



# BENJAMIN F. EDWARDS®

INVESTMENTS *for* GENERATIONS®

## Regulation Best Interest Disclosure

October 1, 2024

We provide this required Regulation Best Interest Disclosure document (“Reg BI Disclosure”) to our retail clients (“clients”) to inform them about the services we offer and our relationship with them. Among other things, this Reg BI Disclosure addresses the scope and terms of our relationship with you, the capacity in which we are acting, the type and scope of our services, any material limitations on our services, the fees and costs associated with your holdings, accounts, and transactions, and the conflicts of interest that exist for us and our financial advisors. Please carefully review each of the following sections contained in this document.

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## Scope and Terms of Our Relationship with You

Benjamin F. Edwards & Company (“Benjamin F. Edwards & Co.”, “BFE”, the “Firm”, “We”, “Us”, or “Our”) is registered with the Securities and Exchange Commission (SEC) as both a broker-dealer and an investment adviser. Our brokerage and investment advisory services and fees differ, and it is important for you to understand these differences. Free and simple tools are available for you to research firms and financial advisors at [Investor.gov/CRS](https://www.investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.

Depending on your needs and your investment objectives, the Firm may assist you with brokerage services, investment advisory services, or both. There are important differences between brokerage and advisory services, including their costs, the services we provide, and the rules that govern them. You should carefully consider these differences when deciding which type, or combination of types, of services and accounts are right for you. Information regarding the differences between our brokerage and advisory services is also available in our Form CRS Client Relationship Summary disclosure, which is available at [benjaminfedwards.com/content/documents/FormCRS.pdf](https://benjaminfedwards.com/content/documents/FormCRS.pdf).

### Our Capacity

All recommendations made by your financial advisor regarding your broker-dealer account (your brokerage account) will be made in a broker-dealer capacity, and all recommendations regarding the account established for our advisory programs will be made in an advisory capacity. Before our financial advisors make a recommendation to you, your financial advisor will provide you with a supplemental disclosure at the outset of your relationship with us if they are limited to making recommendations in a broker-dealer capacity only.

For instance, even though the Firm offers both brokerage and advisory services, some of our financial advisors are able to offer only brokerage accounts and services or may be able to offer services only for certain types of investments, such as mutual funds and insurance products. In that situation, your financial advisor would not be able to act in an investment advisory capacity. If your financial advisor is limited to offering brokerage accounts and services only, he or she will disclose this limitation by providing you with a supplemental disclosure at the outset of your relationship with us, and before making a recommendation to you.

**Broker-Dealer Capacity** – In our capacity as a broker-dealer, we can recommend and effect securities transactions for you, including buying and selling securities (including investment funds and products) that can be held in your brokerage account. We offer many different options or account types for your brokerage account, including accounts held with Pershing LLC (Pershing), our clearing firm; accounts held

directly with the issuer of the securities purchased (sometimes referred to as directly held accounts); education accounts (e.g., college savings plans); retirement accounts (e.g., IRA accounts), where your investments will be held with the custodian of the IRA; and certain specialty accounts (e.g., margin accounts).

In addition, your account includes the default option to hold cash in our Cash Sweep Program, which sweeps cash held within brokerage and advisory accounts into interest-bearing cash accounts eligible for FDIC insurance coverage (or into a SIPC-insured money market fund once Cash Sweep Balances exceed FDIC coverage limits). We do not have any minimum account requirements for our brokerage accounts, but some of the investments you can purchase through us have minimum investment requirements. More information about these minimum investment requirements is available in the investment’s offering document or prospectus, which your financial advisor can provide you upon your request.

We provide a number of services related to investments in securities, including taking client orders, executing securities transactions, and providing general information regarding your investments. Our financial advisors also provide recommendations concerning whether to buy, sell, or hold securities.

Our financial advisors do not make investment decisions for you or manage your brokerage account on a discretionary basis. Because our financial advisors do not have discretionary investment authority, this means that we cannot buy or sell investments in your brokerage account without first obtaining your consent. Our financial advisors may recommend investments to you, but you are responsible for making the decision whether to purchase or sell investments, and we will only purchase or sell investments when specifically directed by you.

Our financial advisors also do not monitor your brokerage account after a securities transaction is effected for you, including those investments they recommend for you.

When we act in our capacity as a broker-dealer, we are subject to the Securities Act of 1933, the Securities Exchange Act of 1934, as amended, the rules of self-regulatory organizations, such as the Financial Industry Regulatory Authority, Inc. (FINRA), and applicable state laws.

**Investment Advisory Capacity** – As an investment adviser, we provide investment advice to you for a fee, including investment advice with respect to particular investments, as well as wrap programs and other investment advisory programs. We also place orders for you as an investment adviser through a brokerage account with us, which is held with our clearing firm, Pershing. When we act in our capacity as an investment adviser, we will generally do so pursuant to a written agreement with you that sets forth the investment advisory relationship and our obligations to you. When we act

as an investment adviser to you, we are generally considered to have a fiduciary relationship with you under the Investment Advisers Act of 1940, which requires that we owe you a duty of care and a duty of loyalty.

At the outset of our investment advisory relationship with you, you will also receive a disclosure document that describes our investment advisory services and includes important information about, among other things, our fees, personnel, other business activities, and conflicts between our interests and your interests. This disclosure document is available on our website at [benjaminfedwards.com/important-disclosures/investment-advisory-program-disclosures](https://benjaminfedwards.com/important-disclosures/investment-advisory-program-disclosures). Additional information can also be found in [benjaminfedwards.com/content/disclosures/documents/Comparing Brokerage and Advisory Accounts.pdf](https://benjaminfedwards.com/content/disclosures/documents/Comparing_Brokerage_and_Advisory_Accounts.pdf).

### Type and Scope of Services

**Brokerage Services** – Our financial advisors can recommend, and we can effect securities transactions for you, including the buying and selling of securities (including investment funds and products) that can be held in brokerage accounts, which may include accounts held with our clearing firm, directly held accounts, education accounts, IRA accounts, or margin accounts.

In addition, the type and scope of the brokerage services we offer include a number of services related to investments in securities, including taking client orders, executing securities transactions, and providing general information regarding your investments.

Our brokerage services include recommendations concerning whether to buy, sell, or hold securities. Our services also include recommendations of investment strategies involving securities, which includes recommendations of account types, and rollovers or transfers of assets, such as rolling over retirement plan assets into an IRA account. In addition, our brokerage services include certain margin account services, where you are extended credit (a loan) for the purpose of buying securities.

**Account Types** – In order to receive any of our brokerage services described above, you must first open an account with us. We offer an array of account types with different features and benefits that are intended to address different needs and objectives of our clients. When opening an account with us, you may choose between many different options or account types for your brokerage account, including accounts held with our clearing firm; directly held accounts; education accounts (e.g., college savings plans, or 529 plans); retirement accounts (e.g., IRA accounts); and certain specialty accounts (e.g., margin accounts).

In addition, our accounts include certain cash management features, including the Cash Sweep Program, which sweeps cash held within accounts into interest-bearing cash accounts eligible for FDIC insurance coverage (or into a SIPC-insured

money market fund, if applicable). We also offer margin accounts.

Our financial advisors can provide you more information about our available account options, including the key features and benefits of each available account type. Before deciding whether to open an account with us, you will want to discuss our account options with your financial advisor to decide which account type best fits your financial goals.

**Our Approach to Investing** – We require our financial advisors to have a reasonable basis, taking into account the potential risks, rewards, and costs associated with a recommendation, to believe that each recommendation made to a client is in the client's best interest, and does not place the interest of the broker-dealer ahead of the interest of the client at the time the recommendation is made.

In determining whether our financial advisor's recommendation is in the client's best interest, we consider the client's investment profile. The information in the client's investment profile includes, but is not limited to, the client's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and other information that the client may disclose to us or the financial advisor in connection with a recommendation.

**Financial Planning** – Many BFE financial advisors are certified as financial planners by professional financial planning associations. Such financial advisors offer a disciplined approach to helping clients define life goals. Then they employ financial planning software tools, different account types, and a wide array of investment products and strategies to work toward your goals within a financial planning framework.

Financial advisors who are certified as financial planners will generally recommend investment advisory accounts or a combination of both investment advisory and brokerage accounts. Brokerage accounts would primarily be deployed for investments you intend to hold for the long term, with limited buy and sell activity. This can enable you to forgo regular account management and advisory fees associated with advisory accounts, thereby reducing your investment costs.

It is important to recognize that, in choosing to implement your investment advisor's recommendation to open a brokerage account to achieve investment cost savings, you are also choosing to forgo services such as account monitoring that are standard services within investment advisory accounts. Account monitoring is explained in the Material Limitations section below.

You typically pay for financial planning services offered by your investment advisor through periodic investment management fees on holdings in BFE investment advisory

accounts or through transaction-based commissions on buy and sell activity within BFE brokerage accounts.

In some cases, your financial advisor and you may enter into an investment advisory engagement agreement in which your financial advisor agrees to provide a financial plan with recommendations for achieving a specified objective. The engagement agreement will specify the scope and duration of the agreement as well as the method on which you agreed to pay for the financial plan, often as a fixed-fee or based on an hourly-rate. You can choose to implement the recommendations in the financial plan through an investment professional with another firm or through your BFE financial advisor.

### Material Limitations

Given the wide range of our brokerage services, we do not have many material limitations on the type and scope of our services. For instance, we do not limit our investment offerings to specific asset classes, or investments with third-party arrangements such as revenue sharing payments or mutual fund shareholder servicing fees. In addition, we do not limit our investment offerings to a select group of issuers, nor do we offer any investments issued, sponsored, or managed by us or our affiliates. Finally, we do not have any minimum account requirements, although some of the investments you can purchase through us have minimum investment requirements.

Notwithstanding the wide range of our brokerage services, there are certain material limitations on our services and the services of our financial advisors, and these limitations are set forth below.

- *Financial Advisor Limitations: Not all of our financial advisors can offer the full range of investments and services we offer. For instance, some of our financial advisors are licensed to offer brokerage services only, whereas some of our other financial advisors are licensed to offer both brokerage and advisory services. This is a material limitation on the securities or investment strategies that your financial advisor may recommend to you, and you should discuss any such limitations with your financial advisor. In addition, you may research your financial advisor's experience and licenses on FINRA's BrokerCheck website at [brokercheck.finra.org](http://brokercheck.finra.org).*
- *Investment Limitations: While we offer a wide range of investments, including investment funds and products, there are certain types of investments we do not offer. For instance, we do not offer all mutual funds from every single mutual fund company issuer, or every type of ETF. We also do not offer every type of insurance product or college savings plan. This means that our financial advisors are limited to recommending only those investments that we are authorized to offer. This is a material limitation on the securities or investment strategies that our financial advisors may recommend to you.*
- *Account Monitoring: Our financial advisors do not*

*monitor your brokerage account after effecting a securities transaction for you, including those investments our financial advisors recommend, unless you specifically request that our financial advisors do so, and we agree in writing to provide such monitoring. While our financial advisors remain available to assist you, our financial advisors do not automatically monitor your account or your investment performance after effecting a securities transaction for you unless specifically agreed upon beforehand in writing with us. Any agreed-upon monitoring services our financial advisors provide will need to be clarified in your brokerage account agreement and with your financial advisor. This is a material limitation on our services and the services of our financial advisors.*

- *Discretionary Investment Authority: Our financial advisors do not make investment decisions for you or manage your account on a discretionary basis. Because our financial advisors do not have discretionary investment authority, this means that we cannot buy or sell investments in your account without first obtaining your consent. Our financial advisors may recommend investments to you, but you are responsible for making the decision whether to purchase or sell investments, and we will only do so when specifically directed by you. This is a material limitation on our services and the services of our financial advisors.*

- *Discounted Commissions: We are a full-service brokerage firm and are not a "discount" brokerage firm. Given the wide range of brokerage services we and our financial advisors offer you as a full-service brokerage firm, we do not offer discounted brokerage commissions. This is a material limitation on our services.*

### Fees and Costs

This section provides information about the material fees and costs associated with your account, transactions, and holdings. The information below first describes the fees and costs associated with your account, and then the fees and costs associated with transactions and investment holdings that our financial advisors may recommend.

#### Fees and Costs Associated with your Account

You must first open an account with us to use our brokerage services. We offer an array of account types with different features and benefits that are intended to address different needs and objectives of our clients. When opening an account with us, you may choose between many different options or account types for your brokerage account, including accounts held with our clearing firm; directly held accounts; education accounts (e.g., college savings plans, or 529 plans); retirement accounts (e.g., IRA accounts); and certain specialty accounts (e.g., margin accounts).

Depending on the type of account you open, you will pay certain fees and costs associated with your account and holdings. Unlike the transaction-based fees described below, the fees associated with your account and holdings are



typically paid annually, although some account-based fees are associated with specific transactions. In some cases, the fees and costs associated with your account and holdings are assessed indirectly by third-parties, such as custodial firms or clearing firms, and then we pass along a portion of these fees to you.

Highlighted below are the material fees and costs associated with your account:

- **Account Fees** – We generally charge you an annual Account Fee for maintaining your non-retirement brokerage account with us. This account maintenance fee compensates us for certain maintenance services that we provide to your brokerage account and reimburses us for certain operational expenses that we incur in maintaining your account with us. This fee is charged annually in July for accounts opened at least one year. There are also fees associated with the physical delivery of account documents.
- **Retirement Plans Fees** – We generally charge you an annual Retirement Plan Fee for maintaining your retirement account with us. This account maintenance fee compensates us for certain maintenance services that we provide to your retirement account and reimburses us for certain operational expenses that we incur in maintaining your retirement account with us. This fee typically ranges from \$20, for accounts that only hold mutual funds, to \$75, for accounts that hold multiple asset types. This fee is charged annually in July for accounts open as of April 30 every year.
- **Account Transfer Fees** – We generally charge you a one-time account transfer fee to reimburse us for the costs associated with transferring your account to another broker-dealer. The account transfer fee includes fees associated with the Automated Customer Account Transfer System, commonly referred to as the ACAT fee. This fee is charged per event and is typically \$125 for non-retirement accounts and \$95 for retirement accounts. The fee is paid when you initiate the transfer of your account to another broker-dealer.
- **Account Termination Fees** – We generally charge you a one-time account termination fee to reimburse us for the costs associated with terminating your retirement account with us. This fee is typically \$95 and is paid when you terminate your account relationship with us. You will also incur a Retirement Plan Fee when you terminate your retirement account with us. This fee typically ranges from \$20 to \$75 as described in the applicable section above.
- **Margin Fees** – We generally charge you for our margin services, where our clearing firm extends credit (a loan) to you for the purpose of buying securities. Margin fees, which are typically the interest associated with the margin loan, compensate our clearing firm and us for the cost and risk of lending money to you. The margin interest rates you pay are based off the prime rate, which may fluctuate depending on prevailing market conditions. Margin

*interest rates vary depending on your account balance.*

➤ **Wire Transfer Fee** – We generally charge you a one-time “wire transfer fee” to wire cash from your account to another account held outside our firm. The wire transfer fee is typically \$25 but is often more for certain international wire transfers.

**More Information** – More information about the fees and costs associated with your account is also available on our website at [benjaminfedwards.com/content/disclosures/documents/client\\_fees.pdf](http://benjaminfedwards.com/content/disclosures/documents/client_fees.pdf).

### **Fees and Costs Associated with Transactions and Holdings**

We are paid each time you trade in your brokerage account or make a new investment. This payment is typically called a “commission,” but it may also be called a “sales charge” or a “markup.” This kind of payment presents a conflict for us because it creates an incentive to encourage you to trade more and make additional investments. The commission rate or amount varies depending on the investment and the size or amount of the transaction. More information about commission payments, including the commission schedules we use, is available on our website at [benjaminfedwards.com/content/disclosures/documents/equity\\_option\\_commission\\_schedule.pdf](http://benjaminfedwards.com/content/disclosures/documents/equity_option_commission_schedule.pdf) and [benjaminfedwards.com/content/disclosures/documents/fixed\\_income\\_commissions.pdf](http://benjaminfedwards.com/content/disclosures/documents/fixed_income_commissions.pdf)

In addition, investments that are interests in investment funds, such as mutual funds and UITs, or products, such as college savings plans (i.e. 529s) and variable insurance products, bear ongoing fees and expenses that are embedded into the cost of the investment holding. You pay these ongoing fees and expenses indirectly because they are factored into the cost of the investment and are subtracted from the performance return. More information about ongoing fees and expenses associated with investment funds and variable insurance products is available in the fund’s or product’s prospectus.

Because the fees and costs vary among investments, set forth below and on the following pages is particularized fee and cost information regarding the types of transactions and investment holdings generally purchased or traded by our clients.

Where applicable, we have included certain hypothetical transactions as examples and sample fee tables for illustrative purposes. Please note that fees and costs associated with your specific transaction may differ from these hypothetical examples or samples.

### **EQUITIES**

**Characteristics** – The Firm offers a wide range of equity securities, commonly called “stocks”, which give stockholders a share of ownership in a company. Before deciding to buy or sell an equity security, it is important for you to evaluate the

risks associated with the company. As part of this evaluation, you will want to carefully review the company's relevant disclosure documents, such as its initial registration statement and prospectus in the case of an initial public offering, or its most recent audited financial statement in the case of a secondary market transaction. Stocks in public companies are registered with the SEC and in most cases, these companies are required to file reports with the SEC quarterly and annually. You may access these disclosure documents on the SEC's website at [sec.gov/edgar.shtml](http://sec.gov/edgar.shtml).

**Fees and Costs** – Buying and selling stocks entails a cost. You will pay a commission every time you buy or sell an equity security. You will pay this commission in addition to the price you pay for the equity security you choose to buy or sell. This commission varies based on the size of each trade but is charged on a per trade basis. Your rate of commission payment will decrease as the overall amount invested increases. Our firm is not a “discount” broker-dealer; discount broker-dealers generally offer lower commission rates.

*For example, if you purchase 100 shares in a public company with a share price of \$40 per share (an investment of \$4,000), you will typically pay a \$120 commission. If you purchase 200 shares of a \$40 per share stock or 100 shares of an \$80 per share stock (an investment of \$8,000), you will typically pay a \$208 commission.*

**More Information** – More information about equity securities is available on FINRA's website at [finra.org/investors/learn-to-invest/types-investments/stocks](http://finra.org/investors/learn-to-invest/types-investments/stocks).

Information about the commission fees you will pay BFE for equity securities transactions is available at [benjaminfedwards.com/content/disclosures/documents/equity\\_option\\_commission\\_schedule.pdf](http://benjaminfedwards.com/content/disclosures/documents/equity_option_commission_schedule.pdf).

## **BONDS**

**Characteristics** – The Firm offers a wide range of bonds, such as corporate bonds, government bonds, and municipal bonds. Bonds are debt securities issued by corporations, governments, or other entities that pay fixed or variable interest rates to investors for a specific period of time. When the bond reaches maturity, the bond issuer generally returns the principal amount of the bond to investors. There are many types of bonds and the features, characteristics, and risks associated with bonds can vary significantly.

For most bonds, a bond's coupon rate is the rate of interest it pays annually and is expressed as a percentage of its face value. Usually, the coupon rate is calculated by dividing the sum of coupon payments by the face value of a bond.

Bonds generally are priced at an initial face value (sometimes called “par” value) of \$1,000 per bond. However, once the bond is traded on secondary markets, the bond's price may be lower than the face value, which is referred to as a

“discount,” or higher than the face value, which is referred to as a “premium.” Bonds with a fixed coupon (i.e. defined cashflow) will trade at a price either above or below par. The market process based upon current interest rates, credit risk and maturity date will determine if the defined cashflow is valued over par (premium) or below par (discount). This is typically completed by comparing the existing bond (previously issued) compared to the new issue bonds (primary offering). Bond prices typically have an inverse relationship with bond interest yields (e.g., as bond prices decrease, interest yields increase; as bond prices increase, interest yields decrease).

Unlike equities, where prices are usually evaluated based on their daily closing prices, many bonds do not have a uniform closing price because they are traded in over-the-counter (OTC) markets or other negotiated markets. Bond prices are affected by different factors, including but not limited to, supply and demand for the bond, the issuer's credit rating, bond size, interest rates, and age-to-maturity. With regard to the age-to-maturity pricing factor, bonds are paid in full (at face value) when they mature, though some bonds are structured to give the issuer the ability to redeem them prior to the stated maturity date. Since a bondholder is closer to receiving the full-face value as the maturity date approaches, the bond's price moves toward par as the bond ages. Many bonds are priced by discounting the expected cash flow to the present using a discount rate. This is called the Time Value of Money and Bond Valuation.

**Fees and Costs** – You will typically pay a “markup” as a transaction cost to the Firm when you buy a bond, as most bonds are traded on a principal (dealer) basis in the OTC market, although some bonds may be bought on an agency (commission) basis. With most bonds, instead of charging you a commission to perform the transaction for you, the broker-dealer marks up the price of the bond. The markup thus represents the difference between the price a broker-dealer pays for a bond and the price at which it is sold to you by the broker-dealer.

With new issues of bonds, the broker-dealer's markup generally is included in the par value, so you do not pay separate transaction costs. Everyone who buys a new issue pays the same price, known as the offering price. If you are interested in a new issue of a bond, your financial advisor can assist you in obtaining an offering document describing the bond's features and risks.

If you sell a bond before it matures, you may receive more or less than the par value of the bond. Either way, the clearing firm will mark down the price of your bond, paying you slightly less than its current value (and will then mark up the price slightly upon resale to another investor). This is how broker-dealers are compensated for maintaining an active secondary market.

The amount of a markup/markdown charged on a bond transaction will depend on a number of factors and particular circumstances for each transaction, including the type of bond (corporate, government, or municipal), transaction size, credit quality, unit price, maturity, liquidity, and market scarcity. BFE will charge a maximum of 1% of the trade price on markdown (sell) transactions and 2.25% of the trade price on markup (buy) transactions.

*For example, if you purchase 100 corporate bonds priced at 103.25 per bond and the markup is \$22.50 per bond, you would pay \$101,000 for the market price of the bond and then an additional \$2,250 markup, which means you would pay \$103,250 in total to purchase the corporate bonds.*

**More Information** – More information describing a specific bond’s features and risks is available in the bond’s offering document. More information about bonds, including pricing and issuer credit ratings, is also available on FINRA’s website at [finra.org/investors/learn-to-invest/types-investments/bonds](http://finra.org/investors/learn-to-invest/types-investments/bonds) and the Municipal Securities Rulemaking Board’s (MSRB) website at [emma.msrb.org](http://emma.msrb.org).

More information about our bond markups/markdowns is available at [benjaminfedwards.com/content/disclosures/documents/fixed-income-commissions.pdf](http://benjaminfedwards.com/content/disclosures/documents/fixed-income-commissions.pdf).

## **OPTIONS**

**Characteristics** – We offer option contracts for you to buy or sell. If you purchase option contracts, you will have the right to buy or sell an underlying asset at a fixed price within a certain period of time. If you sell option contracts, you will have the obligation to buy or sell an underlying asset at a fixed price within a certain period of time if the options are exercised by the contract owner. This is often referred to as an option assignment. Various exchanges operating in the United States and regulated by the SEC offer public trading markets where different types of options are bought and sold, such as equity, index, and interest rate options.

An option contract known as a “call” option, gives the buyer the right to purchase the underlying asset at a set exercise price for a limited period of time. The seller (or “writer”) of a call option is obligated to sell the underlying asset at the exercise price for a limited period of time. An option contract known as a “put” option gives the buyer the right to sell the underlying asset at a set exercise price for a limited period of time. The seller (writer) of a put option is obligated to buy the underlying asset at the exercise price for a limited period of time. Most options have certain standardized terms that indicate the nature and amount of the underlying asset, the expiration date, the exercise price, and whether the option is a call or put. Many securities that are publicly traded in the United States have put or call options contracts, which are available for trading on an exchange in the United States. Equity options, for example, are designated by reference to the issuer of the underlying security, the expiration month or

expiration date of the option, and the option’s exercise price and type (put or call).

The price of the option is referred to as the “premium.” If you buy an option contract, you are paying the premium for the right to purchase or sell the underlying asset at a set price any time up through the expiration date of the option. If you sell (write) an option contract you are receiving the premium and are obligated to buy or sell the underlying asset at a set price if the owner of the option contract decides to exercise them any time before or at their expiration date. The premium is not a standardized term of the option contract. The premium does not constitute a “down payment.” The premium does not include any commission that might apply to the transaction.

Prior to buying or selling options, you will receive a copy of the “Characteristics & Risks of Standardized Options,” also known as the options disclosure document (ODD). Investors should read a copy of the ODD prior to buying or selling an option. The ODD is created and maintained by the Options Clearing Corporation (the OCC) and it contains required disclosure on the characteristics and risks of standardized option contracts. Investors should review the main options disclosure document and the supplemental documents, which the OCC updates from time to time. The ODD document and supplemental updates available from the OCC at [theocc.com/about/publications/character-risks.jsp](http://theocc.com/about/publications/character-risks.jsp).

No certificates are issued to show your ownership of an option. You must review the confirmations and statements that you receive from us in order to confirm your positions in options. It is very important to understand that long option positions that are “in the money” by a penny or more will be automatically exercised on the options expiration date. This means you will buy the underlying asset at the exercise price stated on the contract if you own calls or sell the underlying asset at the exercise price stated on the contract if you own puts. If you do not want the options to be exercised, you must close out the long option position prior to the market close on the expiration date of the option contract.

**Fees and Costs** – You will typically pay a commission when you buy or sell an option contract. You will pay this commission in addition to the premium associated with the option contract, which you will pay regardless of whether you choose to exercise the option to buy or sell the underlying asset. The commission is a one-time variable fee, based on the price of the contract and the number of contracts in the transaction. If you exercise an option or are assigned on an option position, you will also be charged a commission on the purchase or sale of the underlying security. A link to our current commission schedule can be found below.

*For example, if you purchase 8 Call contracts, you will typically pay a \$63.60 commission, regardless of whether you choose to exercise the option.*

**More Information** – More information describing the characteristics and risks associated with options trading is available on FINRA’s website at [finra.org/investors/learn-to-invest/types-investments/options](http://finra.org/investors/learn-to-invest/types-investments/options) and on the Options Clearing Corporation (OCC) website at [theocc.com/about/publications/character-risks.jsp](http://theocc.com/about/publications/character-risks.jsp)

Information about the commission fees you will pay BFE for options transactions is available at [benjaminfedwards.com/content/disclosures/documents/equity\\_option\\_commission\\_schedule.pdf](http://benjaminfedwards.com/content/disclosures/documents/equity_option_commission_schedule.pdf).

## **MUTUAL FUNDS**

**Characteristics** – We offer a wide range of mutual funds from many different mutual fund companies. Mutual funds are registered investment companies that issue redeemable securities. Mutual funds issue shares on a continual basis, and there is no secondary trading market for mutual fund shares. Mutual funds are required to sell their shares at the fund’s net asset value (NAV) per share plus any applicable sales charge or load, which is described below. The fund’s NAV is calculated by dividing the total value of all the fund’s assets, minus any liabilities such as ongoing fees and expenses (described below), by the number of shares outstanding.

An important step to take prior to investing in mutual funds is to read the respective mutual fund’s prospectus carefully. Each mutual fund prospectus contains important information that will help you make an informed decision about an investment in a mutual fund. In deciding whether to invest in a mutual fund, you should consider several different factors, including the mutual fund’s past performance, investment objective, investment strategies and risks, the investment adviser responsible for the management of the mutual fund’s assets, and the fees and expenses associated with the investment in a particular mutual fund. All mutual funds, including “no load” funds, incur transaction costs, expenses, and other fees associated with the investment. While past performance of a mutual fund is not indicative of future results, a mutual fund’s long-term performance record and portfolio manager’s experience and qualifications may be important factors in deciding to invest in a mutual fund. Your financial advisor can assist in obtaining a mutual fund prospectus upon your request.

**General Fees and Costs** – You will typically pay a sales charge or load when you buy shares in a mutual fund. We receive a portion of this sales charge for our efforts and the efforts of our financial advisors in selling shares of the mutual fund.

Most mutual funds utilize multiple share classes, with differing fees and expenses for distribution and shareholder services. Common share classes available to you in a brokerage account are Class A and Class C. Each class typically has different fees and costs, and therefore fund performance results will differ as those fees and expenses reduce performance across share classes. You should also note that

the amount of time you expect to hold your investment in a mutual fund plays an important role in determining which share class is most appropriate for you, and you should discuss this consideration with your financial advisor.

**Fees and Costs: Share Class Distinctions** – Each mutual fund company defines its own share class features, fees and costs in its prospectus. While there is no standard for defining share classes, set forth below are some common descriptions of share classes that are commonly used in our brokerage accounts.

➤ *Class A – This share class usually carries a front-end sales charge, which is typically assessed as a percentage of your investment. This means that a sales charge is deducted from your investment each time you purchase shares in the mutual fund. Class A shares also typically have ongoing fees and expenses, which sometimes include fees commonly referred to as 12b-1 fees, and these 12b-1 fees are intended to finance distribution activities intended primarily to promote and market the mutual fund. Despite these ongoing fees and expenses, Class A shares typically have lower operating expenses compared to the other share classes of the same mutual fund that may be available to you. This means that ongoing costs will typically be lower than ongoing costs associated with other share classes of the same mutual fund that may be available to you. Many mutual funds offer “breakpoint” discounts for large investments in Class A shares, which means that the front-end sales charge decreases as the investment increases. These breakpoints are described in the mutual fund’s prospectus and explained further below.*

*For example, if you purchase \$1,000 of Class A shares of a mutual fund that assesses a 5% front-end sales charge on your investment, you will pay a \$50 front-end sales charge and the remaining \$950 of your investment will be used to purchase Class A shares of the mutual fund. An ongoing annual operating expense fee of 0.60% on a value of \$950 would equate to \$5.70 that would be paid out of your holdings of the fund.*

➤ *Class C – This share class is characterized by a level asset-based sales charge that you pay annually as a percentage of your assets. It does not have a front-end sales charge like Class A shares, but it does have a contingent deferred sales charge (also known as a “CDSC”) and higher ongoing operating expenses. The CDSC means that you pay a sales charge when you sell your mutual fund shares. The amount of the CDSC is typically assessed as a percentage of your investment, and it declines over time and eventually is eliminated the longer you hold your shares. Most Class C shares generally eliminate the CDSC after one year.*



For example, if you purchase \$1,000 of Class C shares of a mutual fund with a 1% asset-based sales charge, you will not pay a front-end sales charge, so the entire \$1,000 investment will be used to purchase Class C shares of the mutual fund at the time of purchase. An ongoing annual operating expense fee of 1.35% on a value of \$1,000 would equate to \$13.50 that would be paid out of your holdings of the fund. Additionally, if you needed to sell the fund while the 1% CDSC was still in place, a sale of \$1,000 worth of the fund would result in you receiving \$990.

When considering an investment in Class A shares versus Class C shares, the length of time you expect to stay invested in the fund is the most important factor. For example, if you plan to hold a fund for 15 years, it will be cheaper to pay the upfront load and the lower ongoing expense fees over time. Whereas if the investment is only for two years, it would be less expensive to avoid the upfront load of the A share and purchase the C share with the higher annual fee.

A specific share class, known as Class R, is available to retirement investors purchasing shares in a mutual fund through employer-sponsored retirement plans, such as 401(k) plans.

- *Class R – This share class does not have a front-end sales charge or CDSC like Class A or Class C shares, but Class R shares do have ongoing fees and expenses such as 12b-1 fees intended to finance the distribution activities related to sales of the fund shares. These fees and expenses are deducted from your assets on an ongoing basis.*

For example, if you purchase \$1,000 of Class R shares of a mutual fund through your employer-sponsored retirement plan, you will not pay a front-end sales charge, so the entire \$1,000 investment will be used to purchase Class R shares of the mutual fund at the time of purchase. However, certain ongoing fees and expenses, such as 12b-1 fees, will be deducted from your investment. If the ongoing fees and expenses are 0.25%, your \$1,000 investment will be reduced to \$997.50 after the first year as a result of the ongoing fees and expenses.

**Fees and Costs: Breakpoints** – While it may make sense to own mutual funds from different mutual fund companies, it also may increase the total sales charges that you pay to purchase those mutual funds. Mutual fund companies often offer discounts or reduced sales charges based on the total amount you choose to invest with the mutual fund company. The investment levels needed to receive these discounts are known as “breakpoints.” Mutual fund companies typically allow you to combine holdings with those of immediate family members to reach these breakpoints.

Set forth below are some common ways you can receive the benefits of breakpoints.

- *Rights of Accumulation: “Rights of accumulation” allow you to combine your mutual fund purchase with your existing investment in the mutual fund company to reach a breakpoint.*

- *Letter of Intent: You can take advantage of breakpoints by agreeing to purchase a certain dollar amount in a mutual fund over a specified period of time. In most instances, this requires signing a “Letter of Intent” (LOI).*

The prospectus of every mutual fund describes its breakpoint policies, including how you can reach breakpoints. You can request a copy of a mutual fund’s prospectus from your financial advisor.

**Fees and Costs: Ongoing Fees and Expenses** – In addition to the 12b-1 fees mentioned above, mutual funds typically also deduct other ongoing fees and expenses, such as management fees or servicing fees, from fund assets. These fees and expenses, sometimes referred to as the mutual fund’s “expense ratio”, are typically used to pay for the mutual fund’s continued annual operating expenses, such as paying the mutual fund’s investment manager, accounting and auditing expenses, legal expenses, and recordkeeping expenses. In addition, the ongoing fees and expenses include fees commonly referred to as 12b-1 fees, and these 12b-1 fees are intended to finance distribution activities intended primarily to result in the sale of additional shares of the mutual fund and include marketing and advertising expenses.

These ongoing fees and expenses are typically charged daily as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis. These payments, as well as the conflicts of interest associated with them, are described more fully below in this Reg BI Disclosure document.

**More Information** – Information on a mutual fund’s sales charges, ongoing fees and expenses, and overall expense ratio is available in the mutual fund’s prospectus. You can request a copy of a mutual fund’s prospectus from your financial advisor. You can also find information about mutual funds on FINRA’s website at [finra.org/investors/insights/mutual-funds](http://finra.org/investors/insights/mutual-funds).

### **CLOSED-END FUNDS**

**Characteristics** – We offer a wide range of closed-end funds, including interval funds, from many different fund companies. An important step to take prior to investing in closed-end funds is to read the respective fund’s prospectus carefully. Each closed-end fund prospectus contains important information that will help you make an informed decision about an investment in a closed-end fund. In deciding whether to invest in a closed-end fund, you should consider several different factors, including the fund’s investment objective, investment strategies and risks, the investment adviser responsible for the management of the fund’s assets, and the fees and expenses associated with an investment in a particular closed-end fund.

Similar to mutual funds, closed-end funds are pooled investment vehicles. However, there are some important differences between these types of funds.

Unlike mutual funds, most traditional closed-end funds do not continuously offer their shares for sale. Instead, such funds typically sell a fixed number of shares through an initial public offering, after which their shares typically trade on a secondary trading market. The price of shares in a closed-end fund that trades on a secondary market after their initial public offering is determined by the market and may be higher or lower than the shares' NAV. In addition, there are certain non-traded closed-end funds that do sell their shares on an ongoing basis, and do not trade on a secondary trading market.

Many closed-end funds have no "maturity" or termination date, and shareholders may exit their investments only by selling shares on the secondary trading market. Nonetheless, these closed-end funds without termination dates may still be terminated based on the investment manager's decision. Certain other closed-end funds, however, have a specified or targeted termination date, at which time the shareholders receive an amount equivalent to the shares' NAV at the termination date. Non-traded closed-end funds typically contemplate having a "liquidity" event at some point once the fund's offering has ceased. Liquidity events include listing the fund's shares on a secondary trading market and liquidation.

Unlike mutual funds, closed-end fund shares are not redeemable, which means that the fund is not required to buy shares back from investors upon request. Non-traded closed-end funds typically offer to repurchase their shares from investors in periodic tender offers. In addition, some closed-end funds, commonly referred to as "interval funds," offer to repurchase their shares from investors at specified intervals.

The shares of an interval fund typically do not trade on a secondary market and interval funds generally offer their shares on a continuous basis at a price based on the fund's NAV. In order to operate as an interval fund, the fund must offer to repurchase its shares at regular intervals every three, six, or twelve months, as disclosed in the fund's prospectus. The price that interval fund shareholders receive on a repurchase will be based on the per share NAV determined as of a specified date, minus any redemption fees or charges that may apply to the transaction.

**Fees and Costs** – You will typically pay a sales charge when you buy shares in a closed-end fund's public offering, or a commission if you buy and sell shares in a closed-end fund in a secondary trading market. You will pay this sales charge or commission in addition to the amount of the fund you choose to buy or sell. For a public offering purchase, the fund's sales charge is a one-time fixed fee, which is typically a percentage of the investment amount, and usually ranges between 1% and 2% of the investment amount for closed-end funds. For a closed-end fund transaction in the secondary trading market,

the commission is based on the same commission formula that we apply to purchases and sales of individual stocks.

*For example, if you purchase \$25,000 of shares in the initial offering of a closed-end fund that assesses a 2% sales charge on your investment, then a \$500 sales charge will be deducted and the remaining \$24,500 of your investment will be used to purchase shares in the closed-end fund's initial offering. If you purchase 1,000 shares in a closed-end fund on a trading market at \$25 per share, you will pay a \$500 commission.*

Some interval funds also charge you a redemption charge when you accept an interval fund's offer to repurchase your shares. This redemption charge is a one-time fixed fee, typically 1-2% of the redemption proceeds. Unlike the sales charges and commissions, the redemption charge is not paid to us, but is paid to the fund to compensate it for expenses associated with the repurchase.

*For example, if you own \$50,000 of shares in an interval fund that assesses a 2% redemption charge, and you accept an interval fund's offer to repurchase all of your shares, a \$1,000 redemption charge will be deducted, and you will receive the remaining \$49,000 as your redemption proceeds.*

Closed-end funds, including interval funds, also deduct other ongoing fees and expenses, such as management fees, from fund assets. In addition, the ongoing fees and expenses of many interval funds include 12b-1 fees, and these 12b-1 fees are intended to finance distribution activities intended primarily to result in the sale of additional shares of the interval fund and include marketing and advertising expenses. These ongoing fees and expenses, which are reflected in the fund's overall expense ratio, are typically used to pay for the fund's continued operations, such as paying the fund's investment manager, accounting and auditing expenses, legal expenses, and recordkeeping expenses.

These ongoing fees and expenses are typically charged daily as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis. These payments, as well as the conflicts of interest associated with them, are described more fully below in this Reg BI Disclosure.

**More Information** – More information on the sales charges, ongoing fees and expenses, and overall expense ratio for closed-end funds, including interval funds, is available in the fund's prospectus. You can request a copy of a fund's prospectus from your financial advisor. Additionally, you can find information about closed-end funds on FINRA's website at [finra.org/investors/learn-to-invest/types-investments/investment-funds](http://finra.org/investors/learn-to-invest/types-investments/investment-funds).

Information about the commission fees you will pay BFE for closed-end fund transactions is available at

[benjaminfedwards.com/content/disclosures/documents/equity\\_option\\_commission\\_schedule.pdf](http://benjaminfedwards.com/content/disclosures/documents/equity_option_commission_schedule.pdf).

## **EXCHANGE-TRADED PRODUCTS**

**Characteristics** – We offer a wide range of exchange-traded products (ETPs). ETPs are investment funds that are listed for trading on a national securities exchange and can be bought and sold in the equity trading markets. Shares in an ETP represent an interest in a portfolio of securities. Exchange traded products include but are not limited to exchange traded funds (ETFs) and exchange traded notes (ETNs).

ETPs possess characteristics of both mutual funds and closed-end funds. Similar to mutual funds, an ETP pools assets of multiple investors and invests those pooled assets according to its investment objective and investment strategy. ETPs also continuously offer their shares for sale like mutual funds. In addition, ETPs share certain characteristics with closed-end funds, namely that the fund's shares trade on a secondary market and may trade at prices higher or lower than the fund's NAV.

However, ETPs do not sell or redeem individual shares. Instead, certain "authorized participants" have contractual arrangements with the ETP to purchase and redeem ETP shares directly from the ETP in blocks called "creation units" and "redemption units," respectively, where each creation or redemption unit typically represents 50,000 shares of the ETP. After purchasing a "creation unit," the authorized participants generally sell the ETP shares in the secondary trading market.

This creation and redemption process for ETP shares provides arbitrage opportunities designed to help keep the market price of ETP shares at or close to the NAV per share of the ETP. For example, if ETP shares are trading at a price below the NAV (generally referred to as a "discount"), an authorized participant can purchase ETP shares in secondary market transactions, and – after accumulating enough shares to compose a "redemption unit" – redeem them from the ETP for the more valuable underlying securities. The authorized participant's purchase of ETP shares in the secondary market would create upward pressure on ETP share prices, which would bring them closer to the NAV per share of the ETP.

It is important to note that ETPs began as, and may be still most commonly thought of as, passive investment funds that attempted to track the performance of popular investment indices, such as the S&P 500. However, over time, many variations and types of ETPs have evolved and exist today. Some are passive; tracking broad popular indices but also tracking some not that well known indices. Some are actively managed to a particular traditional, or not so traditional, investment strategy. And still further, there are others that are complex products that may have buffers to downside losses, limits on upside profits, perform inverse to an index or are leveraged to attempt to perform at multiples of an index

(i.e. 2x or 3x). Given all these variations, it is critical that an investor fully understand the composition of the ETP they are purchasing and its overall investment objective.

**Fees and Costs** – You will pay a commission every time you buy or sell shares in an ETP. You will pay this commission in addition to the cost of the ETP you choose to buy or sell. For an ETP transaction in the secondary trading market, the commission is based on the same commission formula that we apply to purchases and sales of individual stocks.

*For example, if you purchase 100 shares of an ETF with a share price of \$40 per share (an investment of \$4,000), you will typically pay a \$120 commission. If you purchase 200 shares of a \$40 per share ETF or 100 shares of an \$80 per share ETF (an investment of \$8,000), you will typically pay a \$208 commission.*

ETPs also deduct ongoing fees and expenses, such as management fees, from ETP assets. These ongoing fees and expenses are typically used to pay for the ETP's continuing operations, such as paying the ETP's investment manager, accounting and auditing expenses, legal expenses, and recordkeeping expenses. However, ETPs generally have lower expense ratios than mutual funds because most ETPs are not actively managed and, therefore, do not incur the internal costs of buying and selling the underlying portfolio securities.

These ongoing fees and expenses are typically charged annually as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis.

**More Information** – More information about ETPs, including their ongoing fees and expenses and overall expense ratio, is available in the ETP's prospectus. You can request a copy of an ETP's prospectus from your financial advisor. Additional information about ETPs is also available on FINRA's website at [finra.org/investors/learn-to-invest/types-investments/investment-funds/exchange-traded-fund](http://finra.org/investors/learn-to-invest/types-investments/investment-funds/exchange-traded-fund) and [finra.org/investors/alerts/exchange-traded-notes-avoid-unpleasant-surprises](http://finra.org/investors/alerts/exchange-traded-notes-avoid-unpleasant-surprises)

The SEC has information on its website at [sec.gov/investor/alerts/etfs.pdf](http://sec.gov/investor/alerts/etfs.pdf)

Information about the commission fees you will pay BFE for ETP transactions is available at [benjaminfedwards.com/content/disclosures/documents/equity\\_option\\_commission\\_schedule.pdf](http://benjaminfedwards.com/content/disclosures/documents/equity_option_commission_schedule.pdf).

## **UNIT INVESTMENT TRUSTS**

**Characteristics** – We offer a wide range of unit investment trusts (UITs). UITs are a type of investment company that pools investors' money in a portfolio of securities. The investors own shares or units of the portfolio of securities. UITs share certain features with mutual funds, closed-end funds, and ETFs. These products all enable investors to buy a diversified basket of securities representing a particular asset class in a convenient package. UITs offer an opportunity for investors to own a portfolio of securities via a low-minimum-

investment, typically liquid investment. As a point of contrast, while many actively managed mutual funds continually buy and sell securities, thereby changing their investment mix, the securities held in a UIT generally remain fixed. Please note that UITs are offered by prospectus; investors should read the prospectus carefully before investing. While it is not common, a trust may terminate early as described in the prospectus.

The key distinguishing features of UITs are a fixed portfolio and a defined, limited life. Like the other investment fund types listed above, UITs publish a net asset value (NAV) for their shares/units every day. Like mutual fund shares, the UIT units can be liquidated on any market day at the current NAV. Unlike mutual funds and ETFs that are open-ended, meaning more shares can be created as needed, both closed-end funds and UITs are closed to new share creation after the fund's initial offering. The portfolios held by individual mutual funds, closed-end funds, and ETFs can change over time as a result of active portfolio management or changes in the stock weightings of a benchmark index. The portfolios held by UITs are fixed at the time of their creation. Investment committees, in designing a UIT portfolio, will define a basket of securities based on the UIT's investing objective and strategy. Typically, the term of a UIT will be two years, though UITs with terms ranging from one year to five years also exist. Equity UITs typically have a set maturity or termination date while some fixed income UITs will not terminate until the final position matures or is called.

Unit Investment Trusts are generally long-term investment strategies and investors should consider their ability to invest in successive portfolios, if available.

At the UIT's maturity, an investor typically has two options.

- **Option #1: Maturity** – Investors may do nothing and allow the portfolio units to mature. The trust will liquidate, and they will receive a cash distribution of the trust's proceeds, if any. This would also constitute a taxable event.
- **Option #2: In-kind distribution** – Investors may generally request an in-kind distribution of the securities underlying the units if they own 2,500 or more units at either the time of purchase or maturity. Please see additional provisions set forth in the prospectus. In-kind distribution is generally available for stocks traded and held in the United States. In-kind distributions may be modified or discontinued by the trust at any time without notice. An in-kind distribution also constitutes a taxable event.

**Fees and Costs** – You will typically pay a sales charge when you buy units in a UIT's initial offering, or a commission when you buy units in a UIT in a secondary trading market. You will pay this sales charge or commission in addition to the amount of the UIT you choose to buy.

*For example, if you invest \$10,000 in a UIT's initial offering that assesses a 2% sales charge, you will pay a \$200 sales charge and the remaining \$9,800 of your investment will be used to purchase units in the UIT's initial offering.*

*If you purchase \$10,000 of units in a UIT in the secondary market (post initial offering), you will pay a 2% markup over the base price of the UIT unit. If the unit was offered at \$10.50 in the secondary market you would pay \$10.71 per unit and the difference of \$0.21 per unit would be paid to BFE.*

In some instances, collection of all or part of a sales charge is deferred over a period subsequent to the settlement date for the purchase of units. Typically, the deferred sales charge is deducted from the unitholder's distributions on the units during the collection period until the total amount of the sales charge is paid.

Repeatedly selling UITs before their maturity date followed by the purchase of a newly issued UIT will cause you to incur sales charges with greater frequency.

UITs also deduct other fees and expenses from trust assets, such as organizational and operating expenses. These fees and expenses include portfolio supervision, recordkeeping, administrative fees, and trustee fees. UITs also charge creation and development fees, which compensate the sponsors for creating and developing the trusts. However, UITs generally do not deduct a separate management fee because the portfolio is not actively managed.

**More Information** – More information about UITs, including their sales charge and ongoing fees and expenses, is available in the UIT's prospectus. You can request a copy of a UIT's prospectus from your financial advisor. Additionally, you can find information about UITs on the SEC's website at [sec.gov/fast-answers/answersuithtm.html](http://sec.gov/fast-answers/answersuithtm.html).

#### **STRUCTURED NOTES AND INDEX LINKED CDS**

Structured Notes and Index Linked CDs are investment products that provide a modified exposure to an underlying index. They often provide enhanced upside (sometimes subject to a cap) and/or a buffer of downside protection. They can be a way to gain market exposure in uncertain times. They are not listed on any securities exchange and an investor may not be able to sell a structured note prior to maturity. An issuer may purchase a structured note in the secondary market if you request a bid, but it is not required to do so.

**Characteristics of Structured Notes** – Structured notes lack liquidity. The price, if any, at which an issuer may be willing to purchase a structured note in the secondary market, if at all, may result in significant loss of principal. You must be able and willing to hold a structured note to maturity.

For structured notes, tax treatment of contingent coupons may be considered taxable ordinary income at the time the



income is received. If the notes are called, sold, or mature, you will likely recognize a capital gain or loss. Capital gains are generally taxed as ordinary income when held for one year or less and are generally taxed as long-term capital gains when held for longer than a year. Please note, structured notes with fixed interest payments may have a different tax treatment.

An investment in a structured note may result in a loss. Structured notes do not provide 100% principal protection and are not insured by the FDIC or any other agency or program. Any “buffer” included in the note’s structure provides only limited downside protection against loss and applies only if the note is held to maturity. Should you invest in a buffered structured note, you will lose some of your principal investment if the reference asset declines by more than the stated buffer amount.

The potential return on some structured notes is limited to the principal amount plus interest income, if any, regardless of any appreciation of the reference asset(s), which may be significant. Structured notes are classified as senior unsecured debt. Payment on a structured note is subject to the credit risk of the issuer. Credit risk means that if the issuer were to default on payment obligations, you may not receive any amount owed under the structured note and could lose your entire principal investment.

An automatic call feature inherent in some structured notes may force a potential early maturity. Such circumstances generally result in an above-market rate of return. There is no guarantee that you will be able to reinvest the proceeds at a comparable rate of return with a similar level of risk. The potential return on a structured note is subject to market volatility and the risks associated with the reference asset(s). The return of a structured note may be zero or less than what could have been earned on a traditional fixed income security.

**Characteristics of Index Linked CDs**— Like traditional CDs, the index-linked variety should be considered “buy & hold” investments and should be considered to be illiquid securities. While the issuer may maintain a secondary market for their CDs, they’re not required to do so. Anyone who might be forced to sell an index-linked CD before maturity should expect that the best price they’re likely to find could be at a substantial discount to fair value, and perhaps even below par value. Index Linked CDs include an “estate liquidity” feature, more bluntly referred to as a “death put.” In the event of the death or incapacity of the CD owner, the owner’s estate can request that the CD issuer redeem the CD at its full par value.

The CDs do not pay any regular periodic interest. Holding the CDs for their full term does not assure a gain, it only assures that your original principal amount will be returned. This investment could result in zero profit. You will not receive

dividends or interest paid on any underlying constituent indices.

As a general matter, holders who purchase CDs in a principal amount greater than the FDIC insurance limits will not be insured by the FDIC for the amount exceeding such limit. In addition, under FDIC interpretations, the “return” on the CDs over and above the par amount, is considered to be “contingent” interest, and it is not insured by the FDIC until the amount is finalized per the calculation procedure. Any amounts due on the CDs in excess of the FDIC insurance limits will be subject to the credit risk of the issuing bank.

In some cases, taxpayers may be required to recognize “phantom income” annually on the CDs even though no income is paid out. Any income so recognized increases the holder’s tax basis in the CDs.

In order to be able to offer an attractive “participation rate” on the underlying index’s performance, one or more built in constraints may be included in the process of calculating the underlying index. Performance constraining devices such as averaging, periodic caps, volatility limiters and others may be incorporated into the index calculation process. Before purchasing an index linked CD, you should understand which, if any, of these methods could be impacting the underlying performance potential.

**Fees and Costs** – You will pay a commission when you purchase or sell a structured note or CD. As is the case with most products purchased through a primary offering, structured notes will be priced at a discount on the first day after purchase, i.e. they will initially be priced below the \$1,000 original purchase price. The discount is due to the fees and costs that are embedded in the offering price of the note. The structured note will be worth less than the original purchase price immediately after issuance.

*For example, if you purchase 100 Structured Notes that mature in 5 years, which is a \$100,000 investment, you will typically pay a \$3,500 sales concession, approximately 3.5% of the principal invested. Each offering is priced with a different sales concession and should be verified in the prospectus.*

**More Information** – More information about Structured products, including their initial commissions and ongoing fees and expenses, is available in the prospectus.

For secondary transactions, information about the commission fees you will pay BFE for Structured products is available

at [benjaminfedwards.com/content/disclosures/documents/equity\\_option\\_commission\\_schedule.pdf](http://benjaminfedwards.com/content/disclosures/documents/equity_option_commission_schedule.pdf) or [benjaminfedwards.com/content/disclosures/documents/fixed\\_income\\_commissions.pdf](http://benjaminfedwards.com/content/disclosures/documents/fixed_income_commissions.pdf).

#### **REAL ESTATE INVESTMENT TRUSTS**

**Characteristics** – We offer a range of real estate investment trusts (REITs), which own and typically operate income-

producing real estate assets, such as office buildings, shopping malls, apartments, hotels, resorts, self-storage facilities, warehouses, and real estate mortgages or loans. Unlike other real estate companies, REITs do not develop real estate properties to resell them, but rather buy and develop properties primarily to operate them as part of their own investment portfolio.

As an investment for a client, REITs provide exposure to the investment performance of commercial real estate. REITs are required to pay out most of the taxable income to their shareholders. Some REITs can offer higher dividend yields than some other investments.

We offer publicly traded REITs (traded REITs), which are typically listed for trading on a national securities exchange. We do not offer non-traded REITs, which are not listed for trading on public exchanges. While traded REITs can be bought and sold on a secondary trading market, the non-traded REITs cannot be bought or sold readily in a secondary trading market and are typically only available for purchase when the REIT is conducting a public offering of its shares. While the market price for shares of traded REITs is readily available, that is not the case for shares of non-traded REITs. Shares of non-traded REITs are considered to be illiquid investments because you may not be able to sell your shares readily. Also, in the case of non-traded REITs, which generally are purchasing real estate assets as they are conducting their offerings, dividend yields may come from offering proceeds or borrowings rather than from rental income, reducing the amount available to invest in real estate assets. Non-traded REITs also typically have an external manager whereas traded REITs typically have internal employees. The interests of external managers, who receive fees from the REIT for managing the REIT and assisting with acquisitions, can conflict with the interests of the shareholders of the non-traded REITs.

**Fees and Costs** – You will pay a commission when you buy shares in a REIT’s public offering or buy or sell shares in a REIT in a secondary trading market. For an initial offering purchase, the REIT commission is a one-time fixed fee, typically a percentage of the investment amount. The commission is deducted from the amount you invest. For a purchase or sale transaction in the secondary trading market, the REIT commission is also a one-time fixed fee. The commission is a separate charge from the purchase or sale amount.

*For example, in the secondary trading market, if you purchase 200 shares of a \$40 per share REIT or 100 shares of an \$80 per share REIT (an investment of \$8,000), you will typically pay a \$208 commission.*

REITs bear the fees and expenses associated with acquiring, operating, and disposing of their assets. You pay these fees and expenses indirectly because they impact the profitability of the REIT and the value of your shares.

**More Information** – More information about REITs, including their initial commissions and ongoing fees and expenses, is available in the REIT’s prospectus.

Information about the commission fees you will pay BFE for REIT transactions is available at [benjaminfedwards.com/content/disclosures/documents/equity\\_option\\_commission\\_schedule.pdf](https://benjaminfedwards.com/content/disclosures/documents/equity_option_commission_schedule.pdf).

## **529 PLANS**

**Characteristics** – BFE offers 529 education savings plans and 529-ABLE plans, which are both types of “529 plans”. 529 plans are tax-advantaged and state-sponsored investment programs named after the section of the Internal Revenue Code that authorized them.

**529 Plans for Education** – There are two general types of 529 plans that are used for education: savings plans and prepaid tuition plans. Savings plans are investment accounts that allow investment earnings to grow tax-deferred, and withdrawals are exempt from federal taxation when used for qualified educational expenses. Education savings plans generally operate through state-sponsored trusts and permit investors to allocate contributions to one or more trust portfolios or “investment options” offered in the plan. Prepaid tuition plans allow investors to “lock in” tuition rates at certain specified educational institutions. Every state offers at least one type of 529 plan, and some states offer both. The remainder of this section discusses 529 education savings plans.

There are also two general types of 529 education savings plans: direct-sold and advisor-sold. If you invest in a direct-sold 529 education savings plan, your contributions are sent directly to the state that sponsors the plan. An advisor-sold plan offers investments through a financial advisor. Not all states offer advisor-sold plans. In addition, a financial advisor may not have the ability to offer every state’s advisor-sold plan. A state may choose to sponsor a direct-sold education savings plan, an advisor-sold education savings plan, or both. Advisor-sold plans typically have different investment menus than the direct-sold plans.

Contributions to a 529 education savings plan are not deductible on your federal income tax return. However, making contributions to the 529 education savings plan sponsored by your state of residence may provide you with a state income tax deduction or credit. Deductions or tax credits vary from state to state and sometimes are only available if the contributions are made to the resident’s state-sponsored 529 plan. Contributions to a 529 education savings plan are subject to annual gifting limits (\$15,000 in 2020) and provide special rules for making five-year advanced gifting to enable larger amounts to be contributed in a single year. Income limits do not apply to 529 plans. Age limits do not apply to 529 plans.

Education savings plan contributions are generally invested in certain underlying investment options, such as mutual funds. Investment menus are chosen by the state's investment committees. The contributions will fluctuate in value as the underlying investment options increase or decrease, and there is no guarantee that the amount contributed to the 529 education savings plan will equal the amount necessary for future education expenses. Although similar to mutual funds in certain ways, 529 education savings plans are issued by state governments, and are not directly regulated or registered under the federal securities laws. Account owners are limited to changing investments twice per year. Account owners make investment decisions in education savings plan on behalf of the beneficiary/student.

An important step to take prior to investing in a 529 education savings plan is to carefully read the offering document (often called a program description or "official statement"). Each program description contains important information that will help you make an informed decision about an investment in a 529 education savings plan. In deciding whether to invest in a 529 education savings plan, you should consider several different factors, including each investment option's past performance, investment objective, investment strategy and risks, the investment adviser responsible for advising the state issuer, and the fees and expenses associated with an investment in a particular investment option. While past performance of an investment option is not indicative of future results, an investment option's long-term performance record may be an important factor in deciding to invest.

Withdrawals from a 529 education savings plan that are used for qualified education expenses are exempt from federal income taxes. Qualified education expenses include tuition, fees, books, supplies and equipment that is necessary for enrollment or attendance at a post-secondary education institution such as a college or university. In addition, for federal income tax purposes, qualified education expenses also include up to \$10,000 a year in K-12 tuition, fees, books, supplies and equipment costs for registered apprenticeship programs, and repayment of up to \$10,000 in student loan debt for the beneficiary/student and any siblings of the beneficiary/student. Although most states also treat college-related qualified education expenses as tax-free, they may not treat K-12 tuition, apprentice program expenses and student loan debt repayment as qualified expenses for state income tax purposes. Withdrawals that are not used for qualified education expenses have tax implications. For federal income tax purposes, any earnings distributed in a non-qualified withdrawal are included in taxable income and subject to a 10% tax penalty. For state income tax purposes, non-qualified withdrawals can be subject to a recapture of previously received state income tax credits or deductions. Consult your tax professional for additional information specific to your tax situation.

**529 Plans for Disabled Individuals (529 ABLE)** – 529 ABLE (Achieving Better Life Experience), or 529-A plans, are another type of 529 plan. 529-A plans are state-sponsored savings plans for disabled individuals that offer similar tax advantages to 529 education savings plans. 529-A plans are investment accounts that allow investment earnings to grow tax-deferred, and withdrawals are exempt from federal taxation when used for qualified disability expenses. The savings in a 529-A plans have no effect on needs-based aid programs such as Medicaid and Supplemental Security Income (SSI) for accounts up to \$100,000.

Most, but not all, states offer 529 ABLE plans. 529-A plans can be national plans or resident-only plans. National plans are open to anyone, regardless of residency. With a resident-only plan, you must reside in that state to participate in the plan. 529-A plans can also be direct-sold or advisor-sold, similar to 529 education savings plans discussed above. A state may choose to sponsor a direct-sold 529-A plan, an advisor-sold 529-A plan, or both. A financial advisor may not have the ability to offer every state's advisor-sold plan.

Contributions to a 529-A plans are not deductible on your federal income tax return. However, making contributions to a 529-A plan sponsored by your state of residence may provide you with a state income tax deduction or credit. Deductions or tax credits vary from state to state and sometimes are only available if the contributions are made to the resident's state-sponsored 529-A plan. Income limits and age limits do not apply to 529-A plans.

529-A plans can be established for any individual who became blind or disabled from a condition diagnosed before the age of 26 if they are also eligible for Supplemental Security Income, Social Security Disability Income, or otherwise meet a disability certification requirement. Contributions can be made by anyone, but the account owner is the beneficiary/disabled individual. If the individual cannot or chooses not to establish and manage the 529-A plan account, a parent, legal guardian, or legally authorized representative may open and manage the account. Contributions to a 529-A plan are limited to the annual gift limit (\$15,000 in 2020). However, certain employed disabled individuals may also make contributions from their own income up to the higher of their earned income or the federal poverty limit for a one-person household.

529-A contributions are generally invested in certain underlying investment options, such as mutual funds. Investment menus are chosen by the state's investment committees. The contributions will fluctuate in value as the underlying investment options increase or decrease, and there is no guarantee that the amount contributed to the 529-A plan will equal the amount necessary for future expenses. 529-A plans are issued by state governments and are not directly regulated or registered under the federal

securities laws. Account owners are limited to changing investments twice per year.

An important step to take prior to investing in a 529-A plan is to carefully read the offering document (often called a program description or “official statement”). Each program description contains important information that will help you make an informed decision about an investment in a 529 ABL plan. In deciding whether to invest, you should consider several different factors, including each investment option’s past performance, investment objective, investment strategy and risks, the investment adviser responsible for advising the state issuer, and the fees and expenses associated with an investment in a particular investment option. While past performance of an investment option is not indicative of future results, an investment option’s long-term performance record may be an important factor in deciding to invest.

Withdrawals from a 529 ABL plan that are used for qualified disability expenses are exempt from federal income taxes. Qualified disability expenses include education and training, housing, transportation, basic living expenses, health and wellness, financial management, employment training, assistive technology and personal support services, and legal fees. Withdrawals that are not used for qualified disability expenses have tax implications. For federal income tax purposes, any earnings distributed in a non-qualified withdrawal are included in taxable income and subject to a 10% tax penalty. For state income tax purposes, non-qualified withdrawals can be subject to a recapture of previously received state income tax credits or deductions. Consult your tax professional for additional information specific to your tax situation.

**Fees and Costs** – 529 plans may have application fees (typically \$50 or less), annual maintenance fees (generally ranging from \$10 - \$25) which are often waived for state residents, in addition to the expenses associated with the investment selection.

Most 529 plans offer multiple units (often called share classes), similar to the share class structure offered by many mutual funds. Though there are several types of 529 plan share classes, the most common share classes available to you are Class A and Class C. Each class typically has different fees and expenses, and therefore investment performance results will differ as those fees and expenses reduce performance differently across the various share classes. You should also note that the amount of time you expect to hold your investment in a 529 plan will play an important role in determining which share class is most appropriate, and you should discuss this consideration with your financial advisor.

When you invest in an advisor-sold 529 plan with us, you will typically pay a sales charge. We receive a portion of this sales charge for the sales and related services we provide to the primary distributor of the 529 plan.

In addition to these sales charges, 529 plans typically deduct certain ongoing fees and expenses from each investment option, such as program management fees, from assets in the investment options. Although these ongoing fees and expenses may vary based on your 529 plan, some of the more common ones are set forth below:

- *Program Management Fee* – 529 plans generally deduct a program management fee to pay the program manager for providing investment advisory, accounting, and other services to the plan. This fee is typically charged annually as a percentage of your assets and is reflected in the NAV of the plan’s investment options.
- *Maintenance Fee* – Most 529 plans charge an annual maintenance fee. This fee, which compensates the plan sponsor for costs of maintaining the plan, may be waived in certain circumstances, such as when your plan assets exceed certain thresholds.
- *Underlying Mutual Fund Expenses* – Most 529 plan investment options invest in one or more mutual funds and bear a portion of the fees and expenses of these underlying funds. The underlying mutual fund expenses are deducted from fund assets and reflected in the NAVs of the underlying mutual funds, which means they are also reflected in the NAV of the 529 plan’s investment options. More information on the mutual funds that underlie the plan’s investment options is available in the 529 savings plan’s offering document. In addition, more information on the underlying mutual funds, including their ongoing fees and expenses and overall expense ratio, is available in the funds’ prospectuses.

You pay these fees and expenses indirectly as they are deducted from your investment option assets, or the assets of underlying mutual funds, on an ongoing basis.

While there are no standard definitions for share classes, and each 529 plan defines its share classes in its offering document, set forth below are some basic descriptions of the most common share classes available to you:

- *Class A* – This share class usually carries a front-end sales charge, which is typically assessed as a percentage of each contribution. The net amount of your contribution after the deduction of the sales charge is invested in shares of the 529 plan investment option(s) that you select. Class A shares also typically have ongoing fees and expenses, which sometimes include fees commonly referred to as 12b-1 fees, and these 12b-1 fees are intended to finance distribution activities intended primarily to result in the sale of additional shares of the mutual fund. Despite these ongoing fees and expenses, Class A shares typically have lower operating expenses compared to the other share classes of the same investment option. This means that ongoing costs will typically be lower than ongoing costs associated with other share classes of the same investment option. Many 529 plans also offer “breakpoint” discounts for large investments in Class A shares of investment options, which means that



*the front-end sales charge decreases as the investment increases. These breakpoints are described in the 529 plan's offering document and explained further below.*

*For example, if you purchase \$1,000 of Class A shares of an investment option for a 529 savings plan that assesses a 3.5% front-end sales charge on your investment, then you will pay a \$35 front-end sales charge and the remaining \$965 of your contribution will be used to purchase Class A shares of the investment option. An ongoing annual operating expense fee of 0.60% on a value of \$965 would equate to \$5.79 that would be paid out of your holdings of the investment.*

➤ *Class C – This share class is characterized by a level asset-based sales charge that you pay annually as a percentage of your assets in an investment option. It does not have a front-end sales charge like Class A shares but does have a contingent deferred sales charge (also known as a CDSC) and a higher ongoing operating expense fee. The CDSC means that you may pay a sales charge when you sell your investment. The amount of the CDSC is typically assessed as a percentage of your investment, and it declines over time and eventually is eliminated the longer you hold your shares. Most Class C shares generally eliminate the CDSC after one year.*

*For example, if you purchase \$1,000 of Class C shares of an investment option of a college savings plan with a 1% asset-based sales charge, you will not pay a front-end sales charge, so the entire \$1,000 investment will be used to purchase Class C shares at the time of purchase. An ongoing annual operating expense fee of 1.35% on a value of \$1,000 would equate to \$13.50 that would be paid out of your holdings of the fund. Additionally, if you needed to sell the fund while the 1% CDSC was still in place, a sale of \$1,000 worth of the fund would result in you receiving \$990.*

**More Information** – More information on the sales charges and ongoing fees and expenses is available in the 529 plan's offering document, which you can request from your financial advisor.

You can also access information available from the Municipal Securities Rulemaking Board's website at [msrb.org/EducationCenter/Municipal-Market/529-Plans.aspx](https://msrb.org/EducationCenter/Municipal-Market/529-Plans.aspx) which has investor guides and FAQs, and from the Electronic Municipal Market Access database at [emma.msrb.org/search/plan529.aspx](https://emma.msrb.org/search/plan529.aspx), which will allow you to search, by state, for program disclosure documents for both 529 education savings plans and 529 ABLE plans. Not all states have submitted their program disclosures to the MSRB. Offering documents for 529 savings plans can also be found online through the state's website, typically through the Office of the Treasurer.

## **VARIABLE PRODUCTS**

**Characteristics** – We offer variable annuities and variable life insurance policies (variable products). These variable products are issued by different insurance companies and will be in the form of a contract or policy between you and the

insurance company. There are differences from one variable product to the next in the features, benefits, fees and costs of the product and in minimum and maximum premium and/or death benefit amounts. Below is general information about most variable products. Information about the particular features, benefits, fees and costs for a specific variable product can be found in the prospectus for that product. You will receive a copy of the prospectus for the variable product that your financial advisor recommends to you.

Variable annuities can help with saving for retirement. Funds invested in these annuities can grow tax-deferred. This means you will pay no federal taxes on the income and investment gains on the funds you invest in your annuity until you make a withdrawal, receive income payments, or a death benefit is paid. When you withdraw your funds, however, you will pay tax on the gains at ordinary federal income tax rates rather than lower capital gains rates. When you start taking income payments, you can select payment options that will guarantee you payments for as long as you live. Some annuities offer other features and guarantees, available as options or riders.

Variable life insurance provides life insurance protection (i.e., a death benefit) and also allows you to build up a cash value that can grow tax-deferred. Most variable life insurance policies allow you to take out loans against your cash value and to make withdrawals (as long as the remaining cash value is sufficient to keep the policy in force). You can also terminate your policy and receive the remaining cash surrender value. Terminating your policy will terminate your death benefit protection. Most insurance companies offer riders and other options with their variable life insurance policies, such as disability waivers, spousal and child riders, or accelerated death benefits.

When you purchase a variable annuity or variable life insurance product, your insurance premium contributions (net of any fees and charges deducted from premiums) are invested in the investment options, typically underlying subaccounts, that you select. The value of your investment, usually referred to as your cash value, will fluctuate as the values of the underlying subaccounts increase or decrease.

Most insurance companies impose a minimum requirement on the initial premium. In the case of variable life insurance, you will likely be required to make premium payments periodically to keep the policy in force. While you may have some flexibility in the amount or timing of these periodic premium payments, you should consider whether you can afford to continue making premium payments when deciding to purchase a variable life insurance policy. If you fail to make sufficient payments to keep the policy in force, the policy will lapse (that is, terminate without value) and you will no longer have any death benefit protection.

Variable products are not short-term savings vehicles. Withdrawing funds or surrendering a variable product in the

short term after purchase will likely trigger surrender fees and charges and may also trigger tax penalties. You can lose the money you invest in variable products, including potential loss of your initial investment, due to poor performance of the investment options you select and/or the cumulative impact of fees and charges on your cash value.

**Fees and Costs: Premium Payment Deductions** – In the case of some variable products, the insurance company deducts a fee from your premium payment, with the effect that only the net premium amount is invested or allocated. In the case of variable annuities, the fee deduction is usually to cover a state insurance premium tax. In the case of variable life products, the fee deduction can also cover the insurer's sales expenses.

**Fees and Costs: Surrender and Withdrawal Charges** – Most variable products impose a surrender charge if you surrender your variable product or make a withdrawal of your cash value during the surrender charge period. This surrender charge and the surrender period are described in the product prospectus. Surrender charge periods vary by variable product but are generally around six to eight years for variable annuities, even though they sometimes may range up to 15 years on some variable life insurance policies.

Typically, the surrender charges decrease over the duration of the surrender charge period, with the higher surrender charges applying to surrenders and withdrawals made at the beginning of the surrender charge period, and the lower surrender charges applying to surrenders and withdrawals made toward the end of the surrender charge period. Tax penalties can also apply to surrenders or withdrawals under annuities made before age 59½.

**Fees and Costs: Ongoing Fees and Expenses** – Insurance companies deduct fees and expenses from your cash value to cover fees and expenses. These ongoing fees and expenses commonly include mortality and expense (M&E) risk fees, cost of insurance fees (assessed under variable life insurance policies), administration fees, transaction fees, and fees associated with certain optional riders. The M&E risk fees are calculated as a percentage of your insurance coverage or account value and are described as an annualized rate charged against assets. However, some fees, such as administration or transaction fees, are fixed amount fees charged annually or when specific transactions occur and are deducted from your cash value. The cost of insurance fees charged on variable life insurance is typically calculated by applying a rate based on your underwriting classification to the "net amount at risk" (the difference between your product's death benefit and cash value). These fees typically are deducted from your cash value on an ongoing basis. If you add riders to your variable annuity or variable life insurance policy, the fees for those riders will be deducted from your cash value.

In addition, you will indirectly pay the ongoing fees and

expenses for the subaccount that are the underlying investment options for your variable product in which you invest. These fees and expenses are separate from the fees charged by the insurance company and will be reflected in the performance of the underlying investment options. These ongoing fees and expenses include the subaccount management fees, servicing fees, and 12b-1 fees, and are typically charged as an annualized rate against fund assets.

The commissions, surrender charges, and ongoing fees and expenses associated with variable products vary by insurance company and the type of variable product. More information regarding the commissions, surrender charges, and ongoing fees and expenses for variable products is available in the variable product's prospectus.

**Fees and Costs: Our Commissions** – When you purchase a variable product, the issuing insurance company will pay a commission to us. While you do not pay this commission directly, the insurer factors this commission into the product's fees and costs in the case of variable products. In this way, you indirectly pay the commission. We receive this commission for our sales efforts and for assisting you with the insurance application and the underwriting and delivery processes related to the purchase of a variable product. We share a portion of this commission with your financial advisor.

Insurance commissions we receive vary based on the variable product and insurance company, and we receive higher commissions for some types of variable products than for others, which creates a conflict of interest for us. In addition, in the case of life insurance, the commissions may vary between initial premium payments and subsequent premium payments. Although insurance commissions vary, we typically receive 70% - 85% commission for premiums received in the first year for a sale and 1% - 3% in subsequent years.

Annuity commissions we receive vary based on the variable product, age of the policyholder and commission option selected. We receive higher commissions for some types of variable products and commission options than for others, which creates a conflict of interest for us. Although annuity commissions vary, we typically receive between 1% and 5% commission for premiums received in the first year; and an asset-based trail commission between .25%-1% in subsequent years. The higher the first-commission option selected; the lower the trail and visa-versa.

*For example, if you purchase a \$100,000 variable annuity from an insurer that pays us a 5% initial commission and a .50% asset-based trail, we will receive, and you will indirectly pay, an initial commission of \$5000. If the account value on the policy is still \$100,000 on the first contract anniversary we will receive, and you will indirectly pay, a subsequent commission of \$500. Subsequent anniversaries will continue to pay a .50% asset-based trail commission as long as the contract remains in force.*

**Fees and Costs: Marketing Expenses and Allowances** – Some insurance companies also pay us a marketing allowance for our marketing activities on their behalf. By making contributions to cover the costs of the business meetings and events that we hold for our financial advisors. Not all of the insurers on our platform make these payments to us.

Marketing representatives of insurance companies or their affiliated distributors, often referred to as “wholesalers,” work with our financial advisors to promote their variable products. These insurance companies and their wholesalers may pay for or provide training and education programs for our financial advisors. Insurance companies and their wholesalers may provide small gifts or business entertainment to our financial advisors, may cover expenses with our financial advisors attending business meetings they sponsor, and may provide financial assistance to financial advisors for their marketing events and activities.

You do not pay these marketing expenses directly. However, the marketing expenses are built into the pricing of the variable product, so you indirectly pay for the cost of the marketing expenses, such as training and education programs for our financial advisors sponsored by the insurance company and their wholesalers.

**More Information** – More information about variable products, including the insurance commissions and other fees and expenses built into the cost of the insurance, is available in the variable product’s prospectus. You can request a copy of a variable product’s prospectus from your financial advisor.

More information on the subaccounts underlying the variable product’s investment options, including the ongoing fees and expenses and overall expense ratio, is available in the prospectuses. You can request a copy of underlying subaccount prospectuses from your financial advisor.

Additionally, FINRA has made information available to the investing public on its website at [finra.org/investors/learn-to-invest/types-investments/annuities](http://finra.org/investors/learn-to-invest/types-investments/annuities) and [finra.org/investors/learn-to-invest/types-investments/insurance](http://finra.org/investors/learn-to-invest/types-investments/insurance)

### **CASH SWEEP PROGRAM**

**Characteristics** – Clients have options on how they invest cash balances including products like money market mutual funds and certificates of deposit. By default at account opening, BFE accounts are enrolled in BFE’s Cash Sweep Program, which is a program that sweeps cash awaiting investment held within BFE accounts into interest-bearing accounts eligible for FDIC insurance coverage (or into a SIPC-insured money market fund for cash balances that exceed FDIC coverage limits). In the Cash Sweep Program, BFE, Pershing and the Cash Sweep Program Sponsor (“Sponsor”) earn fees based on the amount of money invested in the Cash Sweep Program. Clients are enrolled in the Cash Sweep Program by default at the time of account opening but may withdraw at any time by contacting their financial advisor.

BFE, Pershing, and the Sponsor will earn higher fees when a client’s money is invested in the Cash Sweep Program than in other cash alternative products. This means BFE has a conflict of interest because it has an incentive to recommend clients participate in this Program rather than invest in money market mutual funds or other cash alternative products with the potential for higher returns.

The Sponsor establishes the parameters in which BFE participates in its Cash Sweep Program. BFE earns its compensation by retaining any residual interest after the initial yield that was paid by the participating banks for the client deposits has been reduced by the rate paid to the client and the fees payable to Pershing and the Sponsor.

The fees paid to Pershing and the Sponsor are established at the outset. BFE is given the latitude to determine the final interest rate that will be earned by the client. Because BFE’s compensation is earned from the residual, it effectively determines its own compensation, within the limits of the initial market yields that are paid. BFE has a conflict of interest in establishing that rate because the Firm’s compensation will be greater if the client’s final yield is lower. BFE does not have this type of conflict in connection with other cash alternative products, like money market funds. As a result, clients will earn higher yields if they choose to invest in cash alternative products, like money market funds, over the Cash Sweep Program. The Cash Sweep Program should not be viewed as a long-term strategy for holding cash. Clients who wish to hold cash for longer periods should contact their financial advisor to discuss alternative products with higher yields.

Interest rates earned by clients in connection with the Cash Sweep Program at any given time will vary and are derived from then current market yields paid by the participating banks. The interest rate earned by a given client is also a function of the linked value of all of the assets invested by a client in different accounts at Benjamin F. Edwards. In general, a client with greater linked balances will receive an interest rate at a higher tier than a client with lower linked balances. The aggregate value of a client’s linked balance will determine the interest rate tier in which a client is placed. In connection with the Cash Sweep Program, BFE will determine the amount of invested assets required for each interest rate tier, as well as the interest rate to be paid to clients in each tier. Because BFE’s compensation is earned from the residual, the tiered compensation structure results in BFE receiving less compensation when more of a given client’s assets are invested with Benjamin F. Edwards.

Because BFE establishes the client’s final earned interest rate in the Cash Sweep Program and the threshold values of the Program’s linked account tiers, it directly influences the amount the client will earn and the revenue BFE retains. In addition, advisory clients should be aware that balances in BFE’s Cash Sweep Program are used to calculate annual

advisory fees (for more information, please see [BFE's Wrap Fee Program Brochure](#)). Clients should be aware that advisory fees will likely exceed returns earned in the Cash Sweep Program which will cause negative overall returns. It is important for clients to understand these conflicts so informed decisions can be made when evaluating the benefits of participating in the Cash Sweep Program versus investments in other cash alternative products.

**More Information** – For additional information, please review the Cash Sweep Program *Terms and Conditions* and the current rates, available at [www.benjaminfedwards.com/products-services/cash-management](http://www.benjaminfedwards.com/products-services/cash-management).

### **MARGIN AND NON-PURPOSE LENDING PRODUCTS**

**Characteristics** – We offer the use of margin on your account, which means you can borrow additional money to invest against the value of your existing securities. Before trading in a margin account, you should carefully review our Margin Agreement. You should also discuss the use of margin with your financial advisor.

When you purchase securities, you may pay for the securities in full or you may choose to borrow part of the purchase price. If you choose to borrow funds, you will need to open a margin account and sign our Margin Agreement. The securities you purchase on margin are BFE's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, we can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts, in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

- *You can lose more funds than you deposit in the margin account. A decline in the value of securities that are purchased on margin may require you to deposit additional funds to your account to avoid the forced sale of those securities or other securities or assets in your account(s).*
- *BFE can force the sale of securities or other assets in your account(s). If the equity in your account falls below the maintenance margin requirement or our higher "house" requirements, we can sell the securities or other assets in any of your accounts to cover the margin deficiency. You also will be responsible for any short fall in the account after such a sale.*
- *We can sell your securities or other assets without contacting you. As a courtesy, we will typically attempt to notify you of a margin call, but we are not required to do so. Even if we contact you and provide a specific date by which you must meet a margin call, we can still take necessary steps to resolve the margin call, including immediately selling the securities without notice to you.*
- *You are not entitled to choose which securities or*

*other assets in your account(s) are liquidated or sold to meet a margin call. Because the securities are collateral for your margin loan, we have the right to decide which security to sell.*

- *We can increase our "house" maintenance margin requirements at any time, and we are not required to provide you advance written notice. These changes in Firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the margin call may cause us to liquidate or sell securities in your account(s).*
- *You are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to clients under certain conditions, a client does not have a right to the extension.*

Additionally, we offer non-purpose asset-based loans which use the securities in your account as collateral for the loan. Unlike margin loans, non-purpose loans cannot be used to purchase additional securities. To facilitate the non-purpose loan program, BFE partners with intermediary banks which in turn loan funds to BFE clients. The risks involved with non-purpose loans are similar to those listed above for the use of margin. You should review the appropriate agreement(s) and discuss this program with your financial advisor before borrowing money through a non-purpose loan.

**Fees and Costs** – When you borrow money using the collateral in your account, whether through the use of margin or through the use of a non-purpose loan, you will pay us interest for the money you borrow. The interest rate you pay will fluctuate based on the amount of the loan as well as the benchmark tied to the loan (e.g. LIBOR). The overall interest rate decreases as your borrowed amount increases and your interest rate can fluctuate with changes in the market. Your financial advisor can provide you more details, including current market rates for borrowing.

**More Information** – As stated above, borrowing money through the use of margin or the non-purpose loan program involves risks that you should carefully consider prior to borrowing. Your financial advisor can explain the risks, characteristics and costs to borrow should you wish to learn more. Additionally, FINRA has margin information on its website at [finra.org/investors/learn-to-invest/advanced-investing/purchasing-margin](http://finra.org/investors/learn-to-invest/advanced-investing/purchasing-margin) and the SEC has information on non-purpose asset-based loans on its website at [sec.gov/oiea/investor-alerts-bulletins/sbloc.html](http://sec.gov/oiea/investor-alerts-bulletins/sbloc.html).

### **COMPLEX PRODUCTS AND ALTERNATIVE INVESTMENTS**

**Characteristics** – We have included information on several types of complex products above in this document; however, other types of complex products exist beyond those listed above and we think it is important to provide additional detail due to the riskier nature of these products.



Complex products are a type of investment whose value can fluctuate in a manner that is difficult to understand relative to traditional investments. Complex investments typically invest in nontraditional assets or engage in one or more complex strategies. Many complex products are not actively traded, making them difficult to value. Often, they are extremely illiquid and are not eligible to be traded in a secondary market such as on an exchange or in the over-the-counter market. Examples of complex products include but are not limited to structured notes, inverse or leveraged ETPs, securitized products, asset-backed securities, products with a complicated derivative component, products with contingencies in gains or losses, investments tied to the performance of markets (such as the volatility index), products with principal protection, products with complicated limits or formulas, and more. You should review the characteristics of any complex products with your financial advisor prior to investing. For certain complex products, we require our financial advisors provide you written information prior to or at the time of sale or via mail upon completion of the sale to ensure you are aware of the characteristics and risks of the investment you are purchasing.

**General Fees and Costs** – The fees and costs associated with different types of complex products will vary between products. In addition to understanding the characteristics of these products, it is also important to discuss the fees and costs associated with the products prior to investing. Please discuss these products with your financial advisor for additional detail on the particular fees and costs associated with a complex product.

**More Information** – As stated above, investing in complex products involves risks that you should carefully consider prior to investing. Your financial advisor can explain the risks, characteristics and costs to associated with these products should you wish to learn more.

Additionally, FINRA has related information on its website at [finra.org/investors/learn-to-invest/types-investments/alternative-and-complex-products](http://finra.org/investors/learn-to-invest/types-investments/alternative-and-complex-products).

## Conflicts of Interest

We have identified certain conflicts of interest (conflicts) that relate to the recommendations we and our financial advisors make. A conflict arises when an economic benefit incentivizes either us or a financial advisor to put our interests and/or the interests of the financial advisor ahead of the interests of our clients. Some of these conflicts exist between our clients and both our Firm and financial advisors, while others exist between our clients and our Firm alone or between our clients and financial advisors alone.

The sections below disclose material facts relating to these conflicts so that you are able to make an informed decision regarding any recommendation your BFE financial advisor provides you. Many of these conflicts generally exist in our

industry as a whole and we have adopted policies and procedures designed to mitigate these conflicts of interest. BFE or your financial advisor may have conflicts of interest beyond those disclosed here. Our financial advisors will deliver additional disclosure to address any other material conflicts of interest when applicable.

Further, we disclose more information on our specific conflicts on our website at [benjaminfedwards.com](http://benjaminfedwards.com) under the “[Important Disclosures](#)” section and in our Revenue Sharing Disclosure document at [benjaminfedwards.com/content/disclosures/documents/Revenue%20Sharing%20Disclosure.pdf](http://benjaminfedwards.com/content/disclosures/documents/Revenue%20Sharing%20Disclosure.pdf).

## Conflicts for Both Our Firm and Our Financial Advisors

Conflicts between our clients and both our Firm and financial advisors may be caused by a variety of arrangements, including the role we play in a transaction, compensation arrangements, or trading arrangements. The material facts relating to these conflicts are as follows:

### TRANSACTION-BASED FEES

We and our financial advisors get paid when you enter an order or invest based on our recommendations. We are paid each time you buy a security in your brokerage account and, for many investments, when you sell the security as well. (Please refer to the “Fees and Costs” section of this document for transaction costs that apply to each type of investment.)

We pay our financial advisors a portion of the transaction-based payments that we receive. These transaction-based payments are referred to as commissions, sales charges or markups. They incentivize us and your financial advisor to encourage you to trade more – to purchase and sell investments and then purchase another investment – that results in more revenue for our Firm and your financial advisor. Transaction-based payments also incentivize your financial advisor to recommend brokerage accounts to you when advisory accounts in which the asset-based fees would be lower than transaction-based fees for accounts that engage in heavy trading.

### INVESTMENT COSTS FOR DIFFERENT INVESTMENTS

For any given client investment need and risk tolerance, ranging from conservative income to aggressive growth, we typically offer multiple investment types that are suitable choices. The range of investment products available to your financial advisor to help meet your investment objectives and risk tolerance is vast – from individual securities, such as stocks and bonds, to a variety of packaged investment products, including mutual funds, exchange-traded products and variable annuities. Your financial advisor can structure an investment portfolio tailored to your specific needs with a selection of securities from one investment type or through a combination of securities from different investment types.

The different investment types have varying features, and the associated investment costs you pay for purchasing and

holding each investment type differ as well. (Please refer to the “Fees and Costs” section of this document for transaction costs that apply to each type of investment.) This incentivizes us and your financial advisor to recommend costlier investments to you to maximize the revenue we receive. It is important to note that our firm’s compensation is investment-neutral, meaning that the percentage of the compensation for any given transaction that your financial advisor receives does not vary based on the investment recommended.

#### **INVESTMENT COSTS FOR DIFFERENT SHARE CLASSES OF THE SAME SECURITY**

Investment company securities like mutual funds, college savings plans, and variable annuities, etc. (collectively referred to as “Funds”) charge transaction costs and internal expenses. If you invest in Funds, you will pay your share of these expenses. Transaction costs are typically charged as a percentage of the dollar amount the Fund you purchase. Internal expenses are charged at an annual rate based on the dollar value of your holdings at the time the expenses are charged. Both costs have the effect of reducing the overall performance of the investment.

All of a Fund’s applicable fees are outlined in its prospectus, which your financial advisor can help you access prior to purchasing the Fund, if needed. Transaction costs are shared between the Fund’s issuer or its affiliates and us. Internal expenses, such as the management fee and fund operating expenses, are retained by the Fund’s issuer or its affiliates. Still other internal expenses are shared by the Fund issuer or its affiliates with Pershing and/or us; these internal expenses include distribution fees (12b-1 fees), service fees and recordkeeping fees (subtransfer agency fees, or sub-TA fees). Sub-TA fees are paid to our clearing firm (Pershing) to compensate it for the administrative and bookkeeping costs of maintaining those Fund positions on its platform. Neither we nor your financial advisor receives any portion of the sub-TA fee our clearing firm receives.

Fund companies commonly offer multiple “share classes” of the same Fund. Different share classes in the same Fund are comprised of the same underlying basket of securities, but the classes differ based on the associated fees and compensation structures. A Fund’s different share classes may include or exclude the transaction charge and some of the fees mentioned above in this section (12b-1 fees, service fees, sub-TA fees, etc.). Some share classes are generally intended for use in brokerage accounts with transactional fees, while others are designed for advisory accounts, meaning there is no upfront or deferred sales charge and the internal expenses are significantly reduced. Because each share class of the same Fund generally invests in the same portfolio of securities, an investor who holds a less expensive share class of a Fund will pay lower fees and as such, will earn higher investment returns than an investor who holds a more

expensive share class of the same fund.

Clients should understand that the availability of different share classes with varying cost structures incentivizes us and their financial advisor to recommend the more expensive share classes. It is important to note, however, that where issuers have multi-share class structures, the lowest-cost share class is not always available to investors, due to high minimum investment amounts or account type requirements (e.g., a retirement account in a workplace retirement plan or an advisory account). You can find more information about the compensation paid on different share classes in the prospectus for the investment or by asking your financial advisor.

#### **THIRD-PARTY CASH PAYMENTS**

For some investments you purchase based on our recommendation, we receive payments from a third-party that are in addition to the transaction-based payments described above. This is typically the case when you purchase mutual funds, college savings plans, and variable products. For example, certain issuers make ongoing payments to us based on invested assets (and not just new investments), such as 12b-1 fees, shareholder servicing fees or trail compensation. These fees are included in the expenses you pay the issuer for holding the investments, and the issuer pays them to us.

Third-party payments are described in further detail in the prospectus or offering materials for the investment, which will be made available to you in connection with any purchase. Third-party payments incentivize us and your financial advisor to sell you or recommend you hold investments that provide us these payments rather than investments that either do not provide us the payments at all or provide us comparatively lower payments.

#### **IRA ROLLOVER TRANSACTIONS**

If you change employers, your financial advisor can either recommend that you continue holding your assets in a workplace retirement plan such as a 401(k) or roll over assets from your former workplace’s retirement plan into an IRA account. When you engage in a rollover to an IRA, we and your financial advisor will receive compensation in connection with the investments you purchase and hold in your IRA account. The availability of an IRA rollover opportunity incentivizes us and your financial advisor to encourage you complete the rollover and purchase and hold investments that result in additional compensation for us and your financial advisor.

#### **TRANSFERS OF INVESTMENTS FROM BROKERAGE TO ADVISORY ACCOUNTS**

A conflict of interest arises where BFE would receive both commissions and fees for accounts in brokerage and advisory services are provided. For example, a client purchases an investment in a brokerage account and pays a commission on

the transaction. Shortly thereafter, the client and financial advisor agree to transfer the investment to an advisory account the client also owns. The client will immediately begin paying advisory fees on the position. The ability to earn both a brokerage commission and advisory fee incentives the financial advisor to recommend transferring investments from brokerage to advisory accounts.

### **THIRD-PARTY NON-CASH COMPENSATION**

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 us or our financial advisors. Such gifts or entertainment incentivize us and our financial advisors to recommend the products of vendors who provide such non-cash compensation over the products of other vendors that do not pay us non-cash compensation or that pay us comparatively less non-cash compensation.

### **Conflicts for Our Firm Alone**

Conflicts between our clients and our Firm may be caused by a variety of arrangements, including the role we play in a transaction, compensation arrangements, trading arrangements, or client-specific arrangements. The material facts relating to these conflicts are as follows:

### **REVENUE SHARING**

Many issuers of the investments our financial advisors recommend periodically pay us based on the total amount of sales we make of their investments or the total amount of client assets we direct to them. These payments are sometimes called “revenue sharing” payments. Revenue sharing payments incentivize us to sell you or recommend you hold investments of issuers that provide such payments rather than investments that do not provide these payments or provide comparatively lower payments.

Additionally, many issuers or their affiliates also make payments to us to cover the costs associated with certain educational conferences or training seminars we host for our financial advisors in exchange for an opportunity to make a presentation to, and otherwise network with, our financial advisors and other Firm personnel attending the events. These payments are flat and are not tied to total sales or client assets. These flat payments incentivize us to sell you or recommend you hold investments issued by issuers that make these flat payments rather than investments of issuers that do not make these payments or make comparatively lower payments.

### **REVENUE FROM OUR CASH SWEEP**

We offer a Cash Sweep Program that is intended for the investment of available cash balances into interest bearing bank deposit accounts eligible for FDIC insurance coverage. The Cash Sweep Program includes a secondary sweep feature that sweeps cash balances in excess of FDIC coverage limits

into a SIPC-insured money market mutual fund. You are entered into this Cash Sweep Program by default at the time of account opening but may withdraw from the program at any time by contacting your financial advisor. You earn interest on the assets invested in the Cash Sweep Program; and we, our clearing firm, and the Program sponsor earn fees, and share in interest payments made by the participating banks. This incentivizes us to recommend investment in this program over money market mutual funds, or over other short-term money-management products or products with the potential for higher returns. The portion of payments that BFE receives varies based on the amount clients deposit in the Cash Sweep Program.

### **PAYMENTS FROM OUR CLEARING FIRM**

As is the case with all of our service providers, we pay our clearing firm, Pershing, for the services it provides, including but not limited to execution, clearing, custody and other services based on a negotiated fee schedule. Our clearing firm reimburses us for some of the infrastructure and operational expenses associated with growing our brokerage and investment advisory asset base. Our clearing firm also typically reimburses us for certain documented account transfer fees if we credit a client account for fees charged by a client’s prior firm at the time the account transferred to our firm.

These arrangements create an incentive for us to endorse our clearing firm, and to place you in brokerage or investment advisory programs or to engage in other activity that, by operation of the negotiated fee schedule, are more profitable to us.

### **ACTING IN A PRINCIPAL CAPACITY ON FIXED INCOME TRANSACTIONS**

We have an incentive to execute buy orders you submit through your financial advisor against Firm inventory positions we own in our Firm inventory. We act in a principal capacity for transactions in securities held in our Firm inventory, and we act in either a riskless-principal or agent capacity for transactions in securities available on our and other multi-firm platforms. Acting in a principal capacity allows BFE to earn additional revenue through trading profits in addition to the revenue from the markup on the bond you purchase. We do not have the opportunity to achieve trading profits when we sell you fixed income securities on a multi-firm platform on a riskless-principal or agency basis.

### **MINIMIZING FIXED INCOME EXECUTION COSTS**

When you place an order for a fixed income security through your financial advisor, we require our fixed income traders to check multi-firm platforms other than our own on which the security is being bought and sold to ensure we obtain the most favorable price for you at the time of your order. If we locate a better price on a different multi-firm platform than ours, we will incur an additional execution charge if we

execute your transaction on the multi-firm platform. This incentivizes us to execute your order on our firm's fixed income platform even though you receive a less favorable price in some cases.

#### **MARGIN LOANS AND NON-PURPOSE LOANS**

Through our partnerships with third-party intermediaries, BFE offers margin loans and non-purpose loans, both of which are loans secured by assets in your BFE account. You 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). You use the assets in either existing brokerage or advisory accounts at our Firm as collateral for such loans.

Because we receive a portion of the interest charged to you on these loans, and because we have the ability to markup the interest rate charged to you, we are incentivized to recommend that you accept asset-based loans. Prior to establishing a loan, you should carefully review applicable loan-specific disclosure documents, and any other forms required in order to process the loan.

#### **EMPLOYEES WITH KNOWLEDGE OF MATERIAL, NON-PUBLIC INFORMATION**

Employees of certain areas of our Firm become aware of material, non-public information from time to time due to the nature of their responsibilities. For example, an employee in our capital markets division be informed that a publicly traded company will be issuing additional stock hours or days before the company releases the news to the general public. Or a financial advisor with a large book of business will have knowledge of a pending transaction to purchase or sell a large quantity of securities that will not become public knowledge until the transaction is completed. Having access to material, non-public information incentivizes an individual to act on that information seeking to capitalize on and profit illegally from the information before it becomes public knowledge. It also incentivizes the individual to share the information with clients, friends or family so they too can profit illegally from the information.

#### **Conflicts for Our Financial Advisors Alone**

Conflicts between our clients and our financial advisors may be caused by a variety of arrangements, including compensation arrangements, client-specific arrangements, or outside business activities. The material facts relating to these conflicts are as follows:

#### **CASH COMPENSATION BY THE FIRM BASED ON SALES VOLUME**

The portion of gross commissions, fees, transaction-based payments, ongoing payments, and other forms of compensation we share with financial advisors in the form of cash compensation is dictated by a compensation grid. Each month, the Firm shares a stated portion of gross commissions a financial advisor earns up to a defined threshold value.

Thereafter, the Firm shares a higher stated portion of all gross commissions a financial advisor earns above that threshold. It is important to note that our firm's cash compensation is investment neutral, meaning that the percentage of the compensation for any given transaction that your financial advisor receives does not vary based on the investment recommended.

This compensation structure incentivizes your financial advisor to encourage you to trade more – to purchase and sell investments and then purchase another investment – resulting in more gross commission for financial advisor. This conflict is especially acute during the time your financial advisor works to surpass the initial gross sales threshold each month.

#### **CASH AND NON-CASH COMPENSATION BY THE FIRM BASED ON SALES VOLUME**

Financial advisors receive cash and non-cash compensation for various reasons including those tied to assets under management and sales volume. Cash compensation includes payments in the form of forgivable loans, backend bonuses and deferred compensation arrangements. Non-cash compensation includes (a) the allotment of restricted shares of BFE company stock, (b) sales title awards based on a graduated tiers of gross commission; (c) recognition programs with awards such as gifts from the Firm, inclusion in the firm's annual recognition trips and executive outings; (d) Firm financial support toward a sales assistant; (e) a firm-funded marketing budget.

The compensation structure for cash and non-cash compensation given by the Firm is based on a number of goals achieved over the course of the previous one or more calendar years. These goals, all of which are investment neutral, include annual gross production, assets gathered, assets transferred in, assets retained, percentage increases in gross commission over the prior year or two years and, for branch managers, branch profitability. Cash and non-cash compensation provided by the Firm incentivizes your financial advisor to maximize sales in your account(s) as well as to engage as many new clients as possible and encourage you to invest more of your assets through your account(s) at our Firm carried by your financial advisor. This conflict is especially acute as your financial advisor maintains and/or approaches each successive cash and/or non-cash compensation incentive level.

#### **MANAGER BONUSES**

Branch managers receive bonuses based on the profit margin of the branch or branches they manage. Branch managers who supervise the financial advisors in their branch are incentivized to spend more time on increasing production levels and minimizing expense in a given branch or region than on their supervisory responsibilities.

#### **COMPENSATION FOR FINANCIAL ADVISOR TRAINEES**



Financial advisor trainees have had little or no financial sales experience and, in many cases, have no or relatively few clients when the Firm hires them. For the first two years after a financial trainee is hired, he or she receives a set percentage payout on all gross commissions he or she earns in a given month, which, unlike experienced FAs, is not subject to an initial threshold above which the payout percentage increases. This conflict is especially acute as your financial advisor approaches his or her two-year anniversary with the firm.

### **THIRD-PARTY MARKETING AND TRAINING PAYMENTS**

Many product vendors or their affiliates provide payments to cover a variety of a financial advisor's marketing and training expenses including, but not limited to: training events, vendor-hosted due diligence meetings, and client educational or social events. This incentivizes financial advisors to recommend that vendor's products over the products of other vendors that do not provide such payments or provide comparatively lower payments, even if the other vendors' comparable products have lower expenses or better performance.

### **OUTSIDE BUSINESS ACTIVITIES**

Some of our financial advisors engage in outside business activities. If your financial advisor engages in any outside business activities, these activities can incentivize your financial advisor to allocate time to the outside business activity that detracts from the level of service provided to you.

### **FINANCIAL ADVISORS TRADING IN THEIR OWN ACCOUNT**

We permit our financial advisors to own the same securities owned by their clients. We also allow our financial advisors to engage in securities transactions on the same side of the market on the same trade date as clients as well as trade "contrary" to recommendations they are making to clients (i.e., financial advisors are allowed to purchase securities that they are recommending clients sell, and to sell securities that they are recommending clients purchase). In most cases, such "contrary" transactions are limited to special circumstances, such as to pay for educational, medical or unanticipated significant expenses; however, we permit such transactions in certain other situations as well. Your financial advisor has an incentive to "trade ahead" of clients when buying or selling an investment whose price fluctuates throughout the day. Buying ahead of a client trade will put upward pressure on the price so the subsequently entered client order has a higher price; the opposite is true for a sell order. When trading contrary, a financial advisor has the incentive to enter client orders before the financial advisor submits his or her order.

### **POLITICAL CONTRIBUTIONS**

Financial advisors who seek to do business with state or local municipal entities are incentivized to make political

contributions to the campaigns of individuals running for elective office who, if elected, will have influence selecting a municipal advisor for assistance on the issuance of municipal bonds or investing the proceeds of a municipal bond offering.

### **Additional Information**

This document became effective on June 30, 2020 and it was last updated as of the date on the cover page. If we make changes that would require us to send you updated disclosures, we will send them to you consistent with your preferred delivery method.

You may request additional copies of these disclosures at any time by contacting your financial advisor or by viewing them online at [benjaminfedwards.com/RegulationBestInterest](https://benjaminfedwards.com/RegulationBestInterest).