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February 14, 2012

This brochure provides information about the qualifications and business practices of Pennsylvania Capital Management. If you have any questions about the contents of this brochure, please contact us at 215-881-7700 or irvin@pcmadvorsors.com . The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Pennsylvania Capital Management is a SEC registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Pennsylvania Capital Management is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

This Brochure, dated February 14, 2012, is an update from our previous brochure dated March 31, 2011. Changes to this brochure include the following:

- Assets under management were updated to reflect regulatory assets under management calculated pursuant to SEC guidance and reported as of December 31, 2011. (Item 5)
- Additional disclosure was provided regarding the brokerage relationships PCM has with independent broker-dealer/custodians. (Item 12)
- Additional disclosure was provided regarding the economic benefits PCM receives through its participation in institutional programs offered by independent broker-dealer/custodians. (Item 14)

The above list includes a description of material changes made to the firm's current Disclosure Brochure (Form ADV Part 2A). Our current brochure may be requested by contacting Donna Zanetti, Manager of Client Services at 215-881-7700 or donna@pcmadvisors.com. Our brochure is also available free of charge, on our web site, at www.pcmadvisors.com.

Additional information about Pennsylvania Capital Management is available by accessing the SEC's web site at www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Pennsylvania Capital Management who are registered, or are required to be registered, as investment adviser representatives of the firm.

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Item 4. Advisory Business

Pennsylvania Capital Management, Inc. (“PCM” or “the firm”) is a SEC-registered investment adviser that was founded 1995. The principal owner of the firm is Irvin G. Schorsch, III, President, and the firm’s main office is located in Jenkintown, Pennsylvania.

PCM offers a wide range of services to its clients. In particular, clients look to PCM for guidance in the following areas:

- Investment Policy Formulation
- Asset Allocation Design and Analysis
- Investment Program Planning
- Investment Manager Analysis and Selection and/or Performance Analysis and Review
- Client Meetings and Reporting

After steps one through three are completed, PCM will recommend to the client an implementation package that matches the client’s investment objectives with the investment objectives, style, and strengths of one or more independent money managers, publicly managed funds (i.e. mutual funds), or PCM will manage the client’s assets in-house.

Investment Consulting Services

Should the client choose independent money managers and/or public investment companies (mutual funds) for management of his/her assets, PCM will provide services on an investment consulting services basis (“Consulting Services”). The client will be charged a Consulting Services fee by PCM for the selection and monitoring services provided to the client. Fees will vary among clients and will be determined by such factors as portfolio manager mix, fees being paid by the client to the independent manager(s), the coordination of assets required, the frequency with which the client requests performance reports and meetings with PCM, the size of the account, and additional compensation anticipated to be received by PCM or its related persons related to the management of the account.

A growing portion of PCM’s Consulting Services is providing investment consulting or education for companies and employees of companies offering such pension plans such as 401(k) and 403(b) plans. PCM will receive a fee for the design, communication and assistance in the establishment of the administration services to be rendered to participants in these pension plans. Such fee will be determined based upon such factors as the number of participants and the number of investment alternatives made available to the participants.

PCM will not have discretion with respect to assets managed by an independent portfolio manager, however, on occasion, PCM may communicate on the client's behalf with the independent portfolio manager regarding such matters as portfolio performance and stated account objectives. The client is not obligated to accept the recommendations of PCM. Should the client choose not to accept any of the recommendations of PCM, then the client will be billed on an hourly basis for the time expended by PCM in developing and formulating the recommended Investment Program.

Investment Management Services

PCM may recommend the management of the client's assets in-house by PCM associates. PCM specializes in the asset management of individual equities, government securities and corporate and municipal debt instruments. PCM can tailor an investment program utilizing these investment vehicles to meet the client's goals and objectives. The firm provides individualized investment advice to clients based upon the client's specific needs. Through personal consultations, PCM gathers specific financial data to develop a client's personalized profile, which includes a client's investment objectives, current financial position, risk profile, investment time horizon, tax situation and liquidity needs. PCM reviews the client's personalized profile and based upon this review, determines an appropriate asset allocation for the client. Such allocation takes into account the client's existing investments, liquidity needs, portfolio goals, tax objectives and risk tolerance. PCM then recommends any necessary re-positioning of a client's investments or makes recommendations for new investments to implement the client's recommended asset allocation. This Investment Management Service is typically available for those who prefer the personal touch and the in-house capabilities of PCM staff members. Assets will be monitored on a continuous and ongoing basis and may be managed on a discretionary or non-discretionary basis, at the client's option.

Tactical Asset Management

In some cases, PCM and a client may determine that all or a portion of the client's assets would be best managed pursuant to a discretionary tactical allocation strategy for fixed income securities or other appropriate investment products. In these cases, PCM will utilize the services of a third-party investment adviser who will provide buy and sell signals to PCM based on a technical methodology for trading high-yield bond mutual funds or other investment products. PCM will manage these accounts on a discretionary basis, and will use the information provided by the third-party adviser to determine an appropriate investment and trading strategy for a client's investments. PCM will select the investment products that will be included in the trading strategy and will receive advice from a third-party manager as to the timing of buy and sell strategies. PCM will not be obligated to act upon the advice of the third-party manager for any given client account, nor will PCM be obligated to manage Client's assets in a manner consistent with the

methodology or technical signals provided by the third-party investment adviser. PCM will compensate the third-party adviser for the technical advice given to PCM; therefore, tactical asset management may cost a client more than traditional asset management services provided by PCM.

Financial Planning and Other Services

PCM may also provide to its clients financial, strategic, or tactical planning services which would be outside of the customary investment management services. These services may or may not include matters relating to securities and will be performed at a negotiated fixed fee or an hourly rate. A fixed fee will be determined after a preliminary review of Client's financial situation, and will be calculated based on such factors as the complexity of the services required by PCM in order to provide services to client, the number of client meetings anticipated, PCM staff involvement to provide services to client, and an estimation of the time to be expended on behalf of the client in meetings with client's other advisors, such as accountants and attorneys.

General Information Regarding Investment Advice

For any of the investment advisory services offered by PCM, the firm does not limit its investment recommendations to any specific type of product or security. A client's individual needs and objectives are analyzed to determine appropriate investments and products for the client. Since different types of investments typically involve different types of risk, the firm conducts a risk analysis of the client and his/her overall portfolio, before recommending a certain investment. PCM manages assets on either a non-discretionary or discretionary basis. Either way, the client is always free to place restrictions on the types of investments the firm recommends for the client's portfolio. For non-discretionary investment management, the client may also decline to implement any of the recommendations made by the firm.

In general, the firm utilizes equity investments in individual stocks, mutual funds, and exchange traded funds. PCM also provides recommendations on fixed income investments, including individual bond positions, bond mutual funds, certificates of deposit, and fixed income exchange traded funds. In addition, PCM provides advice related to real estate, leasing, or oil & gas limited partnerships, and may also provide advice on other products as appropriate for the specific client, including non-securities products.

PCM may also provide clients with advice regarding covered options or other investment assets, such as art, antiques, real estate or other investment holdings. PCM may also recommend that clients purchase shares of private offerings of common stock, or may occasionally provide advice on Real Estate Investment Trusts (REITs). Finally, PCM may provide advice or recommend that clients purchase brokered CD's through its President's

association with Western International Securities, or traditional CD's through other arrangements. In some cases, PCM may be compensated for these CD transactions.

As part of its comprehensive approach to investment advisory services, PCM may refer clients to unaffiliated third-party service providers for specific areas for which a client may need advice. Examples of these referrals may include local CPAs or attorneys. PCM offers this referral service as a convenience to clients only, and any decision to engage a third-party service provider lies solely with the client. PCM is not responsible or liable for any of the services provided by these unaffiliated third-parties.

Assets Under Management

As of December 31, 2011, PCM was providing investment advisory services to 156 clients. The firm was providing regular and continuous Investment Management services for 675 accounts, and the total value of assets under management in these accounts was \$354,823,481.

Item 5. Fees and Compensation

Investment Consulting Services

Fees will vary among clients and will be determined by such factors as portfolio manager mix, fees being paid by the client to the independent manager(s), the coordination of assets required, the frequency with which the client requests performance reports and meetings with PCM, the size of the account, and additional compensation anticipated to be received by PCM or its related persons related to the management of the account. Fees are calculated based upon a percentage of the managed assets or may be a negotiated flat fee. The standard used for determining the annual fee would be a range from 1.75% of the asset value down to 1.0%, for assets up to \$5 million. This asset based fee for Investment Consulting Services is based on the market value of the managed portfolio as of the last business day of the preceding billing period and is payable either quarterly or semi-annually, in advance of services rendered.

Fees payable upon establishment and termination of the Consulting Services will be prorated for the portion of the billing period during which PCM is retained by the client. Investment Consulting Services may be canceled by either party at any time by written notice. If the agreement is canceled within the first five (5) days after the signing of the agreement, then the client is entitled to a full refund of any fees paid.

The client is responsible to pay PCM's Consulting fee in addition to any fee charged by the independent portfolio manager or mutual fund for the investment advisory services

rendered to the client. Client should refer to the product prospectus or other disclosure document for a complete description of all fees. The client is also responsible for the transaction and execution costs associated with any transaction effected in the account(s), unless an agreement stating otherwise is made with the portfolio manager or PCM.

Should the client choose not to accept any of the recommendations of PCM, then the client will be billed on an hourly basis for the time expended by PCM in developing and formulating the recommended Investment Program. Such billing will be at an hourly rate not to exceed \$500.00 per hour, or \$275 per hour for an associate planner, with administrative charges not to exceed \$125 per hour, plus expenses.

Asset-Based Fees are payable quarterly, in advance, immediately following presentation of an invoice. Clients may also give PCM express written permission to deduct fees from the client's custodial account, if a client so chooses. While PCM has established the above referenced fee schedule, the firm may negotiate fees under certain, limited circumstances, at its sole discretion. Factors considered when determining whether a different fee will be negotiated include, among other things, the complexity of the client's financial situation, related accounts under management, portfolio style, and the provision of other services provided to the client. In some cases, clients may be subject to a different fee schedule in effect at the time their account was established and specified in their Advisory Agreement with PCM. These different fee schedules may be higher or lower than current fee arrangements. PCM may, in its sole discretion, determine when, if ever, previous fee schedules will or will not apply to existing clients. Clients will receive advance written notice of any change in their applicable fee schedules.

Investment Management Services

The annual management fee for investment management services is based on the market value of the portfolio as of the last business day of the preceding billing period and is payable quarterly or semi-annually, in advance of services being rendered. The fee may range from 2.50% down to 1.50% of the total value of the assets for accounts up to \$5 million. In certain circumstances, PCM may charge a lower fee at its sole discretion. This fee is exclusive of all transaction costs, which client will incur separately. Transactions will be executed primarily through one of the following: Western International Securities' execution and clearing firm, JP Morgan Clearing Corp, Charles Schwab & Co., TIAA-CREF, or Fidelity Brokerage Services. (see Item 12 later in this brochure). Client will be responsible for paying all execution and/or transaction costs associated with trade execution and/or account custody. If mutual funds are purchased, client should refer to the product prospectus for a complete discussion of the fees associated with the product. Some mutual fund shares may pay on-going 12b-1 management fees. In some cases, custodial costs will be paid for by the adviser on behalf of the client. The investment management fee charged is determined based upon such factors

as the anticipated custodial charges, if applicable, the style of management to be employed, and the level of performance measurement services to be given to the client, as well as any additional services provided to the client. Fees are negotiable at the sole discretion of PCM. The investment management fee schedule may be higher or lower than that normally charged in the industry.

Fees payable upon establishment and termination of Investment Management Services will be prorated for the portion of the billing period during which PCM is retained by the client. Investment Management Services may be canceled by either party at any time by written notice. If the agreement is canceled within the first five (5) business days after the signing of the agreement, then the client is entitled to a full refund of any fees paid.

Tactical Asset Management Services

The annual management fee for tactical investment management services is based on the market value of the portfolio as of the last business day of the preceding billing period and is payable quarterly or semi-annually, in advance of services being rendered. The fee may range from 2.65% down to 1.80% of the total value of the assets for accounts up to \$5 million. In certain circumstances, PCM may charge a lower fee at its sole discretion. The specific fee will be disclosed to Client on an Addendum to the Tactical Asset Allocation Investment Management Agreement that Client will execute. This fee is exclusive of all transaction costs, which client will incur separately. Transactions will be executed primarily through one of the following: Western International Securities' execution and clearing firm, JP Morgan Clearing Corp, Charles Schwab & Co., TIAA-CREF, or Fidelity Brokerage Services (see Item 12 later in this brochure). Client will be responsible for paying all execution and/or transaction costs associated with trade execution and/or account custody. If mutual funds are purchased, client should refer to the product prospectus for a complete discussion of the fees associated with the product. Some mutual fund shares may pay on-going 12b-1 management fees. In some cases, custodial costs will be paid for by the adviser on behalf of the client. The investment management fee charged is determined based upon such factors as the anticipated custodial charges, if applicable, the style of management to be employed, and the level of performance measurement services to be given to the client, as well as any additional services provided to the client. Fees are negotiable at the sole discretion of PCM. The investment management fee schedule may be higher or lower than that normally charged in the industry.

Financial Planning and Other Services

Financial planning services may or may not include matters relating to securities and will be performed at a negotiated fixed fee or an hourly rate not to exceed \$500.00 per hour, or \$275 per hour for an associate planner, with administrative charges not to exceed \$125 per hour, plus expenses. A fixed fee will be determined after a preliminary review of Client's financial

situation, and will be calculated based on such factors as the complexity of the services required by PCM in order to provide services to client, the number of client meetings anticipated, PCM staff involvement to provide services to client, and an estimation of the time to be expended on behalf of the client in meetings with client's other advisors, such as accountants and attorneys.

General Information Regarding Fees and Account Termination

PCM's associates who provide investment advice to clients ("PCM Consultants") may be registered securities representatives of Western International Securities, Inc. ("WIS"), an unaffiliated registered broker-dealer, member FINRA. If PCM's clients purchase securities products from PCM Consultants in their capacity as WIS registered representatives, such Consultants may receive a securities commission. In cases where mutual fund shares, including no-load or adviser share mutual funds, are recommended, PCM Consultants may receive additional compensation in the form of 12b-1 fees paid by the mutual fund issuer. Complete information regarding any such fees is disclosed in the product prospectus or fund statement of additional information. Receipt of these payments may present a conflict of interest in that PCM Consultants may have an incentive to recommend certain investments for which they may receive additional payment. PCM endeavors at all times to recommend only those investments that meet its clients' needs and objectives, regardless of the potential for receiving additional payment. In cases where additional payment will be received by PCM Consultants, such payment will be disclosed to clients prior to the transaction being placed. For non-discretionary accounts, clients may decline to implement any recommendations made by PCM Consultants, or they may implement recommendations through another broker/dealer of their choice.

As part of its comprehensive approach to investment advisory services, PCM may refer clients to unaffiliated third-party service providers for specific areas for which a client may need advice. Examples of these referrals may include local CPAs or attorneys. In these cases, clients may be subject to additional fees charged by the third-party service provider to whom the client has been referred. PCM does not receive any portion of the fees charged by these third-party service providers. In addition, PCM offers this referral service as a convenience to clients only, and any decision to engage a third-party service provider lies solely with the client. PCM is not responsible or liable for any of the services provided by these unaffiliated third-parties.

Fees are generally negotiable at the sole discretion of PCM. In some cases, fees may be reduced based on factors that may include the complexity of the relationship, other business activities with which PCM and the client are engaged, client or business referrals made by a client, or other factors as determined by PCM.

Clients may terminate Advisory Agreements at any time upon prior written notice. If an Agreement is terminated within the first five business days, clients are entitled to a full refund of any fees paid. If an Advisory Agreement is terminated after more than five business days, clients are assessed fees on a pro-rata basis, based on the number of days that investment advisory services were provided. Any pre-paid fees will be refunded on a pro-rata basis, based on the number of days advisory services were provided.

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

PCM does not charge performance-based fees.

Item 7. Types of Clients

PCM provides investment advisory services to individuals, high-net worth individuals, pension and profit sharing plans, corporations or other businesses, trust, estates and charitable organizations. PCM typically provides its investment advisory services to clients with at least \$750,000 of assets. This minimum may be waived at PCM's sole discretion.

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

There are general standards of education and business experience which PCM requires of those involved in determining or giving investment advice to its clients. PCM Consultants are required to have the technical knowledge in the areas of securities portfolio management and investment manager evaluation in order for a Consultant to provide PCM services. They are also expected to have, or be in the process of attaining, advanced asset portfolio management training through earning of a professional designation, such as the Certified Investment Management Analyst or Certified Financial Planner (CFP) designation.

PCM uses various methods of analysis in formulating the investment advice offered on behalf of the firm. PCM takes a holistic approach to evaluate an overall portfolio strategy and asset allocation that meets a client's needs and objectives. Rather than focusing on specific investments, PCM Consultants identify an appropriate mix of securities, fixed income investments, cash and other investments, to build a portfolio that is suitable for a client's investment needs, objectives and risk tolerance. Portfolios are typically made up of various mutual funds, fixed income securities, exchange traded funds, and exchange traded funds. Portfolios may also include individual equity or bond positions, certificates of deposits, and limited partnership products.

PCM conducts its research on the investments it recommends using publicly available performance information. PCM also conducts on-site corporate inspections and attends due diligence meetings presented by product sponsors or issuers. PCM currently utilizes Bloomberg, Zephyr and Morningstar, among others, for its research. PCM evaluates the experience and track record of money or product managers, to determine whether a manager has demonstrated the ability to manage assets under varying economic situations. PCM also evaluates the underlying investments in a mutual fund or exchange traded fund, to determine whether the manager invests in a manner that is consistent with the fund's investment objective. A risk associated with this type of analysis is that past performance is not a guarantee of future results. While a manager may have demonstrated a certain level of success in past economic times, he or she may not be able to replicate that success in future markets. In addition, just because a manager may have invested in a certain manner in past years, such manager may deviate from his/her strategy in future years. To mitigate this risk, PCM attempts to select investments from companies with proven track records that have demonstrated a consistent level of performance and success. PCM also relies on an assumption that the rating agencies it uses to evaluate investments is providing accurate and unbiased analysis.

PCM uses investment management strategies that it feels best meet its clients' needs and objectives. Such strategies typically include long-term investment strategies of asset allocation and diversification. While this strategy typically meets the needs and objectives of our clients, long-term investment strategies may include the risk of not taking advantage of short-term gains that could be profitable to a client. In addition, all securities investments involve risk and clients may lose all or part of their investment. Clients who elect to invest in securities must be willing to bear this risk. For this reason, PCM takes care to determine an appropriate risk tolerance of its clients. Investment recommendations are made with this risk tolerance in mind.

Item 9. Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of PCM or the integrity of PCM's management. PCM has no reportable information applicable to this Item.

Item 10. Other Financial Industry Activities and Affiliations

As discussed previously in Item 5 above, certain PCM Consultants are registered representatives of Western International Securities, Inc., an unaffiliated registered

broker/dealer and FINRA member. In this capacity, PCM associates may affect securities transactions for clients for which they may receive separate, yet customary compensation. Clients always have the option of declining any investment recommendation made by PCM, and they may affect transactions with firms or representatives of their choice. However, if clients elect to transact recommendations with firms or agents other than those recommended by the firm, PCM Consultants may be unable to provide investment advisory services for those investments.

While PCM Consultants always endeavor to put clients' interests first and foremost, clients should be aware that the receipt of additional compensation itself creates a conflict of interest when making investment recommendations. To address the potential for a conflict of interest, PCM Consultants make certain to disclose to clients, any fees or compensation associated with recommended investment products. Clients are provided with applicable product prospectuses and offering materials, which discuss the fees associated with the applicable products. Clients are also asked to sign applicable disclosure documents and/or account applications that point out important product features and fees. As fiduciaries, PCM Consultants make product recommendations that they feel are in the client's best interest and are based on the specific needs and objectives of the client, not the compensation potential of the product.

Irvin G. Schorsch, III, President of PCM, actively writes investment-related blogs for several reputable web sites. Mr. Schorsch does this as a contributor only, and is not compensated for his postings. In some cases, however, PCM may be listed as a preferred or recommended provider of advisory services on the sites for which Mr. Schorsch is a contributor.

PCM may, from time to time, recommend that clients purchase shares of securities offered by American Capital Realty Trust, Inc. ("ACRT"), a Maryland corporation whose Chairman and CEO is Nicholas S. Schorsch. Nicholas S. Schorsch is the brother of PCM's President and Director, Irvin G. Schorsch, III. Thus, a conflict of interest may exist. However, neither PCM nor Irvin G. Schorsch, III are affiliated with ACRT, except as shareholders of the common stock or investors.

PCM may also refer clients to certain unaffiliated investment advisers such as TIAA-CREF, under fully disclosed arrangements. Services provided by these third-party investment advisers may include customized portfolio design, quarterly performance reports, and so on. In such cases, PCM will provide monitoring of the managers selected by the client and PCM may be compensated for these referrals. In other cases, PCM may refer clients to an unaffiliated third-party service provider for specific services such as legal or accounting services. PCM is not generally compensated for these referrals but instead makes these referrals when it feels it is in the client's best interest to do so, based on the specific needs

and objectives of the client. Clients are under no obligation to engage the services of the third-party service provider and clients do so at their own discretion. PCM is not liable or responsible for any of the services provided by an unaffiliated third-party service provider.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

PCM has adopted a Code of Ethics to promote the principles of honesty and integrity in its business practices, and to maintain PCM's reputation as a firm that operates with the highest level of professionalism. PCM recognizes its fiduciary responsibilities to its clients, and its duty and pledge to place clients' interests first and foremost. In connection with this duty, all employees of PCM are subject to the firm's Code of Ethics, and are required to acknowledge their understanding of its terms. A copy of the PCM Code of Ethics will be provided to any client or prospective client upon request.

PCM's Code of Ethics establishes procedures for employees to report personal securities transactions and personal securities holdings. The Code sets forth procedures for management review of these reports. In some cases, PCM's employees may be required to obtain pre-approval for certain personal securities transactions or refrain from certain transactions altogether. PCM's Code of Ethics also sets forth the obligation of all PCM employees to comply with applicable state and federal securities laws, and the duty to cooperate in any investigation or inquiry conducted on or by PCM. Finally, PCM's Code of Ethics establishes procedures for the reporting of any potential violation of the firm's Code.

PCM or its owners, officers and employees may buy or sell securities that are the same or different than those they recommend to clients. While buying or selling the same security as a client would be incidental, it may represent a potential conflict of interest, which would be fully disclosed to the client. PCM or its owners, officers and employees may not sell securities from their accounts directly to a client, nor may they purchase securities directly from a client. PCM, its owners, officers and employees are prohibited from trading on material nonpublic information. PCM does not trade ahead of clients, but instead puts clients' interests first. Employees may not purchase or sell any security prior to a transaction being implemented for an advisory client, unless the timing of such transaction was done without the employee's knowledge of a client's transaction. PCM endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the decision making process for client investment recommendations. PCM also endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the implementation of investment recommendations made to clients.

Occasionally PCM may take a position in a certain security and later sell that security to a client (principal transactions). This would be in rare and unique circumstances, such as

when an open-end mutual fund is closing to new investors. PCM will sell shares to clients at the market price on the day of the transaction. Clients will receive written disclosure about the details of the transaction, including the date of the transaction, the price at which the transaction will occur, whether more favorable pricing exists somewhere else, and whether PCM will be compensated in any way for the transaction. Clients will be asked to sign an acknowledgment for any transaction of this nature. Conflicts of interest may exist in these types of transactions, however PCM endeavors at all times to act in the best interest of its clients.

As disclosed in Item 10 above, PCM Consultants may be registered representatives of Western International Securities, Inc., an unaffiliated registered broker/dealer. This relationship may present a conflict of interest relating to client transactions. Please refer to Item 10 above for a complete discussion of this relationship.

Item 12. Brokerage Practices

PCM provides investment advisory services on either a non-discretionary or discretionary basis. Clients are generally free to implement or decline investment recommendations made by PCM, unless PCM is acting in a discretionary role. In addition, clients are free to implement investment recommendations at firms of their choice; however, if clients choose to implement transactions at firms other than those recommended by PCM, the firm may be unable to provide investment advisory services for those assets.

PCM recommends that clients execute recommended brokerage transactions through certain broker/dealers, including Western International Securities, Inc. ("WIS"), the registered broker/dealer with which PCM Consultants may be registered. In addition to WIS, PCM may recommend the brokerage and custodial services of one or more of the following firms: Charles Schwab & Company, Inc. ("Schwab"), Fidelity Brokerage Services ("Fidelity"), TIAA-CREF, National Advisors Trust, TD Ameritrade Institutional, a division of TD Ameritrade, and Wells Fargo Securities ("Wells Fargo"), all of whom are independent and unaffiliated broker-dealers or investment advisers. PCM, as an investment adviser, can provide through the institutional arms of these broker dealer/custodians such services as custody of securities, trade execution, clearance and settlement of transactions, institutional commission rates, access to mutual funds with no transaction fees and to certain institutional money managers, daily portfolio valuations, and portfolio reporting system support. Schwab, Fidelity, National Advisors Trust, TD Ameritrade, Wells Fargo and TIAA-CREF also provide to the client the ability to have PCM's advisory fees automatically deducted from the client's account. Clients must agree in writing to the services that PCM may perform on behalf of the client. PCM receives some benefits from these independent broker-dealer/custodians through its participation in institutional programs offered by

these firms. For example, PCM may receive duplicate Client statements and confirmations, research-related products and tools, consulting services, access to a trading desk serving investment advisor participants, access to block trading, electronic Client order-entry, discounts on practice management products or services. These products and services may assist PCM in managing Client accounts or develop its business. The benefits received do not depend on the amount of brokerage transactions directed to the particular broker-dealer/custodian but the receipt of these additional economic benefits may create a conflict of interest in that they may indirectly influence PCM in its choice of custodians. PCM endeavors at all times to place clients' interest first and foremost.

While PCM cannot guarantee that the execution services provided by the above referenced broker/dealers are the best executions available, the firm feels that that the overall quality of execution services provided by these firms is in the clients' best interests. If a client chooses to implement certain investment recommendations through PCM Consultants in their capacities as registered representatives, then securities products may be limited to those products that PCM Consultants can offer through WIS. The firm believes that the overall quality of the execution services provided by WIS is in clients' best interest, but best execution cannot be guaranteed.

As stated previously, PCM routinely recommends that clients utilize the brokerage and custodial services offered by WIS, Schwab, Fidelity, National Advisors Trust, TD Ameritrade, TIAA-CREF or Wells Fargo, unlike other advisors who may permit clients to direct brokerage to any firm of their choice. PCM may be unable to negotiate specific transaction costs for transaction execution. Transactions executed by these firms will be subject to the transaction and commission fee schedule in effect at the time of execution. PCM does attempt to negotiate commission rates or volume discounts; however, brokerage and investment advisory services offered by PCM may cost a client more or less than similar investment advisory services offered by another firm, or by purchasing similar services separately.

Through its relationships with WIS, Schwab, National Advisors Trust, TD Ameritrade and Fidelity, PCM has access to free research, software, account administrative support, record keeping, brokerage, custodial and other related services that are intended to support advisers in conducting an investment advisory business. PCM also has access to an extensive list of product offerings from which client recommendations can be made, and may have the ability to execute client no-load or low-load mutual fund transactions without transaction charges or with nominal transaction charges. PCM also has access to Schwab's SchwabLink program and Fidelity's Advisor Channel program, which provide PCM with a software downlink of daily transaction, balance and position information on client accounts held at such custodians. Additionally, Schwab supplies PCM "soft dollars" in the form of

direct payment to Bloomberg and Zephyr for certain research services utilized by PCM to enhance PCM's servicing ability to all its clients. Clients whose orders are placed through Schwab will not pay commissions higher than those obtainable from other brokers in return for this service.

PCM may accept reimbursement for marketing costs, such as expenses related to meetings held by, or attended by PCM Consultants. Such costs will be associated with "due diligence" trips that allow PCM to better analyze a company and/or investment manager. The acceptance of reimbursement will not be contingent upon any commitment by PCM to place client assets with a product sponsor or investment manager, and will not influence PCM's decision to select a product or investment manager for its clients, other than to allow PCM's associated persons an opportunity to gain further knowledge.

Item 13. Review of Accounts

Consulting and Investment Management accounts are continuously monitored by the President of PCM. Each account is reviewed in light of the client's specific needs, goals, objectives, asset mix and overall market conditions. Special reviews with clients are made in the case of substantial changes in market conditions or changes in the client's investment objectives. Accounts are compared against general market conditions and the strongest industry benchmark indicators to monitor account performance in light of the client's investment objectives. Non-consulting and non-management accounts are reviewed at least annually or at the request of the client.

PCM provides Performance Measurement Reports to Consulting and Management clients not less frequently than annually, with the determination of annual, semi-annual or quarterly reports agreed upon, in writing, at the signing of the Investment Consulting Agreement or Investment Management Agreement. The nature of performance information provided will depend upon the type of client and the needs of the client. In-house managed accounts will receive PCM prepared reports. Consulting clients will receive reports from either PCM or the independent portfolio manager(s). All clients will receive normal and customary brokerage or custodial statements, which they should compare against any information provided by PCM. Statements should be reviewed carefully.

Non-Consulting and non-Management clients will not generally receive periodic reports unless a determination is made to provide them. However, all clients will receive statements and confirms from their respective custodian(s) on no less than a quarterly basis. Additionally, clients may receive statement directly from their third-party money manager(s).

Item 14. Client Referrals and Other Compensation

As discussed previously, PCM Consultants may receive some economic benefit through their affiliations with WIS. However, these economic benefits are not provided as a direct result of PCM's advisory services offered to clients. Such economic benefits include, for example, reimbursement for marketing expenses related to meetings held by, or attended by PCM associates. PCM Consultants may also receive product commissions or 12b-1 fees as a result of client investments. While this presents a potential for conflict of interest in that it may incent PCM Consultants to recommend certain products, all fees and expenses related to transactions executed through WIS are disclosed to clients in product offering materials or verbally by PCM Consultants. Clients are encouraged to read product offering materials carefully.

In some cases, PCM may refer clients to a third-party service provider for specific services. PCM is not typically compensated for these referrals, but may be in some cases. PCM makes these referrals when it feels it is in the client's best interest to do so, based on the specific needs and objectives of the client. Clients are under no obligation to engage the services of the third-party service provider and clients do so at their own discretion. PCM is not liable or responsible for any of the services provided by an unaffiliated third-party service provider.

PCM may, from time to time, accept reimbursement for costs associated with on-site inspections of product sponsors or investment managers to which clients' assets may or may not be directed. Such costs will be associated with "due diligence" trips that allow associated persons of PCM to better analyze a company and/or investment manager. The acceptance of reimbursement will not be contingent upon any commitment by PCM to place client assets with a product sponsor or investment manager, and will not influence PCM's decision to select a product or investment manager for its clients, other than to allow PCM's associated persons an opportunity to gain further knowledge.

As stated previously, PCM participates in the institutional programs made available to advisers by certain broker-dealer/custodians. Please see Item 12 for a discussion of the brokerage firms with which PCM does business. Through its participation in these institutional programs, PCM receives economic benefits that may not be available to retail customers. For example, PCM may receive duplicate Client statements and confirmations, research-related products and tools, consulting services, access to a trading desk serving investment advisor participants, access to block trading, electronic Client order-entry, discounts on practice management products or services. These products and services may

assist PCM in managing Client accounts or develop its business. The benefits received do not depend on the amount of brokerage transactions directed to the particular broker-dealer/custodian but the receipt of these additional economic benefits may create a conflict of interest in that they may indirectly influence PCM in its choice of custodians. PCM endeavors at all times to place clients' interest first and foremost.

Through its participation in the TD Ameritrade Institutional Program, PCM receives some economic benefits that are not offered to other independent investment advisers. Specifically, PCM receives additional services offered by Morningstar, Inc., an independent provider of stock market analysis, equity, mutual fund, and ETF ratings and research, and other investment data and research. TD Ameritrade provides this additional benefit to PCM at its sole discretion and expense, and PCM and TD Ameritrade have entered into a separate agreement to govern this provision of additional services. The approximate value of this additional service provided by TD Ameritrade to PCM is \$10,000. The receipt of this additional service creates a potential conflict of interest in that TD Ameritrade may consider the profitability provided to TD Ameritrade based on the assets placed, and transactions for, Client accounts referred to TD Ameritrade by PCM. PCM may therefore have an incentive to recommend that clients custody assets at TD Ameritrade. PCM endeavors at all times to place clients' interests first and foremost.

Item 15. Custody

PCM does not maintain custody of client funds or securities except to the extent that it has the ability to debit advisory fees directly from client accounts, as agreed to in writing by the client. Clients receive normal and customary custodial account statements at least quarterly, which detail the amount of advisory fees debited from an account. Clients are strongly encouraged to review all statements carefully. Clients, not account custodians, are responsible for verifying the accuracy of all fees.

Item 16. Investment Discretion

PCM accepts discretionary authority to manage securities accounts on behalf of clients, upon express written permission from the client. Clients will execute required custodial applications granting discretion to PCM. Clients will also execute discretionary Investment Management Agreements. PCM also offers non-discretionary asset management, so clients may choose the best options for their situations.

Item 17. Voting Client Securities

In some cases, PCM will accept authority to vote client securities on behalf of clients. If requested by the client, PCM votes proxies for clients under the authority granted by the Investment Management Agreement. Clients may opt to vote their own proxies, by directing an account custodian to remit proxies to the client. Clients may also direct PCM to vote proxies in a particular manner, for issues for which they desire a particular vote. PCM desires to vote proxies in the best interests of its clients, and consistent with the firm's proxy voting policies and procedures. In doing so, PCM generally attempts to vote in a manner that encourages a company to be accountable to both the discipline of the overall financial markets and to its shareholders. In voting proxies, PCM takes into consideration its duty to clients and all other relevant facts available to PCM at the time of the vote. PCM is not responsible or liable for failing to vote any proxies if it has not received such communications in a timely manner. Under certain circumstances, PCM may elect not to vote a particular proxy, but the firm will attempt to vote all proxies that the firm determines will have a material effect on the security.

In the event that PCM identifies any potential conflict of interest between it and its clients, PCM may abstain from voting a particular issue. Such issues could include an increase in fees for mutual funds, for example, which may benefit an adviser at the expense of a client. However, given the nature of PCM's advisory business and the size of its operation, it is not anticipated that many conflicts of interest will arise in the proxy voting process. If PCM decides a conflict does exist and determines that the conflict cannot be resolved based on the firm's policies and procedures, PCM will disclose the conflict to the affected clients and will gain their consent before voting the proxy.

PCM will maintain all related proxy voting records as required by rules and regulations. Copies of proxy statements received will be maintained, as well as a record of how PCM voted each proxy. Clients may obtain a copy of PCM's proxy voting procedures as well as information about the manner in which PCM voted their proxies by contacting Irvin G. Schorsch at 215-881-7700. PCM will also maintain any and all written client requests for information related to proxies and any documents prepared by PCM in connection with a client request or its voting practices.

Item 18. Financial Information

PCM does not require or solicit prepayment of more than \$1,200 in advisory fees more than six months in advance of services rendered. PCM is therefore not required to include a financial statement or balance sheet with this brochure.

PCM does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. PCM has not been the subject of any bankruptcy petition.

Privacy Policy

PCM maintains a specific Privacy Policy that is distributed to each client at the time an account is opened and annually thereafter. PCM collects nonpublic information about clients from the following sources: information the firm receives from clients verbally, on applications or other forms and information about client transactions with others or the firm.

PCM may have to share non-public client information with unaffiliated firms in order to service client accounts. Additionally, PCM may have to provide information about clients to regulatory agencies as required by law. Otherwise, PCM will not disclose any client information to an unaffiliated entity unless a client has given express permission for the firm to do so.

PCM is committed to protecting client privacy. The firm restricts access to clients' personal and account information to those employees who need to know the information. PCM also maintains physical, electronic and procedural safeguards that the firm believes comply with Federal standards to protect against threats to the safety and integrity of client records and information.