



Regulation Best Interest Disclosure **June 30, 2020**

Bancroft Capital, LLC (“Bancroft”, “we”, “us” or “the Firm”) is registered with the Securities and Exchange Commission (“SEC”) as an institutional broker-dealer and with the Commonwealth of Pennsylvania as an Investment Adviser. Bancroft is a member of the Financial Industry Regulation Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”).

This guide summarizes important information concerning the scope and terms of the brokerage services we offer and details the material conflicts of interest that arise through our delivery of brokerage services to you. We encourage you to review this information carefully, along with any applicable account agreement(s) and disclosure documentation you may receive from us.

Free and simple tools are available for you to use at [Investor.gov/CRS](https://www.investor.gov/crs), a website maintained by the SEC. These tools can provide you with educational materials about broker-dealers, investment advisers, and investments.

Please carefully review and consider the information in each section below.

Brokerage Services

When you establish a brokerage account with us, you have the ability to buy and sell investments in your account. The primary services we provide are our trading and execution capability. We execute purchases and sales on your behalf, and as directed by you. In a brokerage services relationship, we can trade with you for our own account, or for another client, and we can earn a profit on those trades. The capacity in which we act (*i.e., principal or agent*) is disclosed on your trade confirmation. However, we are not required to communicate it in advance, obtain your consent, or inform you of any profit earned on trades.

Brokerage Account Types

We offer delivery versus payment/receipt versus payment (“DVP/RVP”) accounts only, which are held at our clearing firm. We do not hold any funds or securities for our customers.

Incidental Brokerage Services, Recommendations and Account Monitoring

We do not make recommendations. Since we do not hold any customer funds or securities, it is your responsibility to monitor the investments in the brokerage account where they are held, and we encourage you to do so regularly. As such, we do not commit to providing ongoing monitoring of your brokerage account.

Please also consider that from time-to-time we may provide trade ideas, market commentary, our own views, or other information that are intended to generate a dialogue with you, and are



for information purposes only. We do not provide investment advice or make specific recommendations for you to take action in connection with our brokerage services. In the event we provide you with a recommendation, we have to act in your best interest and not put our interests ahead of yours.

Clearing Services

We have entered into an agreement with Pershing LLC (“Pershing” or “clearing agent”) to provide certain back office functions. We and Pershing share responsibility with respect to your account as set forth in the Designation of Responsibilities that was delivered to you upon opening your account. Please refer to the Designation of Responsibilities for more information on how such responsibilities have been allocated between us.

Understanding Risk

It is important for you to understand that all investment recommendations and activities involve risk, including the risk that you may lose your entire principal amount invested. Further, some investments involve more risk than other investments. Higher risk investments may have potential for higher returns but also for greater losses. The higher your “risk tolerance” – meaning the amount of risk or loss you are willing and able to accept in order to achieve your investment goals – the more you may decide to invest in higher risk investments offering the potential for greater returns. We align risk tolerances with investment needs to offer you different investment objectives from which to choose. You should select the investment objective and risk tolerance best aligned with your brokerage account goals and needs.

Account Minimums and Activity Requirements

Our customers are principally institutional in nature and must meet the definition of an institutional account (*i.e., person (whether a natural person, partnership, trust or otherwise) with total assets of at least \$50 million*). Therefore, we may consider your capital, assets under management, other financial resources, and your expertise in trading complex financial products before offering services to you. Since all accounts are DVP/RVP, there is no minimum account balance required to open or maintain a brokerage account with us. However, if you do not return the account opening documents as required, your account will be closed.

Investment Policy

Our target market is institutional investors who are focused on meeting their specific investment policies and goals. When made available to us, we will take into consideration your investment policy when making recommendations.

We require our Financial Professionals to have a reasonable basis, to believe that each recommendation made to a retail customer is in the retail customer’s best interest, and does not



place the interest of our Firm or Financial Professional ahead of the interest of the retail customer at the time the recommendation is made.

We do not have authority to trade in your account on a discretionary basis. Therefore, you make the final decision as to whether to purchase or buy a security.

For purposes of this disclosure, a retail customer is defined as a natural person, or the legal representative of such person, who receives and uses a recommendation for personal, family or household purposes.

Material Limitations

There are material limitations on our services and the services of our Financial Professionals, which are set forth below:

- Investment limitations based on your Financial Professional's licensing (*i.e., some can offer brokerage and investment advisory products and services while others are limited in which of these they can offer.*)
- We will not monitor your brokerage account.
- We will not manage a brokerage account on a discretionary basis (*i.e., we will not execute any transactions in your account without your consent*).
- Investment offerings may be limited due to Pershing's constraints or our lack of selling agreements with certain providers.

Brokerage Fees

It is important to consider that while a broker relationship can be a cost-effective way of investing your assets, it is not for everyone given the fees and costs involved.

Fees and Costs Associated with Transactions and Holdings

You will pay transaction-based fees each time you trade in your brokerage accounts. These transaction-based fees are generally referred to as a "commission," "markup," or "markdown." The transaction-based fees vary depending on the investment and size or amount of the transaction and depend on certain other factors such as the underlying product selection and size of transaction.

You may be assessed additional transaction fees by the SEC on equity sales.

How We Are Compensated

We receive indirect compensation in connection with your transactions. Indirect compensation is compensation paid to us in ways other than directly from your account, including by third-



parties in whose products you invest, and may impact the value of the associated investment in your account.

The sections below describe the compensation we receive in connections with various investments that may be available to you. In many cases, the descriptions that follow refer to a product's prospectus or offering document that you would receive in connection with a particular investment.

Commission Rates for Stocks, Rights, Warrants, Secondary Market Closed-End Funds ("CEFs") and Exchanged Traded Funds ("ETFs")

Stocks (common and preferred), rights, warrants, CEFs and ETFs are all traded on a national exchange, such as the New York Stock Exchange. You can elect to buy or sell these instruments at the current market price, or seek to do so at a price you establish (a "limit price").

We offer equity trading on an agency-only basis, meaning we act on your behalf in the transaction. We are paid a per-share commission, which is dependent upon the price per share of the instrument. You decide the commission we are paid.

Debt Securities

For debt securities, we may apply a charge (*i.e., markup*) to the cost of your secondary market transaction.

Revenue Sharing

We have revenue sharing arrangements with various product providers. This compensation, which can include servicing fees and renewal fees, creates an incentive for us to recommend that you purchase and hold investments in the products offered by these companies.

Primary Offerings/New Issues

There are multiple ways we can earn money from participating in primary offerings/new issues.

- Sales concession – The initial offering price is the price offered to the public (*i.e., you*). When we are involved in a new issue, we are able to purchase the securities at a discount. This is called a sales concession. We earn the difference between the sales concession and the original offering price paid by you.
- Management fee – The management fee is part of the gross profit in a new issue, along with the sales concession. When we participate as a manager, we earn a pro-rated portion of the management fee. This fee is paid out of the proceeds of the primary offering and has no bearing on the price that you pay.



- Designations – The issuer or lead manager of a primary offering may set aside a portion of the management fee to be “designated” to any or all new issue participants. In this circumstance, we may earn money for being designated by our customers.
- Incentives (CEFs) – We may from time-to-time receive incentives from an issuer of a CEF to sell a targeted number of shares. This presents a conflict for us because it creates an incentive to encourage you to buy a larger quantity of shares.

Note: *Initial Public Offerings of securities (“IPOs”) require client certification prior to being eligible for such securities.*

Cash Management

We do not house or domicile cash investment accounts. We do make introductions to our partner organizations for technology, products or banking products. After the initial introduction you will interact directly with the service provider. We earn money as a flat introductory fee or a predetermined fraction of the accrued fees earned on the funds you invest.

Conflicts of Interest

Bancroft recognizes that its business model presents actual and potential conflicts of interest associated with recommendations to retail customers. A conflict arises when an economic benefit incentivizes us/and or our Financial Professionals to put our interests ahead of your interests. The mere presence of a conflict of interest does not imply that your interests will be harmed, but it is important that we acknowledge the presence of conflicts.

Our conflicts of interest are typically the result of compensation structures and other financial arrangements between us, our Financial Professionals, our clients and third-parties. We offer a broad range of investment services and products and we receive various forms of compensation from our clients, affiliated and non-affiliated product providers, and other third-parties as described above. What we and our Financial Professionals earn often varies based upon the product or service you purchase, which creates a financial incentive to recommend investment products and services that pay us more.

We are committed to taking appropriate steps to identify, mitigate and avoid conflicts of interest to ensure we act in your best interest when providing you brokerage recommendations. Below you will find the material facts related to our conflicts of interest and the conflicts of interest of our Financial Professionals. This information is not intended to be an all-inclusive list of our conflicts, but generally describes those conflicts that are material to your brokerage relationship.

CONFLICTS FOR THE FIRM

Recommendations of Proprietary Products, Products of Affiliates, or a Limited Range of Products



Our brokerage recommendations may include investments in products or services that are managed, issued or sponsored by our affiliate(s). We and our affiliate(s) will receive additional compensation or economic benefits from your investment in such products, including, but not limited to, management credits, service fees and similar revenue sharing arrangements. The compensation we and our affiliate(s) receive related to your investment in these products may be greater than from investments in similar products provided by unaffiliated third-parties. Thus, we have an incentive to recommend investments in affiliated proprietary products.

Recommendation of a Transaction to be Executed in a Principal Capacity

When you buy or sell fixed income securities in a brokerage account, consistent with industry regulations, we will typically impose a markup (increase) or markdown (decrease) in your price if we sell them to you, or buy them from you, to/from our own inventory. We act as a “principal” in such a transaction. We make money based upon the difference between the price you pay for securities purchased from us and the lower prevailing market price (a markup), or the difference between the price we purchase such securities from you and the higher prevailing market price (a markdown). We maintain policies and procedures reasonably designed to help ensure compliance with industry rules relating to markups and markdowns. Such transaction-based fees present a conflict for us because they create an incentive to encourage you to trade more frequently.

CONFLICTS FOR THE FINANCIAL PROFESSIONAL

Our Financial Professionals’ monthly compensation is determined by applying a percentage payout formula based on total commissions and fees they generate during the month, less applicable expenses according to our established Firm policies. Typically, a Financial Professional’s payout schedule (which we periodically adjust at our discretion) increases with revenue generated. The same payout schedule is reduced when a Financial Professional discounts certain client fees and commissions, or their overall client relationship asset levels are below the minimum levels we set from time to time.

Financial Professionals may also be eligible for annual or ongoing bonuses and deferred compensation awards based upon a variety of factors that may include reaching certain production levels, referrals to Third-Party service providers, or other targets.

Receipt of Third-Party Compensation for Service Providers

Third-party payments we receive may be based on new sales of investment products, creating an incentive for us to recommend you buy and sell, rather than hold, investments. In other cases, these payments are made on an ongoing basis as a percentage of invested assets, creating an incentive for us to recommend that you buy and hold investments.

The total amount of payments we receive varies from product to product, and varies with respect to the third-party investment management products we recommend. It also varies from the



compensation we receive in connection with other products and services we may make available to you, including advisory services when you open an investment advisory account. We have an incentive to recommend investment products and services that generate greater payments to us. This compensation generally represents an expense embedded in the investment products and services that is borne by investors, even where it is not paid by the product providers and not directly from the investment product or other fees you pay. The types of third-party compensation we receive include:

- **Other Revenue Sharing.** We have revenue sharing arrangements with various product providers. This compensation, which can include servicing fees and renewal fees, creates an incentive for us to recommend that you purchase and hold investments in the products offered by these companies.
- **Rebates for Order Routing.** The Firm may receive liquidity rebates for routing orders to Exchanges that execute such orders. The rebate varies on the order type and will be disclosed upon written request. This creates an incentive to route your equity trades to those exchanges that provide us with liquidity rebates.

Additional Compensation from Product Providers and Other Third-Parties

We and our Financial Professionals, associates, employees, and agents receive additional compensation from product providers and other third-parties including:

- Gifts and awards (limited to \$100 per provider to a Financial Professional per year), an occasional dinner or ticket to a sporting event of reasonable value, or reimbursement in connection with educational meetings or marketing or advertising initiatives, including services for identifying prospective clients.

Note: *The amount of these payments is not dependent on or related to the level of assets that you or any other of our clients invest in or with the product provider.*

Transition Compensation

Financial Professionals typically receive transition compensation when joining our Firm from another Firm. Such compensation is based on factors including the Financial Professional's prior revenue production, assets transferred to us, and expected revenue production while at our Firm. Therefore, your Financial Professional may have a conflict when asking you to change Firms with them because of this transition compensation.

Other Financial Professional Activities

Financial Professionals may be motivated to place trades for themselves ahead of client trades in order to receive more favorable prices than their clients. We have policies and procedures in place designed to prevent this activity.



Financial Professionals who are transitioning through a succession plan may be incentivized to make recommendations designed to increase the value of their “book of business” through asset accumulation or brokerage trades that are not in your best interest. Financial Professionals who receive clients from a retiring Financial Professional are incentivized to meet growth goals, which could result in recommendations not in your best interest. We have policies and procedures in place designed to prevent this from occurring.

CONFLICTS FOR BOTH THE FIRM AND THE FINANCIAL PROFESSIONAL

Charging of Commissions or Other Transaction-Based Fees

In your brokerage account, you pay certain fees (commissions and sales charges) in connection with buying and selling each investment product, including CEFs, ETFs, equity securities, and bonds. Where these fees apply, the more transactions you enter into, the more compensation that we and your Financial Professional receive. This compensation creates an incentive for us to recommend that you buy and sell, rather than hold, these investments. We also have an incentive to recommend that you purchase investment products that carry higher fees, instead of products that carry lower fees or no fees at all.

Receipt and Offer of Differential Compensation Based on Product Sold

As described in the “How We Make Money” section above, the products we offer have different costs and features, and we earn differing levels of compensation. We are incentivized to recommend the products and services that will generate higher compensation.

Outside Business Activities

Subject to our approval, our Financial Professionals may engage in outside business activities. These business activities are regularly reviewed for potential conflicts of interest.

Additional Resource

For additional information and access to a number of resources, please to go www.bancroft4vets.com.