided by BFE or a 3rd party strategist may be used within the UMA.

The BFE UMA is a flexible UMA in that once the client has selected a model, the Advisor has discretion to follow the core model as determined by BFE and Lockwood or to adjust asset allocation/style percentages within the allowable bands in addition to substituting in other approved investment vehicles. This customization and flexibility allows the Advisor to work with the client and tailor the UMA to their needs, objectives, preferences and circumstances.

The annual advisory fee for this advisory service, excludes (i) the separate money manager's fee if a third- party money manager's model (ranging from 0.00%-0.50%) is utilized (ii) the internal expenses of any of the mutual funds or ETFs used and (iii) the 0.10% sponsor fee (paid to BFE to cover the cost of running the program).

*The annual advisory fee schedule is as follows:*

First \$500,000 in assets = 2.25%

Next \$500,000 in assets = 1.75%

Next \$1,500,000 in assets = 1.25%

Amounts greater than \$2,500,000 in assets = 1.00%

Plus sponsor fee of 0.10% and cost of any manager from 0.00% - 0.50%

*Additional Services:*

- Lockwood shall invest, reinvest, sell or retain assets in its sole discretion for this account per the model selected
- Ongoing monitoring, due diligence and research by BFE and/or Lockwood on the securities, managers and strategists available in the UMA
- Maintenance and implementation of the models
- Rebalancing of the securities to conform to the model allocations. There is no periodic rebalance schedule set but accounts will be monitored and when they drift from target allocations they will be rebalanced back to target. A drift review will occur at the sleeve level bi-weekly. A rebalance will occur if sleeve allocation is a relative 20% from the target allocation. Weekly High/Low cash review will also be performed. Ad hoc rebalancing may occur as deemed appropriate by Lockwood in co-ordination with BFE.
- Proxy voting by Lockwood depending on election made on the client advisory agreement. If client elects for Lockwood to vote the proxies, clients may contact their financial advisor to request information regarding how the proxies were voted.

#### **Lockwood Asset Allocation Portfolios (LAAP)**

LAAP is a discretionary, multi-discipline managed portfolio product. BFE is the sponsor of LAAP, and Lockwood Advisors, Inc. (Lockwood), an affiliate of Pershing LLC., serves as the portfolio manager. As portfolio manager, Lockwood determines the asset allocation strategy and selects investment vehicles for each investment style component of LAAP based on proprietary models. These models may consist of open- and closed-end mutual funds, exchange traded funds and other securities, as determined by Lockwood, at its sole discretion. We continue to support LAAP for existing clients, but the program is no longer open for new clients to purchase.

*The annual fee for this advisory service is as follows:*

First \$500,000 in assets = 1.50%

Next \$500,000 in assets = 1.25%

Next \$1,500,000 in assets = 1.00%

Amounts greater than \$2,500,000 = 0.75%

*Additional Services:*

- Lockwood shall invest, reinvest, sell or retain assets in its sole discretion for this account
- Ongoing monitoring, due diligence and research by BFE on Lockwood
- Ongoing monitoring, due diligence and research by Lockwood on the securities and allocations
- Maintenance and trade implementation of the models
- As needed, rebalancing of the securities to conform to the investment allocations and for deposits/withdrawals
- Proxy voting by portfolio manager, depending on election made on the client advisory agreement. If client elects the manager to vote the proxies, clients may contact their financial advisor to request information regarding how the proxies were voted.

### **Lockwood Investment Strategies (LIS)**

LIS is a discretionary, multi-discipline managed account product housed in a single account with five core models. The five (5) core models span the risk/return spectrum from a current income model to a growth model within the context of a diversified portfolio. If appropriate, a client may also choose from four (4) additional models which include exposure to non-traditional asset classes. BFE is the sponsor of LIS, and Lockwood Advisors, Inc. (Lockwood), an affiliate of Pershing LLC., serves as the portfolio manager. As portfolio manager, Lockwood determines the asset allocation strategy and selects both sub-managers and specific investment vehicles for each investment style component of LIS based on proprietary modeling strategies, as well as its macroeconomic outlook and investment discipline. These models may consist of stocks, bonds, open- and closed-end mutual funds, exchange traded funds and other securities as determined by Lockwood at its sole discretion. We continue to support LIS for existing clients, but the program is no longer open for new clients to purchase.

*The annual fee for this advisory service is as follows:*

First \$500,000 in assets = 2.50%  
Next \$500,000 in assets = 2.00%  
Next \$1,500,000 in assets = 1.50%  
Next \$2,500,000 in assets = 1.00%  
Amounts greater than \$5,000,000 = 0.75%

*Additional Services:*

- Lockwood shall invest, reinvest, sell or retain assets in its sole discretion for this account
- Ongoing monitoring, due diligence and research by BFE on Lockwood
- Ongoing monitoring, due diligence and research by Lockwood on the securities and allocations
- Maintenance and implementation of the models
- As needed, rebalancing of the securities to conform to the investment allocations and for deposits/withdrawals
- Proxy voting by third-party manager depending on election made on the client advisory agreement. If client elects the manager to vote the proxies, clients may contact their financial advisor to request information regarding how the proxies were voted.

### **Investment Management Consulting (with Execution)**

The Investment Management Consulting (with Execution) Program is a service whereby BFE may, based on a negotiated scope of services, consult with clients with respect to any or all of the services below, either on an ad-hoc or ongoing basis. BFE will not actually manage client assets as part of the Investment Management Consulting Wrap Program. As a wrap program, the cost of execution of transactions will be included in the advisory fee.

The advisory fee for this service will be a negotiated fixed or asset based amount based on negotiated services to be provided.

*Additional Services may include:*

- Investment Policy Statement (IPS) Preparation
- Investment Policy Statement (IPS) Review
- Investment Policy Statement Monitoring
- Search and evaluation of investment alternatives



- Ongoing monitoring and due diligence by BFE of investment manager(s)
- Ongoing performance monitoring
- Past performance review
- Fee Billing
- Execution of transactions
- Custody of assets
- Performance Monitoring Reports
- Participate in Periodic Meeting

BFE offers multiple wrap programs with differing costs to BFE. As a result, the compensation received by your Financial Advisor varies between the wrap programs. The ability to offer multiple wrap programs can raise concerns that some programs would be favored over others. BFE manages these types of potential conflicts between programs through its policies and procedures, which include, internal trading review processes and trading oversight.

### ***Disclosure of Additional Fees and Compensation***

Certain investment products or services available in BFE's investment advisory programs (collectively referred to as "products") provide additional compensation to BFE and its financial advisors beyond the wrap fees applicable to the advisory programs discussed above. This additional compensation is used, among other things, to help pay for education and training of advisors, investment selection and management tools, and a variety of other expenses associated with maintaining an investment advisory platform. However, when BFE or a financial advisor receives any of the additional compensation described, they have an incentive to recommend or sell those products over products that do not provide such compensation, or which provide less compensation, rather than making recommendations based solely on clients' needs. In addition, different products present specific conflicts as described below.

BFE addresses these conflicts of interest by disclosing the existence of the compensation in its various investment advisory disclosure documents, including making the documents available on its public website ([www.benjaminfedwards.com](http://www.benjaminfedwards.com), see "Important Disclosures"), so clients may make informed decisions whether to participate in programs that involve transactions in mutual funds or other products that present compensation-related conflicts of interest. In addition, the Firm does not accept 12b-1 compensation from mutual fund holdings in investment advisory accounts. This is accomplished either by using a share class that does not include 12b-1 expenses, or by periodically rebating mutual fund 12b-1 fees to clients.

While the Firm does not accept 12b-1 compensation in advisory programs, it does receive other internal product related compensation such as servicing fees and other fees as described in the section of this document titled Compensation Associated with Internal Product Expenses. When the Firm receives such compensation, individual financial advisors do not receive or share in those payments.

### **Compensation Associated with Internal Product Expenses**

In addition to wrap fees, there are additional internal expenses charged by products such as investment company securities (e.g., mutual funds, exchange traded funds, unit investment trusts, annuity contracts) or other products. All such expenses have the effect of reducing the overall performance of the investment. Some internal expenses, such as investment management fees, are retained by product issuers or their affiliates. Some of these fees, such as fees related to distribution expenses of the products (sometimes referred to as "Rule 12b-1 fees"), service fees related to personal services for clients and/or the maintenance of shareholder accounts, and other shareholder

servicing fees are shared with Pershing and/or BFE. Such expenses and fees are typically charged as a percentage of the asset value under management. Please refer to the product's prospectus for applicable fees and expenses. BFE receives relatively more compensation for larger aggregate client holdings in those products than in other products that do not charge such fees, or that charge lower fees.

BFE receives payments related to the shared fees described above either directly from mutual fund companies, product vendors or related parties; or indirectly from multi-product platforms that receive payments directly from fund companies, product vendors or related parties. Currently, BFE receives this type of indirect payment through participation in the FundVest® platform of its clearing firm, Pershing LLC. BFE permits the use of FundVest or non-FundVest mutual funds in BFE investment advisory accounts. The availability of supplemental research and product support from certain products on the FundVest® platform make it more desirable for BFE or its financial advisors to employ those products in investment advisory or non-advisory programs, even though a lower-cost product might be available to the client if it were purchased away from the FundVest platform.

Products offered by investment company issuers, particularly mutual funds, frequently have multiple "share classes." Share classes are differentiated primarily based on their fee and compensation structures. Some share classes, such as Class A shares, require payment of an upfront sales charge; others, such as Class C shares, impose a deferred sales charge if the product is sold within varying periods of time relative to the purchase date (e.g., one year). Share classes can be further differentiated based on whether there is a charge, or how much is charged, in the way of internal expenses such as management fees, 12b-1 fees, service fees, shareholder servicing fees, or any other similar fee or expense that a particular fund charges. Some investment company securities also have specialized share classes that are eligible for use in investment advisory accounts, and that do not impose an upfront or deferred sales charge, and can have significantly reduced internal expenses. Details for individual products are outlined in the applicable prospectus.

Regardless of the platform from which a product is selected, clients should not expect that they will be purchasing the lowest cost product in their investment advisory account, and should also understand that the ability of the Firm and the advisor to use more expensive share classes creates the conflicts of interest described in this document.

Sales of the more expensive share classes benefits the Firm by offsetting expenses that would otherwise be incurred in the operation, management and oversight of its investment advisory platform. BFE takes steps to mitigate this conflict by not directing any of this additional compensation directly to financial advisors. As a matter of policy, BFE financial advisors are responsible for selecting the most appropriate share classes of the investments recommended to clients. To the extent that BFE advisory clients are invested in mutual funds that levy 12b-1 fees, BFE will take steps to rebate such fees to clients.

In some cases, when BFE purchases the lowest cost share class of a mutual fund for a client, a custodian will charge BFE an additional fee each time a transaction is completed. BFE reserves the right to pass the additional fee directly to the client. When this fee is passed through to the client, it will reflect on the client's trade confirmation, which is issued by the custodian.

BFE uses a variety of share classes on its investment advisory product platform, including share classes other than those designed specifically for investment advisory accounts. BFE also uses more than one share class of the same mutual fund in different investment advisory accounts. BFE will arrange with the product sponsor, distributor or other applicable party to waive upfront sales charges, and will request a waiver of deferred sales charges, when such sales charges apply to a selected share class. If a deferred sales charge is not waived, the sales charge will be paid by the client. Even when sales charges are waived, however, at least some internal expenses will always apply.

BFE financial advisors select investment products and share classes, commensurate with the objectives and goals of clients. BFE and financial advisors will not always select, and clients will not always receive, a product's lowest cost share class, even if a lower cost share class is available, a similar product with a lower cost is available from another issuer, or lower cost share classes are sold to other clients.

### **Compensation Associated with Product-Related Marketing Support Payments**

BFE also receives marketing support payments (sometimes known as revenue sharing or by similar terms) from a fund's investment adviser or other fund affiliate, as well as from insurance company product vendors, third-party money managers, and other product, platform or service-providers. Such payments are sought for the purpose of compensating BFE for its marketing and educational efforts associated with sales of the product, or to offset operational costs of the Firm. Such payments are paid as a percentage of the product's assets under management and/or as a percentage of the amount of purchases with BFE, or they are paid to BFE in lump sum amounts in the form of reimbursement for expenses associated with particular events such as motivational, training or education symposia for financial advisors or clients, as well as other events presented by BFE.

BFE does not receive such payments in connection with all funds, products, or providers. Although BFE receives cash payments from some funds, products or providers, BFE's financial advisors do not receive any of the cash payments described above from vendors. On the other hand, BFE's financial advisors attend educational events paid for by vendors, and vendors reimburse financial advisors for the cost to travel to educational events as well as for the cost of meals and lodging at such events. Financial advisors have an incentive to recommend the products of vendors that provide and pay for educational events the financial advisors attend, even if the products of other vendors are less expensive or otherwise better meet their clients' needs.

### **Compensation Associated with Bank Deposit Program**

BFE offers an FDIC-insured bank deposit program, a cash-sweep option that is intended for the investment of available cash balances into interest bearing bank deposit accounts. Clients earn interest on the assets invested in the deposit program; and BFE, Pershing, and the deposit program sponsor earn fees, and share in interest payments made by the participating banks. The portion of payments that BFE receives varies based on the amount individual clients deposit in the program.

BFE has the ability to select, within parameters established by the program sponsor, the class of deposit program in which client funds are invested. The differences between deposit program classes reflect the difference in the amount of compensation received by BFE. Thus, BFE has an incentive to choose a deposit program class that pays BFE more than other available classes. BFE also earns more if clients participate in the deposit program as opposed to investing in other products or asset classes that offer clients the potential for higher returns at given points in time.

Additional information on the deposit program is provided in a disclosure brochure that is delivered to all clients at or prior to the time they begin participating in the program. Additional copies can be obtained from a BFE financial advisor upon request.

### **Compensation Associated with Ancillary Services**

The wrap fee does not include, and the client will be charged separately for, fees for ancillary services such as, without limitation, fees relating to: specific types of product or asset transfers, processing, maintenance or

safekeeping; checking or debit card services; and account termination or transfer. The complete ancillary fee schedule is available on BFE's public website ([www.benjaminfedwards.com](http://www.benjaminfedwards.com)) in the Important Disclosures section entitled "Client Fees", and is incorporated by reference; a hardcopy is available upon request from any BFE financial advisor. Most of these fees are passed directly to Pershing; however, BFE retains a portion of selected fees, which creates a conflict of interest as BFE has an incentive to recommend the additional services.

### **Compensation on Asset-Based Loans Available from Pershing**

BFE receives cash compensation when clients choose to obtain an asset-based loan from Pershing LLC (i.e., a loan that is secured by assets in the client's account). Clients may obtain a "non-purpose" loan (the proceeds of which may be used for any purpose other than purchasing securities) or a "margin" loan (the proceeds of which can be used to purchase securities). Obtaining a non-purpose loan requires the opening of a Loan Advance Account, which is a brokerage account. Clients can use the assets in either existing BFE brokerage or advisory accounts as collateral for such loans.

Clients who decide to enter into an asset-based loan arrangement with Pershing should carefully consider the following:

- Clients are borrowing money that will have to be repaid to Pershing.
- Pledge arrangements are only available for non-qualified accounts.
- The client, as the borrower, is using cash and securities in the BFE account(s) as collateral.
- The client will be charged an interest rate that is subject to change.
- Pershing or BFE can force the sale of securities or other assets in the pledged account at any time and without notice to cover any deficiency in the value of the securities pledged for the loan. Pershing, or the portfolio manager, in the case of an advisory account, can decide which securities to sell without consulting the client.
- BFE has a conflict of interest when a client obtains a loan from Pershing. This conflict occurs because BFE will receive a portion of the interest charged on the loan. BFE reduces this conflict by reviewing the borrower's accounts to determine whether the loan is appropriate and in line with the borrower's goals and objectives.
- For non-purpose loans, Pershing is responsible for reviewing the loan application and any other documents that Pershing requires to obtain the loan. Pershing, in its sole discretion, will determine the credit worthiness of the applicant, including the amount of the loan.
- For Margin loans, BFE and Pershing review the margin agreement and any other documents that Pershing may require for clients to obtain the margin loan.
- Prior to establishing a loan with Pershing, clients should carefully review applicable program-specific disclosure documents provided by Pershing and BFE, and any other forms required in order to process the loan.

### **Payments BFE Receives from Its Clearing Firm**

As is the case with all of the firm's service providers, BFE pays its clearing firm, Pershing, LLC, for the various services it provides, including but not limited to execution, clearing, custody and other services based on a negotiated fee schedule. Pershing reimburses BFE for some of the infrastructure and operational expenses associated with growing its brokerage and investment advisory asset base. The current arrangement is anticipated to continue at least through December 2022, although the agreement can be periodically revisited in the intervening time based on mutual agreement of the parties. Pershing also typically reimburses BFE for certain documented account transfer fees if BFE credits a client account for fees charged by a client's prior firm at the time the account transferred to BFE. These arrangements create an incentive for BFE to endorse Pershing, and to place

clients in brokerage or investment advisory programs or to engage in other activity that, by operation of the negotiated fee schedule, could be more profitable to the Firm.

With respect to the Lockwood Investment Strategies and Lockwood Asset Allocation Portfolios programs, Lockwood will pay BFE a sponsor fee from the amounts charged to the client for participation in such programs. Financial advisors do not receive payments in connection with such sponsor fee.

With respect to Benjamin F. Edwards Separately Managed Portfolios (Covered), the client will pay a single wrap fee that covers all charges including but not limited to trading, clearing & custody, reporting, advice and the costs of a third-party money manager. If the cost of administering the program decreases, this will not automatically reduce the fee paid by the client. Some third-party money managers cost less than others for similar strategies, which creates a conflict whereby an advisor is incentivized to choose a lower- cost manager.

### **Additional Product and Service Charges**

Certain mutual funds offered on Pershing's platform charge internal expenses known as sub-transfer-agent (sub-TA) fees. Sub-TA fees are paid to BFE's clearing firm, Pershing LLC, to compensate Pershing for the administrative and bookkeeping costs of maintaining those fund positions on its platform; BFE receives no portion of the sub-TA fee Pershing receives. When clients purchase mutual funds that do not pay Pershing a sub-TA fee, Pershing applies a \$10 surcharge on each buy or sell order the client transacts in the funds. However, rather than require its clients to pay the surcharge, BFE absorbs the expense and pays the surcharge to Pershing. Because BFE pays the surcharge for these mutual funds, it has an incentive to recommend other funds that have similar investment profiles but cost clients more.

Some mutual funds impose a short-term redemption charge that is paid by the client if the product is sold within varying periods of time relative to the purchase date (e.g., 90 days). BFE receives no portion of individual funds' redemption charges.

The wrap fee does not include separate external fees charged by a product sponsor or trustee, such as would be the case if the assets of a donor advised fund are managed within an advisory account, or if an advisory account is owned by a trust with a corporate trustee or other party who receives separate compensation from account assets. Such additional external fees would typically be charged separately by the donor advised fund or the trustee and paid by BFE from the account assets.

### **Non-Cash Compensation**

Finally, some product vendors, money managers, or service providers make nominal gifts or provide business entertainment, such as meals, or tickets to theatrical, sporting or other events, to BFE or its financial advisors. Such gifts or entertainment provide an incentive for BFE and its financial advisors to recommend the products of vendors who provide such compensation over the products of other vendors, even if the other vendors' products are less expensive or otherwise better meet advisory clients' needs.

### ***Additional Disclosures About BFE Wrap Fee Programs***

BFE's wrap free programs have several other characteristics with which clients should be familiar. Although these characteristics do not typically result in additional compensation received by BFE, in some cases they result in additional expenses for clients, which could negatively impact the performance of their accounts.

## **Negotiability of Wrap Fees**

Wrap fees are negotiable and BFE will consider reducing the wrap fees described above under appropriate circumstances. For example, BFE will consider fees paid by the client to a competitor for a similar investment advisory program; whether the totality of the client relationship, including both advisory, non- advisory or other business warrants a reduced fee; whether there is a realistic likelihood of significant future business, etc. See the “Compensation” section below for information regarding compensation to portfolio managers/financial advisors.

Clients have the option to purchase investment products that BFE recommends through other brokers or agents that are not affiliated with BFE. Participating in wrap fee programs or other advisory programs would cost the client more or less than if the client were to implement his or her selected program separately from BFE, such as by using a different program sponsor, pursuing the strategy through a brokerage account, or investing directly with the mutual fund family. Some factors that might impact the total cost to a client who implements a program separately from BFE include the frequency of trading activity; whether a client might be successful in negotiating a lower fee with a sub-advisor; rate of commissions, markups or other transaction-related compensation; or whether account fees, transaction fees or similar charges would be incurred.

## **Suitability of Brokerage Versus Advisory**

Because the wrap fee and other incidental fees that a client pays for maintaining an investment advisory account could cost more (or less) than the transaction based commissions that would be paid for simply engaging in transactions in a brokerage account, a client should keep in mind the totality of what he or she is paying for, and his or her desire for those services.

Asset-based wrap fees are designed to better align a financial advisor’s interests with those of his or her client. Thus, if the market value of the advisory account’s assets increases, so will the financial advisor’s asset-based compensation. Conversely, if the market value of the advisory account’s assets decreases, so will the financial advisor’s asset-based compensation. In addition, asset-based fees also can reduce or eliminate the financial incentive that a financial advisor might have in a commission-based brokerage account to recommend transactions solely or primarily for the purpose of generating commissions for the financial advisor’s own benefit; conversely, advisors may have an incentive not to recommend transactions when they will receive compensation regardless of the level of activity in the account. Instead, the wrap fee is a way for a client who wishes to receive the benefits of ongoing portfolio monitoring and advice to compensate his or her financial advisor who believes that less frequent, or even no, trading is appropriate for an extended period of time.

But there are situations where a client must recognize that a brokerage account might be economically advantageous, as long as the client is willing to forego the ongoing benefits of an advisory relationship. For example, if a client is solely interested in obtaining low-cost transactions, and anticipates engaging in comparatively fewer transactions or employing a buy-and-hold strategy); or anticipates engaging primarily in unsolicited (i.e., self-initiated) transactions; or anticipates holding positions in assets that a client might not wish to sell for an extended period of time (such as positions that are maintained primarily for sentimental value; assets that have limited liquidity; or substantial positions in cash, money market funds or bank deposit products that are not expected to be invested for an extended time) then it could be in the client’s financial interest to maintain those assets in a brokerage account instead, and forego the ongoing advice and monitoring that is available in an advisory account. Clients should assess for themselves the value of services obtained in a wrap fee advisory account versus the more limited relationship and services provided with a brokerage account.

## **Factors to Consider When Funding Advisory Accounts**

Portfolio managers generally require that accounts be initially funded with cash or eligible securities (i.e., securities that are permitted by the portfolio manager to be held in the particular account or program). In the event a client deposits securities to initially fund an advisory account that are ineligible, the securities will be promptly sold or, at the client's direction, will be held in a brokerage account so an advisory fee will not be charged for the position. While prompt liquidation of ineligible securities is required in order to immediately begin participating in the advisory program, clients should understand that, in the case of securities that are relatively less liquid (including most fixed income positions and certain equity positions), prompt liquidation will not necessarily generate the greatest possible proceeds contrasted with actively managing the sale over time. Clients who do not wish to make this trade-off should consider funding their advisory account with only eligible securities or cash.

Clients can leave eligible securities that they do not wish to sell, or that are not readily liquid, in an advisory account in order to receive comprehensive portfolio-based advice. Because a fee is charged on the market value of all assets held in an advisory account, including cash, money market funds and bank deposit products, clients should take this into consideration and discuss the client's personal situation with the financial advisor when making such a decision. Clients should keep in mind that holding substantial positions in assets such as cash, money market funds and bank deposit products that are not intended to have substantial price fluctuations, or that offer only limited return potential, might well be part of a financial advisor's portfolio-based investment strategy as a technique to cushion the effect of a downward market or to have assets available while waiting for investment opportunities in times of volatile or uncertain markets or governmental economic behavior.

## **Transactions Executed Away from Pershing**

Implementation and execution of transactions in advisory programs are conducted by BFE as an introducing firm on a fully disclosed basis through its clearing firm, Pershing, LLC. However, money managers associated with four investment advisory programs (Benjamin F. Edwards Separately Managed Portfolios (Covered); Benjamin F. Edwards Separately Managed Portfolios (Non-Covered); Lockwood Investment Strategies; and Benjamin F. Edwards Unified Managed Account) have the option of executing transactions away from Pershing if they believe it is in the client's best interests to do so. This is frequently referred to as "trading away" or "step out trading". The money manager – not BFE – decides as to when it trades with Pershing or away from Pershing. A money manager's ability to trade away is not limited, as the money manager's fiduciary duty to clients, as well as its expertise in trading its portfolio securities, makes the money manager responsible for determining the suitability of trading away from Pershing.

The wrap fees disclosed previously in this document do not cover transaction charges or other charges, including commissions, markups and markdowns, resulting from transactions effected through or with a broker-dealer other than Pershing, which is the custodian. In addition, some money managers executing trades in U.S. Treasury securities will incur a system cost from the portal through which the trades are processed. As a result, these trades could be more costly than trades that execute with Pershing and could negatively affect the performance of the account. Further, the additional trading costs will not be reflected on clients' trade confirmations or account statements. Typically, the executing broker will embed the added costs into the transaction price, making it difficult to determine the exact added cost for transactions executed away from Pershing.

BFE does not receive additional fees when money managers execute transactions away from Pershing.

In light of the additional charges that apply to step out transactions, the money manager could determine that placing clients' transactions with Pershing is in clients' best interest. Alternatively, the money manager may



execute transactions with a broker-dealer firm other than Pershing if the money manager believes that doing so is consistent with its obligation to obtain best execution.

Each money manager's Form ADV Part 2A brochure should provide more information regarding that money manager's brokerage practices and conflicts of interest, including any additional expenses that apply.

### **Client Fee Processing in Advisory Wrap Accounts**

The annual fee for advisory wrap accounts, with the exception of Investment Management Consulting (with Execution) accounts, is charged quarterly in advance (at the rate of one-fourth of the annual fee detailed above). The fee is calculated based upon the market value of all assets under management in the account, including all balances in cash, money market funds, and bank deposit programs, (excluding any margin debit balances, if applicable) at the close of business on the last business day of the previous quarter as determined by the Managed Investments division of Pershing ("Managed Investments"), an affiliate of the custodian and a service provider to BFE with respect to a variety of back office services in support of BFE's advisory programs. The fee will be deducted from the client's advisory account(s) (or a designated Benjamin F. Edwards brokerage account of the client) with the permission from the client. Adjustments to fees are made quarterly (for the prior quarter) for net flows of \$2,500 or more. The adjustment will be prorated based on the dates the contribution(s) and/or withdrawal(s) occur.

Under certain circumstances, BFE permits advisory program assets to be held with a custodian other than Pershing, LLC. This would occur, for example, in connection with positions in alternative investments that must be held with the issuer of the securities. In such situations, BFE will invoice the client separately on a quarterly basis for the appropriate amount of the advisory fee attributable to the position. The amount of the fee will be determined by BFE based on information reasonably believed to reflect the value of the asset where it is held. The client will be asked to sign a Letter of Authorization to permit BFE to deduct the fee from the client's account separately from the fee that is deducted by Managed Investments. At the time the fee is deducted from the account, BFE will send a separate notification to the client reflecting the amount of the fee. The client should verify the fee using information the client receives from the party that holds the asset and, if there are questions, present them to his or her financial advisor.

Clients who join the program mid-quarter will be assessed a prorated fee for the quarter in which they joined. New accounts will be billed from the date the account is opened through the end of the current quarter. The initial fee will be charged at the account opening, paying fees in advance thru the end of the quarter.

In the event the account is terminated mid-quarter, BFE will refund the prorated portion of the client's prepaid fees upon termination of the client advisory agreement; however, if an advisory wrap account is terminated within the first 12 months, BFE reserves the right to refund the client's prepaid fees to BFE less any reasonable expenses associated with opening, positioning, maintaining and terminating the account.

### **Miscellaneous Disclosures**

BFE does not sell insurance products as part of its advisory wrap account programs.

With respect to the Benjamin F. Edwards Unified Managed Account program, by initiating this program Lockwood modestly reduced the fees charged to BFE. This cost savings is not contingent upon the growth of assets under management in the program nor additional account openings in the program.



In some cases, BFE has a separate brokerage relationship with persons who are also investment advisory clients of BFE. As an investment adviser, BFE owes a heightened standard of fiduciary care when providing investment advice to the client than when acting as a broker-dealer. During the course of a brokerage relationship, the broker-dealer acts either as principal or agent when effecting transactions with clients and typically receives compensation in connection with such transactions. Brokerage and investment advisory accounts are not commingled; transactions in both brokerage and advisory accounts are disclosed or reported to the client.

A conflict of interest arises where BFE would receive both commissions and fees in situations where brokerage and advisory services are provided. It is BFE's policy, subject to certain exceptions, to refund commissions on transactions executed within a brokerage account that would have been more appropriately completed in an advisory account where no commission would be charged. In the case of securities sold by prospectus, BFE will reduce the amount of the advisory fee to account for the sales charge previously paid.

BFE employees, including access persons, are permitted to participate in any of the advisory programs offered by BFE and thus will own the same securities owned by advisory clients. In addition, BFE employees, including financial advisors who are advising clients in the Benjamin F. Edwards Client Portfolios Program and the Benjamin F. Edwards Private Portfolios Program, are permitted to engage in transactions alongside clients, including purchasing securities that they are advising clients to sell, and selling securities that they are advising clients to purchase. In most cases, such "contrary" transactions are limited to special circumstances, such as to pay for educational, medical or unanticipated significant expenses; however, the Firm permits such transactions in certain other situations.

### ***Financial Planning Fees***

The method by which BFE will be compensated for preparing a financial plan varies based on the needs of the client and the nature of planning activity that is contemplated, and may be based on a flat fee or hourly rate. For a typical financial plan, individual financial advisors may charge a flat fee as agreed upon by the financial advisor and the client, or an hourly rate of \$300. The flat fee and hourly rate are fully negotiable, taking into consideration a variety of factors, including the anticipated complexity (or simplicity) of the plan; other holdings and accounts maintained by the client; prospective future business anticipated with BFE; the totality of other relationships with the client (e.g., family members, business accounts, etc.); or other factors that may be pertinent in given cases. For any fee agreement that is in excess of \$10,000 (whether by flat fee or hourly rate), the financial advisor must receive approval for such fee by the Manager of Wealth Planning Strategies. The Manager of Wealth Planning Strategies shall review the fee proposal, the overall client situation and the contemplated deliverable plan to assess the reasonableness of the proposed fee.

If a flat fee is to be paid, the client will be charged in full in advance. If an hourly rate is to be paid, the financial advisor will estimate the number of hours to complete the plan and the client will be charged 50% of the estimated fee in advance. Upon completion and delivery of the plan, the remaining balance will be charged. Payment may be made by writing a check payable to Benjamin F. Edwards & Co. or by authorizing a deduction from a BFE account.

If a client elects to terminate the financial planning relationship prior to completion of the plan, the client will receive a refund of the amount paid, less any time expended by BFE at an hourly rate of \$300.

Financial plans are considered final when delivered, and the formal financial planning relationship is concluded at that time. If a client wishes for an update or reassessment of the plan to be prepared, BFE and the client would generally enter into a new financial planning arrangement.

The BFE financial planning program does not cover the implementation of any financial plan recommendations. A client who wishes to implement the recommendations made in a financial plan may do so through BFE or with other brokers, agents or investment advisers that are not affiliated with us. Should a client desire to implement the financial plan through BFE, the client will pay any applicable charges, including commissions and/or fees, depending on the nature of the account, and as described elsewhere in this document.

### ***Retirement Planning and Investment Management Consulting Services***

Fees for Retirement Planning Consulting and, Investment Management Consulting services, are generally charged quarterly, in advance, based on a percentage of assets under management as valued at the end of the calendar quarter. The value of assets under management will ordinarily be determined by reference to the custodian's valuation. If the services agreement is terminated on a date other than the last day of the calendar quarter, BFE will normally be entitled to a pro rata share of fees based on the actual number of days of the then-current calendar quarter ending on the termination date divided by the total number of days in the calendar quarter. The fee is non-standardized, fully negotiable, and will depend on the number, types, frequency and duration of services provided. Payment terms are also fully negotiable. If limited, one-time services are desired, BFE is willing to negotiate a fixed fee based on the scope of services to be provided.

### ***Plan Participant Consulting Services***

For one-time Plan Participant Consulting Services, Client will be charged a one-time fee, subject to a minimum dollar charge of \$200. Notwithstanding the foregoing, the fee shall not exceed 1% of the Client's Plan value. This fee will be based on the value stated on the Client's most current statement. The fee is due at the time of the agreement. Services will not be provided until payment is made. The agreement will terminate upon completion of the agreed-upon services.

For ongoing Plan Participant Consulting Services, Client will be charged an annual flat fee or an annual fee based on the total value of the Client's Plan, subject to a minimum dollar charge of \$200. Notwithstanding the foregoing, the fee shall not exceed 1% of the Client's Plan value. This initial fee will be based on the value stated on the Client's most current statement. The initial fee is due at the time of the agreement and will be pro-rated for the remainder of the calendar year. Services will not be provided until initial payment is made. For subsequent years, the annual fee will be based off of year-end statements to be provided by the client each year. Client will be charged annually in January for services to be provided in that calendar year. Services will cease if payment not received. If account is terminated mid-year, the consideration of a rebate of fees will be evaluated on a case-by-case basis based on the services already provided in that year.

### ***Compensation***

The following details the portion of the fee that is paid to the portfolio manager of each program:

**Benjamin F. Edwards Mutual Fund Portfolios** Portfolio manager is not paid a portion of the advisory fee, but instead are salaried employees of BFE.

**Benjamin F. Edwards Mutual Fund Model Strategies** Russell Investments or American Funds does not receive a portion of the advisory fees, but instead is compensated via the internal expenses of the mutual funds held.

**Benjamin F. Edwards Active Passive Portfolios** Portfolio manager is not paid a portion of the advisory fee, but instead are salaried employees of BFE.

**Benjamin F. Edwards Exchange Traded Fund Portfolios** Confluence Investment Management is paid 0.25% of

assets managed (built into the advisory fee), Laffer is paid 0.30%, Morningstar is paid 0.25% for the Contrarian models and 0.20% for the Strategic Ibbotson models. First Trust does not receive a portion of the advisory fees, but instead is compensated via the internal expenses of the exchange traded funds held. For the BFE ETF Portfolios, the portfolio managers are not paid a portion of the advisory fee, but instead are salaried employees of BFE.

**Benjamin F. Edwards Custom Mutual Fund Portfolios** The financial advisor is paid as described in the following paragraph.

**Benjamin F. Edwards Client Portfolios** The financial advisor is paid as described in following paragraph.

**Benjamin F. Edwards Private Portfolios** The financial advisor is paid as described in following paragraph.

**Benjamin F. Edwards Separately Managed Portfolios (Covered)** Manager fees vary, but range from 0.20% of assets managed (built into the advisory fee) to 0.65% of assets managed (built into the advisory fee).

**Benjamin F. Edwards Separately Managed Portfolios (Non-Covered)** Manager fees vary, but range from 0.14% to 1.25% of assets under management and are paid in addition to the advisory fee.

**Benjamin F. Edwards Unified Managed Account** Manager fees vary but range from 0.00% - 0.50% of assets under management and are paid in addition to the advisory fee. Lockwood is paid 20bps as the overlay manager (built into sponsor fee and advisory fee).

**Lockwood Asset Allocation Portfolios** Lockwood is paid a percentage of assets under management per the following fee schedule (built into the advisory fee):

First \$500,000.....	0.40%
Next \$500,000 .....	0.35%
Next \$4,000,000 .....	0.30%
Next \$5,000,000 .....	0.25%
Over \$10,000,000.....	0.20%

**Lockwood Asset Allocation Portfolios** Lockwood is paid a percentage of assets under management per the following fee schedule (built into the advisory fee):

First \$500,000.....	0.75%
Next \$500,000 .....	0.55%
Next \$4,000,000 .....	0.40%
Next \$5,000,000 .....	0.35%
Over \$10,000,000.....	0.30%

In most cases, financial advisors of BFE will receive a maximum of 50% of the wrap fees paid by advisory clients to compensate them for services which may include solicitation, shareholder support, advice, order placement and execution, and other services. However, some new financial advisors who transfer to BFE from another securities firm may temporarily receive a higher payout percentage, typically 80% but, in isolated cases, potentially up to 100%, to compensate them for income disruptions that they may experience during the first year following their transition to BFE. Financial advisors may be eligible for cash and non-cash compensation including bonuses, recognition trips, and other benefits. Some of these programs may be financed in whole or in part by unaffiliated third parties, including representatives of mutual funds or distributors, which may influence some representatives to favor those funds. The compensation received for a particular advisory portfolio program may be more than what the financial advisor would receive if the client participated in other BFE advisory portfolio programs or paid separately for investment advice, brokerage, and other services, and hence, may influence the recommendation of a particular advisory portfolio program over other programs or services.

Please see the “Other Financial Industry Activities and Affiliations” section below for information concerning receipt of compensation for the sale of securities or other investment products.

## ADV Part 2A Firm Brochure

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

Not applicable; none of BFE's supervised persons accept performance-based fees.

## ADV Part 2A Firm Brochure

### Item 7 - Types of Clients

BFE provides advice to a wide variety of clients including but not limited to:

- Individuals
- Pension and profit sharing plans
- Trusts, estates and charitable organizations
- Corporations and other business entities
- Public entities and other governmental organizations
- Educational institutions
- Investment clubs
- Foundations and other charitable or fraternal organizations

The minimum account size for each wrap fee program is as follows:

**Benjamin F. Edwards Mutual Fund Portfolios** \$50,000

**Benjamin F. Edwards Mutual Fund Model Strategies** \$50,000 for Russell and \$10,000 for American Funds

**Benjamin F. Edwards Active Passive Portfolios** \$50,000

**Benjamin F. Edwards Exchange Traded Fund Portfolios** \$50,000 for Confluence, First Trust, Laffer and Morningstar models. \$5,000 for BFE models.

**Benjamin F. Edwards Custom Mutual Fund Portfolios** \$50,000

**Benjamin F. Edwards Client Portfolios** \$50,000

**Benjamin F. Edwards Private Portfolios** \$50,000

**Benjamin F. Edwards Separately Managed Portfolios (Covered and Non-Covered)** Varies by manager but most commonly is \$100,000

**Benjamin F. Edwards Unified Managed Account** \$200,000

**Investment Management Consulting (with Execution)** \$100,000

Please note that with respect to "minimum account size" BFE may, under appropriate circumstances, consider permitting accounts having asset values lower than the indicated minimum account size to participate in the programs. Such circumstances might include, but are not limited to, whether the account is a transfer account, the totality of the relationship with other client accounts, effects of market activity, and anticipated future business.

## ADV Part 2A Firm Brochure

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

A variety of methods of analysis and investment strategies are utilized by affiliated and non-affiliated portfolio managers in the BFE sponsored advisory programs. BFE's advisory programs employ several methods of analysis, including but not limited to charting, fundamental analysis of a company's financials and technical analysis of market activity. Within each method of analysis, portfolio managers may employ a variety of time-horizon outlooks, including long-term strategic, intermediate cyclical or short-term tactical.

Regardless of the method of analysis and investment strategy, the investment advisory programs involve investing in securities which contain a risk of loss of principal that the client should be prepared to bear. All securities are subject to risk, and there is no assurance that any investment program or strategy will be successful.

In addition to the risks associated with investing in securities, no method of analysis will always yield positive results. For example, while fundamental analysis might indicate that a particular company is "fairly valued," market sentiment may nevertheless result in unexpected investment performance. Similarly, while technical analysis or charting might suggest that a particular company presents a good buying opportunity, its financial performance might cause investors to view the security differently. Depending on the portfolio manager, adherents to each method of analysis may look only to the information relevant to his or her method of analysis, to the exclusion of other information.

Investment strategies that employ diversified models may involve investing in multiple market sectors or asset classes. This diversified approach to investing has the potential to take advantage of the fact that different sectors or asset classes often perform in different ways at different times. This characteristic may yield either positive or negative results, depending on particular market conditions, or the overall breadth of the market's impact on multiple asset classes or sectors.

In addition, some particular investment styles focus on particular market sectors or classes of securities and carry additional risks. Even models that are more broadly diversified in their exposure to particular market sectors or asset classes are exposed to the underlying risks associated with those sectors or classes. For example, investors should be aware of the following:

- Equity strategies, including investing in individual companies, equity mutual funds or ETFs, involve investments in common stocks and are subject to the volatility and individual risks associated with those stocks;
- Real estate investment trusts or funds are subject to risks of the specific commercial or housing market in which the assets are invested, as well as interest rate risk;
- Small Cap and Emerging Market securities tend to be more volatile relative to the overall market;
- Bonds may "guarantee" return of principal if held to maturity, but any guarantee remains subject to the credit worthiness of the guarantor and, prior to maturity, the bond remains subject to interest rate, inflation and credit risks;
- Bond funds of all types are subject to the various risks of the underlying fixed income instruments in the fund, and there is no fixed maturity date;
- High Yield bonds expose the investor to investments in lower credit quality securities, and hence, risk of default and higher volatility;
- Tax-Exempt bonds may or may not provide returns higher than the after-tax returns of taxable bonds, so investors should consider their tax bracket and state of residence;
- International/Global/Foreign securities expose the investor to currency risk and political, social and

economic risks of the countries in which the securities are domiciled, in addition to the equity or debt nature of the securities involved.

- Options strategies introduce additional elements of complexity regarding timing of market decisions and liquidity of positions. Investors considering programs that involve the use of options should carefully review and understand the Options Disclosure Document (“Characteristics and Risks of Standardized Options”) prepared by the Chicago Board Options Exchange (CBOE), which will be provided by BFE.
- The alternative investment asset class broadly includes vehicles such as derivatives, hedge funds, currencies, managed futures, commodities, private equity, multi-strategy funds, and strategies that seek to take advantage of interest rate movements, currency carry, merger arbitrage, convertible arbitrage, short-sales, use of leverage, and other techniques. Alternative investment vehicles and strategies may be used by certain investment company portfolio managers (including open- and closed-end funds, ETFs, and UITs). Those vehicles and strategies vary widely and can directly or indirectly subject investors to a variety of risks including, but not limited to, market risk, interest rate risk, credit and counterparty risk, liquidity risk, and foreign-currency exchange-rate risk among others, depending on the investment.
- Exchange Traded Funds and Notes (ETF/Ns) are typically designed to track the performance (and sometimes the inverse) of a benchmark index or commodity, sometimes with leverage. ETF/Ns are subject to tracking error risk (meaning performance that varies in amount and possibly direction from the target benchmark index or commodity) and liquidity risk, in addition to the risks associated with the benchmarked products.

It is not possible to enumerate all possible risks associated with each of the asset classes and market sectors listed above. Clients should feel free to ask their financial advisor to discuss any of these in more detail. In addition, clients should refer to the investment advisory disclosure brochure prepared by specific third-party money managers under consideration for a detailed explanation of the nature and risks of the program being evaluated, including the use of any of the asset classes and market sectors above.

Some models are based on use of mutual funds and/or Exchange Traded Funds (ETFs). These financial instruments are securities that are sold by prospectus. While particular funds in the advisory programs may be selected by the portfolio manager, investors should read the prospectus, and summary prospectus if available, carefully to fully understand the various risks, investment objectives, charges/expenses and other information about the fund company associated with the investment.

Participants in BFE’s wrap fee advisory programs do not pay additional charges based on the frequency of trading in their account. However, it should be understood that higher-frequency trading strategies may increase the likelihood that tax consequences may be short-term in nature, and result in a higher tax cost and hence, lower net performance.

## ADV Part 2A Firm Brochure

### Item 9 - Disciplinary Information

On February 12, 2018, the U.S. Securities and Exchange Commission (“SEC”) announced a self-reporting initiative in which investment advisers could work with the SEC to resolve issues surrounding the selection of certain mutual fund share classes in advisory accounts. Known as the Share Class Selection Disclosure Initiative (SCSDI), it allowed firms to report to the SEC on a voluntary basis information pertaining to the costs associated with certain mutual fund share classes that were purchased, recommended and held for clients. More specifically, this focused on share classes used in advisory accounts that levied 12b-1 fees to clients when lower cost share classes without

such fees were readily available. In June of 2018, BFE began its participation in the SCSDI and cooperated with the SEC throughout the process.

As a result of BFE's participation in the SCSDI, on March 11, 2019, BFE consented to the entry of an Order Instituting Administrative and Cease-and-Desist Proceedings ("Order") by the SEC. The Order is concentrated on BFE's use of mutual fund share classes in accounts held within the Firm's advisory programs during the period January 1, 2014 to July 10, 2018 (the "Period"). The SEC concluded that during the Period, BFE purchased, recommended or held for advisory clients share classes of mutual funds which levied 12b-1 fees instead of lower-cost share classes of the same mutual funds for which clients were eligible. The Order further highlighted the Firm's inadequate disclosure material that would have been designed to inform investors of the fees associated with certain mutual fund share classes.

Without admitting or denying the findings in the Order, BFE consented to the following:

- The Firm shall cease and desist from committing or causing any violations and future violations of Sections 206(2) and 207 of the Investment Advisers Act of 1940
- The Firm is censured
- The Firm shall pay disgorgement of \$3,151,205.81 and prejudgment interest of \$294,058.93 to advisory clients impacted by the details in the order

To resolve the issues contained in the Order, BFE has implemented new policies and procedures related to the selection of mutual fund share classes. BFE's investment adviser representatives are prohibited from selecting mutual funds which levy 12b-1 fees to clients whenever possible. In situations where a client is charged 12b-1 fees, BFE will ensure those fees are promptly rebated to clients.

## ADV Part 2A Firm Brochure

### Item 10 - Other Financial Industry Activities and Affiliations

In addition to being a Registered Investment Adviser, BFE is engaged in a variety of investment-related business activities. BFE is registered as a broker-dealer and its management persons are registered representatives of the broker-dealer. In addition, BFE is also a member of the National Futures Association as a Guaranteed Introducing Broker (GIB) and some of its management persons are associated persons of the GIB. BFE is also licensed as an insurance agency and sells a wide variety of insurance products.

#### ***Benjamin Edwards, Inc. (BEI) Shareholders***

The following individuals/entities have made a private investment in the equity securities of BEI, the holding company of BFE:

- A Sales Representative from Anchor Capital Advisors, a third-party money manager available on BFE's Separately Managed Portfolios (Covered) program.
- The CEO/CIO of Confluence Investment Management LLC, who offers various investment company products that can be purchased through BFE and is one of the third-party money managers available for clients to select in the Separately Managed Portfolios (Covered & Non-Covered) program as well as a model provider for the Exchange Traded Fund Portfolios program.



- As part of his professional responsibilities with Confluence Investment Management LLC, he is involved in making investment decisions concerning portfolios of individual clients.
- A trust, of which a portfolio manager for Confluence Investment Management LLC is a beneficial owner.
  - As part of his professional responsibilities with Confluence Investment Management LLC, he is involved in making investment decisions concerning portfolios of individual clients.
- A Sales Representative from Dearborn Partners, a third-party money manager available on BFE's Separately Managed Portfolios (Covered) program and offers a mutual fund that can be purchased through BFE and in Advisor Directed advisory programs.
- The Senior Regional Marketing Director of Putnam Investments, a mutual fund family utilized in the Mutual Fund Portfolios program and an investment that is available in other BFE advisory programs.
- Alpine Partners Management, LLC, the General Partner of a pooled investment fund controlled by (CEO/CIO) of ACR Alpine Capital Research, LLC ("ACR"), a third-party money manager that is available for clients to select in the Separately Managed Portfolios (Covered) program. The fund that invested in BEI is not currently offered to BFE's clients. Additionally, ACR offers open-end mutual funds which may be utilized through BFE and in some of our advisory programs.

These individuals are not employees of, and will have no managerial or decision-making role with, BFE or its affiliates. As part of their professional responsibilities, however, it is anticipated that they will meet with employees of BFE to promote the services and benefits available by placing investment assets under the management of their firms. These individuals may receive compensation from the firm that is based, at least in part, on money management fees paid to the firm arising from investments through firms such as BFE. Because of these individuals' ownership interest in and their professional duties involving sales services to BFE, a conflict of interest could potentially arise particularly if both firms were to negotiate asset management fees payable to the firm that are more favorable than what might otherwise be paid by firms similarly situated with BFE, or if BFE were to determine to include or retain the firm on the BFE's programs under circumstances wherein other money management firms would not be permitted to be included or to remain.

These individuals will have no role in negotiating asset management fees payable by BFE to their firm. Further, BFE and its representatives will not receive any additional or different sales compensation in connection with recommendations to clients concerning the firms versus any other money manager under comparable circumstances. In addition, the firms and these individuals will not receive any additional or different compensation in connection with client investments placed the firm through BFE versus those of any other investment firm similarly situated.

Additionally, the Chief Executive Officer and Chief Investment Officer for Confluence Investment Management LLC is a member of the board of directors and has made a private investment in the equity securities of BEI.

As a member of the board of directors, he will be involved in the development of strategy, policy and other important matters affecting Benjamin Edwards, Inc., including its affiliates. He is also compensated for his service as a board member of BEI on the same terms as the other board members.

The Manager of Advisory Services receives compensation as Investment Adviser Representatives for some clients.



## ADV Part 2A Firm Brochure

### **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Code of Ethics BFE has adopted an ethics policy that applies to all supervised persons of BFE with the exception of items specifically identified as being applicable only to access persons. All employees, officers and directors of BFE (or any person performing similar functions) are subject to BFE's supervision and control and are considered Supervised Persons. This includes registered and non-registered persons, but does not include independent contractors. Certain categories of associated persons are considered under the policy to be "access persons" within the meaning of Rule 204A-1 of the Investment Adviser's Act of 1940.

The policy requires all supervised persons of BFE to conduct themselves according to the highest ethical standards, in accordance with the Firm's culture and in accordance with the standard of care that we owe to our clients.

The policy further requires all supervised persons of the Firm to adhere to applicable securities laws, regulations and rules. The policy further requires all supervised persons to be vigilant with respect to any actual or potential conflict of interest that could affect one's judgment or decision-making.

All supervised persons are required to maintain their securities accounts at BFE, unless an exception is specifically approved in writing. In addition, no access person is permitted to invest in any private placement or initial public offering (IPO) unless an exception is specifically approved in writing in advance. Access persons also are required to periodically disclose all securities accounts and holdings other than with respect to accounts held at BFE. Access persons are further required to periodically disclose all securities transactions other than with respect to accounts held at BFE. Access persons are further required to provide a consolidated annual holdings report of all securities accounts, including those held at BFE. Supervised persons are permitted to participate in the same advisory programs that are offered to public clients on the same terms.

It should be noted that access persons servicing clients who are participating in the Benjamin F. Edwards Client Portfolios program or the Benjamin F. Edwards Private Portfolios program may engage in equity or fixed income transactions contrary to those of their clients on the same trading day (e.g., may sell a stock that is being purchased for clients). In such situations, a conflict of interest could arise if a financial advisor engages in transactions on behalf of clients that would benefit the financial advisor, such as when he or she might purchase a large quantity of securities for clients, potentially causing the price of those securities to increase, and then sells his or her own securities. BFE addresses this situation by limiting such transactions to situations involving unanticipated extraordinary expenses, transactions necessary to fund large purchases (such as a car or home), or purchase transactions contrary to unsolicited client sell orders. In appropriate circumstances, the Firm may approve other contrary transactions upon individual review.

In addition, a financial advisor servicing clients who are participating in the Benjamin F. Edwards Client Portfolios program or the Benjamin F. Edwards Private Portfolios program may engage in equity or fixed income transactions that they simultaneously or subsequently recommend to clients (i.e., may purchase or sell a stock at the same time a client is purchasing or selling). In such situations, the larger quantity of securities being purchased or sold could impact on the price clients receive. Depending on market conditions, this could have either a positive or negative impact. BFE addresses this situation by generally requiring a financial advisor to not receive a better price than any solicited client trades on the same trading day. In appropriate circumstances, BFE may approve exceptions upon individual review.

**Review and Oversight of Securities Holdings and Transactions Accounts**, holdings and transactions are required to be supervised by the access persons' immediate supervisory principal. Oversight of such reviews is to be conducted by Compliance.

**Requirement to Report Violations of Ethics Policy** All supervised persons are required to report violations of the ethics policy to their immediate supervisor or the Compliance Department. If a report is made to an immediate supervisor or Compliance Department personnel other than the Chief Compliance Officer, the person receiving the report must ensure the violation is brought to the attention of the Chief Compliance Officer.

**Provision of Policy to Supervised Persons; Requirement to Certify Receipt of Ethics Policy** The ethics policy, as well as any amendments or updates, must be provided to all supervised persons, who must attest having received it. Periodic re-certification may be required by the Compliance Department with respect to receiving any amendments of the policy.

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

## ADV Part 2A Firm Brochure

### Item 12 - Brokerage Practices

As noted previously above, Benjamin F. Edwards & Company (BFE) is a registered investment adviser and a broker-dealer. BFE introduces all of its equity orders to its clearing firm, Pershing LLC, subject to Pershing's duty of best execution; however, money managers associated with three investment advisory programs (Benjamin F. Edwards Separately Managed Portfolios (Covered); Benjamin F. Edwards Separately Managed Portfolios (Non-Covered); and Lockwood Investment Strategies) have the option of executing transactions away from Pershing if they believe it is in the client's best interests to do so. In some cases, the unaffiliated broker-dealer imposes a commission or mark-up or mark-down (which may be embedded in the price of the security) for executing the trade. As a result, these trades could be more-costly than trades that execute with Pershing. BFE may execute fixed income transactions directly with firms other than Pershing, although Pershing will clear, settle and report those trades, as applicable, on BFE's behalf.

BFE receives no soft-dollar compensation.

No client referrals are received as a result of selecting or recommending a broker-dealer.

Under normal circumstances, purchase or sale orders of the same security being traded at the same time for more than one discretionary account will be combined by the portfolio manager for the accounts involved. Orders will normally not be combined for transactions involving nondiscretionary accounts.

## ADV Part 2A Firm Brochure

### Item 13 - Review of Accounts

At account opening, client documents are reviewed for consistency, suitability criteria and model selection.

Supported by the Home Office, approval of account openings are performed by the Branch Office Manager or an appropriately designated sales principal.

At least annually, home office Branch Supervision will ensure that the financial advisor conducts a review of the client's overall progress with respect to the account. During these reviews, the client's general financial circumstances and desire for any reasonable investment restrictions will be assessed, and recommendations as to adjustments to the client's investment strategy will be made as necessary.

The frequency and depth of additional reviews depend upon the program; details for each program are as follows:

**Benjamin F. Edwards Mutual Fund Portfolios** Rebalancing will be implemented by the Managed Investments division of Pershing ("Managed Investments") in accordance with a servicing agreement with BFE. The account will be rebalanced to more closely align with the model's target asset and fund allocation percentages on a periodic basis selected by the client in the advisory agreement. The default will be semi-annually, but annually is also an option. In addition, the account will be rebalanced when deposits and withdrawals occur. Trades will be done if the trade amount of the security is not less than five basis points times the size of the account.

Quarterly, the performance of the mutual funds used in the models will be reviewed by BFE's Manager of Advisory Services or delegate to ensure continued adherence to BFE's qualitative standards. In addition, a review will be conducted as needed by BFE based on potentially significant developments that may affect the operations or management of the fund (e.g., change of fund manager, corporate reorganizations, etc.). Adjustments will be made as needed to individual accounts based on the outcomes of the reviews.

**Benjamin F. Edwards Mutual Fund Model Strategies** Rebalancing will be implemented by Managed Investments in accordance with a servicing agreement with BFE. The account will be rebalanced to more closely align with the model's target asset and fund allocation percentages on a periodic basis selected by the client in the advisory agreement. The default will be semi-annually, but annually is also an option. In addition, the account will be rebalanced when deposits and withdrawals occur. Trades will be done if the trade amount of the security is not less than five basis points times the size of the account.

The models are implemented per the recommendations of the model providers, Russell Investments and American Funds. Quarterly, the performance of the Russell Model Strategies will be reviewed by BFE's Manager of Advisory Services or delegate to ensure continued adherence to BFE's qualitative standards.

Russell and American Funds will monitor the allocations and funds used in the models. BFE will be notified of any changes to the model strategies. Adjustments will be made as needed to individual accounts based on the changes to the models.

**Benjamin F. Edwards Active Passive Portfolios** Rebalancing will be implemented by the Managed Investments division of Pershing ("Managed Investments") in accordance with a servicing agreement with BFE. The account will be rebalanced to more closely align with the model's target asset and fund allocation percentages on a periodic basis selected by the client in the advisory agreement. The default will be semi-annually, but annually is also an option. In addition, the account will be rebalanced when deposits and withdrawals occur. Trades will be done if the trade amount of the security is not less than five basis points times the size of the account.

Quarterly, the performance of the mutual funds and ETFs used in the models will be reviewed by BFE's Manager of Advisory Services or delegate to ensure continued adherence to BFE's qualitative standards. In addition, a review will be conducted as needed by BFE based on potentially significant developments that may affect the operations

or management of the fund (e.g., change of fund manager, corporate reorganizations, etc.). Adjustments will be made as needed to individual accounts based on the outcomes of the reviews.

**Benjamin F. Edwards Exchange Traded Fund Portfolios** The BFE ETF Portfolios are managed internally by BFE employees. An annual review of the strategic asset allocation and the securities used in the models will be performed. The accounts will be rebalanced annually in accordance with this review. The other models in this program are provided by Laffer, First Trust, Confluence and Morningstar. Quarterly, the performance of Laffer, First Trust, Confluence and Morningstar will be reviewed by BFE's Manager of Advisory Services or delegate to ensure continued adherence to BFE's qualitative standards.

Confluence and First Trust will review the allocations and ETFs used in their models on a quarterly basis. Laffer reviews the allocations and ETFs used in their models on an ongoing basis. Morningstar will review the allocations and ETFs used in the Strategic Ibbotson and Contrarian models on an annual basis. BFE will be notified of any changes to the model strategies. Rebalancing may occur as needed to individual accounts based on the changes to and the strategy for the models, taking into account advice received from the model providers. Rebalancing will be implemented by Managed Investments in accordance with a servicing agreement with BFE. In addition, the account will automatically be rebalanced when deposits and withdrawals occur. Trades will be done if the trade amount of the security is not less than five basis points times the size of the account.

Confluence, Laffer and Morningstar are engaged in a business in which they provide models to firms such as BFE, as well as manage accounts independently of BFE on a fiduciary basis.

With respect to the ETF models provided by Confluence, Confluence will not provide BFE with changes to its models until after such changes are first implemented in its own clients' accounts. As a result, changes to Confluence's models that are implemented in BFE client accounts will take place after the changes in Confluence's accounts, and the performance in BFE's accounts will differ from those managed directly by Confluence. It is possible that Confluence's prior transactions could increase the price of ETFs that BFE's clients might have to pay for purchases, or reduce the proceeds that might be obtained in connection with sales.

With respect to the ETF models provided by Laffer, Laffer will provide BFE with changes to its models before implementing the changes in their own clients' accounts. As a result, changes to BFE accounts may take place prior to, after or simultaneously with the changes in Laffer's accounts. As a result, the performance results of the BFE accounts will differ from those managed by Laffer.

With respect to the ETF models provided by Morningstar, they will provide BFE with changes to its models along with a date the changes should be implemented. The suggested implementation date will be the same day that Morningstar will trade their discretionary accounts.

First Trust does not directly manage the accounts. First Trust will notify all of its partners implementing their models of model changes at the same time on a quarterly basis.

**Benjamin F. Edwards Custom Mutual Fund Portfolios** Rebalancing will be implemented by BFE. The account will be rebalanced at the advisor's discretion to more closely align with the account's target asset and fund allocation percentages. In addition, the account will be rebalanced when deposits and withdrawals occur unless, in the judgment of BFE, the amount involved would not have a meaningful impact on the strategy.

During the life of the account, the Branch Office Manager and Home Office Principals will monitor accounts to ensure activity is suitable and that the account is properly administered. Various reviews will be performed on a

daily, monthly, quarterly or annual basis. In addition, ad hoc reviews will be performed as needed.

**Benjamin F. Edwards Client Portfolios** During the life of the account, the Branch Office Manager and Home Office Principals will monitor accounts to ensure activity is suitable and that the account is properly administered. Various reviews will be performed on a daily, monthly, quarterly or annual basis. In addition, ad hoc reviews will be performed as needed.

**Benjamin F. Edwards Private Portfolios** During the life of the account, the Branch Office Manager and Home Office Principals will monitor accounts to ensure activity is suitable and that the account is properly administered. Various reviews will be performed on a daily, monthly, quarterly or annual basis. In addition, ad hoc reviews will be performed as needed.

**Benjamin F. Edwards Separately Managed Portfolios** Quarterly, the third-party money managers in the Benjamin F. Edwards Separately Managed Portfolios program will be reviewed by BFE's Manager of Advisory Services or delegate to ensure continued adherence to BFE's qualitative and performance standards. Both covered and non-covered managers will be reviewed; however, a higher level of ongoing research and due diligence is applied to the covered managers.

In addition, a review will be conducted as needed by BFE's Manager of Advisory Services or delegate based on potentially significant developments that may affect the operations or management of the portfolios (e.g., change of Portfolio Manager, corporate reorganizations, etc.). Adjustments will be made to the managers' status in the program as needed, and individual accounts will be addressed accordingly based on the outcomes of the reviews.

**Benjamin F. Edwards Unified Managed Account** The accounts will be rebalanced by Lockwood if they drift a relative 20% away from the target allocations of the selected model. Lockwood and BFE will periodically, no less than annually, review the allocations and the bands for each model in this program. Ongoing monitoring of the available investments within the program will be performed by Lockwood and/or BFE.

**Lockwood Investment Strategies and Lockwood Asset Allocation Portfolios** The accounts are rebalanced periodically to reflect market changes and to maintain compliance with Lockwood's strategy-specific guidelines. This may occur as a result of deposits, withdrawals or market movement. Rebalancing will be implemented by Lockwood.

The strategies for the Lockwood Investment Strategies and Lockwood Asset Allocation Portfolios are managed by Lockwood. Quarterly, the performance of Lockwood will be reviewed by BFE's Manager of Advisory Services or delegate to ensure continued adherence to BFE's qualitative standards.

Lockwood will review the allocations and securities used in their models on an ongoing basis. Adjustments will be made as needed to individual accounts based on the changes to the models.

**Financial Planning** The Financial Review and Investment Portfolio Review financial planning programs are designed by their nature to provide a one-time assessment of, and recommendations concerning, a client's financial situation. As such, it is not anticipated that there will be any ongoing or periodic review of individual financial plans following delivery of the plan to the client.

**Investment Management Consulting, Investment Management Consulting (with Execution), and Retirement Plan Consulting Program** The services to be provided to the client, including delivery of any oral or written investment performance and other reports (to the extent required by the individual contract) will be performed by

the financial advisor. The services to be provided under each agreement are tailored to the specific needs of the client. The advisory services agreement will outline any specific reports, meetings or other deliverables to be provided by BFE. A tailored supervisory plan will be developed but, in general, will feature review by the Branch Office Manager, or an appropriately designated sales principal, of the key deliverables provided to the client.

**Plan Participant Consulting Service** If the service is performed for a one-time fee, then no ongoing or periodic review will be performed. If the fee and service is ongoing, then the Financial Advisor will review the recommendations with the client at least annually.

### ***Client Reports***

Clients who participate in wrap fee advisory accounts, with the exception of Investment Management Consulting (with Execution), will receive the following reports:

- Written (or, if elected by the client, electronic) account statements will be provided to clients at least quarterly through the Firm's asset custodian, Pershing, LLC, identifying the amount of funds of each security in the account at the end of the period and setting forth all transactions in the account during that period.
- Written (or, if elected by the client, electronic) performance reports will be provided to clients on a quarterly basis through Managed Investments identifying since inception, year-to-date, and current quarter values and returns, and benchmark returns. The initial report will be delivered once an account has been open for a complete calendar quarter.

Under certain circumstances, BFE permits advisory program assets to be held with a custodian other than Pershing, LLC. This may occur, for example, in connection with positions in alternative investments that must be held with the issuer of the securities. In some cases, information about such an asset is linked with our custodian, and the asset will be included in Pershing's account statements and Managed Investments' performance reports. If information is not linked, the asset will not be included on statements or performance reports. If clients have concerns about this issue, they should discuss it with their financial advisor prior to purchasing or holding a non-linked asset in an advisory account.

Clients who participate in BFE's Financial Planning programs will receive a one-time written financial plan. Clients who participate in BFE's Financial Planning programs will not receive recurring updates or supplemental reports.

Clients participating in BFE's Plan Participant Consulting Service program will receive either a one-time recommendation or ongoing recommendations, depending on service/fee selected.

Clients who participate in BFE's Retirement Plan Consulting Services, Investment Management Consulting, and Investment Management Consulting (with Execution) programs generally negotiate a tailored scope of services. Depending on the services that are desired, written reports may be prepared, customized or developed for the client to address their particular needs.

## **ADV Part 2A Firm Brochure**

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

Financial advisors of BFE will receive a percentage of the advisory fees paid by advisory clients to compensate them for solicitation, shareholder support, advice, order placement and execution, and other services. In addition,

financial advisors may be eligible for cash and non-cash compensation including bonuses, recognition trips and other benefits. Some of these programs may be financed in whole or in part by unaffiliated third parties, including representatives of mutual funds or distributors, which may influence some representatives to favor those funds. See the prior sections entitled “Fees and Compensation” and “Other Financial Industry Activities and Affiliations” for more details regarding compensation and conflicts of interests.

BFE does not currently compensate non-affiliated third parties for investment advisory client referrals.

## ADV Part 2A Firm Brochure

### Item 15 - Custody

With the exception of the programs identified below or assets that are held with an issuer or an alternative custodian, as described above, BFE utilizes Pershing, LLC as its custodian; hence, Pershing will be the custodian for all wrap fee advisory accounts. Pershing is a qualified custodian and will provide clients with account statements at least quarterly. These statements identify the positions in the account at the end of the statement period, as well as all transactions in the account during the statement period. Clients should review these statements carefully. Clients will also receive quarterly performance reports for their account. These reports are produced by Managed Investments and distributed by a third-party vendor on behalf of BFE. These are not statements; however, clients are encouraged to compare the information on these reports versus the information on their statements.

For Investment Management Consulting and Investment Management Consulting (with Execution), the client may elect as part of the advisory services agreement for custody services to be provided. In such instances BFE utilizes Pershing, LLC as its custodian. Pershing is a qualified custodian and will provide clients with account statements at least quarterly. These statements identify the positions in the account at the end of the statement period, as well as all transactions in the account during the statement period. Clients should review these statements carefully. In addition, the client may also elect for performance reporting services to be provided as part of the advisory services agreement. In such cases, performance reports will be prepared by the financial advisor. These are not statements; however, clients are encouraged to compare the information on these reports versus the information on their statements.

## ADV Part 2A Firm Brochure

### Item 16 - Investment Discretion

BFE has discretionary authority with respect to the following advisory programs:

- Benjamin F. Edwards Mutual Fund Portfolios
- Benjamin F. Edwards Mutual Fund Model Strategies
- Benjamin F. Edwards Active Passive Portfolios
- Benjamin F. Edwards ETF Portfolios
- Benjamin F. Edwards Private Portfolios

Such discretion applies to all aspects of account transactions, including the securities, quantity, price and timing of securities to be bought and sold.



With respect to Separately Managed Portfolios (Covered and Non-Covered), the Covered or Non-Covered money manager, or Lockwood, as applicable, has discretionary authority to determine securities and the amount of securities to be bought and sold.

With respect to the UMA, as overlay manager, Lockwood has discretionary authority to determine securities and the amount of securities to be bought and sold.

Lockwood Advisors has discretion with respect to the Lockwood Investment Strategies and Lockwood Asset Allocation Portfolios programs. Such discretion applies to all aspects of account transactions, including the securities, quantity, price and timing of securities to be bought and sold.

Benjamin F. Edwards Custom Mutual Fund Portfolios is a mutual-fund-only advisory program with limited discretion. The financial advisor and client will work together to identify an appropriate investment model. The client retains final decision-making authority with respect to the mutual funds used and the percentage allocated to each fund in the model. Limited discretion is granted to the financial advisor to:

- Rebalance the account on a discretionary basis to the model's baseline allocation
- Invest cash deposits
- Sell and reinvest deposits of securities
- Sell funds for fees and requested withdrawals

Benjamin F. Edwards Client Portfolios is a non-discretionary advisory program.

In all of the discretionary programs above, the nature of the discretion is identified and granted by the client via the advisory agreement executed for each account.

Clients may request reasonable restrictions on the management of their discretionary accounts. Such restrictions may include imposition of limitations or preferences concerning transactions in certain securities, frequency of rebalancing, tax-loss selling, frequency of distributions and similar matters.

With respect to security-specific restrictions in the Benjamin F. Edwards Private Portfolios program, such restrictions are individually negotiated between the client and financial advisor. With respect to all other programs involving transactions in individual equity securities, clients may request security-specific restrictions on those equities or restrictions based on the following categories: Alcohol, Cosmetic, Defense/Military/ Weapons, Entertainment, Foreign Securities, Gambling, Finance, Trucking, Meat Products, Nuclear Power, Oil Stocks, Textiles, Drugs, Tobacco, Public Utilities, Paper/Forest Products, and Healthcare/Medical Industries.

With respect to model based mutual fund and ETF wrap programs, BFE will consider requests for reasonable restrictions on the management of the account. Such restrictions may be placed on particular mutual funds or ETFs from the model selected, but cannot restrict the individual securities held within the mutual funds or ETFs.

If such investment restrictions are implemented, the client will experience a different investment return than what will be realized by the model itself. Such performance may be better or worse than the model. For these reasons, if a client wishes to make a request concerning restrictions based on specific securities, it may be more appropriate for the client to participate in other BFE advisory programs that are not so uniquely positioned. It should be noted; any standardized reports of model performance will not reflect the performance of the model with restrictions applied. (Quarterly performance reports of the client's account will accurately reflect the client's actual account performance with restrictions).



## ADV Part 2A Firm Brochure

### Item 17 - Voting Client Securities

For most advisory programs, BFE will not normally vote on matters requiring shareholder voting in connection with the securities held in a client's account, or with respect to certain legal actions involving securities including, for example, voting of proxies, mergers, bankruptcies or restructuring, class actions, or similar matters. See specific advisory program descriptions above, as some outside managers will vote proxies on behalf of clients. Clients will receive proxy notices from the Firm's custodian, Pershing LLC. In the limited circumstances where a client may hold securities directly with an issuer or an alternative custodian, proxy notices will be sent by the issuer or alternative custodian.

Notwithstanding the foregoing, upon request of the client, BFE may be able to provide limited advice regarding proxy voting, mergers, bankruptcies or restructuring, class actions, or similar matters, except under the following circumstances:

- No advice will be given if it is on behalf of any person soliciting proxies or on behalf of a participant in a matter relating to the election or removal of directors;
- No advice will be given if the Firm holds, including in nominee name, 5% or more of the securities that are the subject of a proxy vote;
- No advice will be given with respect to matters involving foreign private issuers, including American Depositary Receipts (ADRs);
- No advice will be given if BFE does not have the resources upon which to form a reasonable basis for the advice to be given;
- No advice will be given if prohibited by law or regulation; and
- No advice will be given if BFE believes that a conflict of interest may exist that might materially affect the judgment required to properly render such advice, or if BFE believes in its judgment that other factors are present which do not make the rendering of such advice to be prudent.

With respect to Benjamin F. Edwards Separately Managed Portfolios (Covered and Non-Covered), Lockwood Asset Allocation Portfolios, and Lockwood Investment Strategies, clients may contact their financial advisor to request information regarding how managers in those programs voted their proxies.

## ADV Part 2A Firm Brochure

### Item 18 - Financial Information

BFE does not foresee any financial condition that would impair our ability to meet contractual commitments to clients.

## ADV Part 2A Firm Brochure

### Item 19 - Requirements for State-Registered Advisers

Not applicable; BFE is registered at the federal level with the SEC as an Investment Adviser, and has made

appropriate notice filings to various states as required. Please note that references to BFE as being “registered” is not intended to reflect that the Firm or its representatives have special skills or training; it is used only to reflect the status of the Firm with respect to Section 203 of the Investment Advisers Act of 1940.