



PlanMember Securities Corporation

**6187 Carpinteria Ave.
Carpinteria, CA 93013
(800) 874-6910**

PlanMember Preference Program
PlanMember Rep-Directed Program (Pershing)

**BROCHURE DATE:
May 14, 2020**

This wrap fee program brochure provides information about the qualifications and business practices of PlanMember Securities Corporation. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commissions or by any state securities authority.

Additional information about PlanMember Securities Corporation (PSEC) is available on the SEC's website at www.adviserinfo.sec.gov.

PlanMember Securities Corporation (PSEC) is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

ITEM 2: MATERIAL CHANGES

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, PSEC will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

PlanMember Securities Corporation ("PSEC" or "PlanMember") offers a number of investment advisory programs for its clients. PSEC has prepared a separate brochure for each program (or group of similar programs) rather than a single large brochure that describes all of its programs. PSEC clients will receive only the brochure that describes the program in which they are participating or that they are considering. This brochure provides information relating to the PlanMember Preference Program and the PlanMember Re-Directed Program, wrap fee programs available to our clients.

More information regarding these programs is available under Item 4: Services, Fees, and Compensation.

There are two material changes in this brochure since March 31, 2019:

1. The brochure has been revised throughout to reflect the status of the Programs as wrap fee programs;
2. The brochure has been revised throughout to reflect changes that have been made in PSEC's operations to comply with interpretive releases by the U.S. Securities and Exchange Commission;
3. The discussion of an agreement between PlanMember Financial Corporation ("PFC), parent of PlanMember Securities Corporation, and AXA Distribution Holdings, Inc. has been eliminated because the relevant provisions of the agreement have been amended to eliminate a conflict of interest; and
4. The discussion of additional disciplinary items on page 10.

ITEM 3: TABLE OF CONTENTS

Item 1: Cover Page 1

Item 2: Material ChangesPage 2

Item 3: Table of ContentsPage 3

Item 4: Services, Fees, and CompensationPage 4

Item 5: Account Requirements and Types of ClientsPage 6

Item 6: Portfolio Manager Selection and EvaluationPage 6

Item 7: Client Information Provided to Portfolio ManagersPage 9

Item 8: Client Contact with Portfolio ManagersPage 10

Item 9: Additional InformationPage 10

ITEM 4: SERVICES, FEES, AND COMPENSATION

As used in this Brochure, the terms “PSEC,” “we,” “our,” and/or “us” refer to PlanMember Securities Corporation. “Your PSEC Advisor” or “Advisor” refers to the PSEC investment advisor representative who is responsible for your account. The terms “you,” “your,” and/or “client” refer to you as either a current or prospective client of PSEC. As used in this Brochure, the term “Associated Person” may refer to any or all of the following: PSEC officers, employees, and/or any individuals providing investment advice on behalf of PSEC.

THE PLANMEMBER PREFERENCE AND PLANMEMBER REP-DIRECTED PROGRAMS

PSEC Advisors make available investment portfolio management services, on a discretionary basis, to their clients. PSEC Advisors will consult with the client to obtain detailed investment objective information and other pertinent data on an Investor Profile Worksheet to enable the client to determine the most appropriate investment guidelines, risk tolerance and other factors that will assist the client in selecting a suitable investment portfolio.

Services are based on the individual needs of the client. An initial interview and data gathering questionnaire is undertaken to determine the client's financial situation and investment objectives, and to give the client the opportunity to impose reasonable restrictions on the management of the account. The client will retain rights of ownership of all securities and funds in the account to the same extent as if the client held the securities and funds outside the program.

Further restrictions and guidelines imposed by clients may affect the composition and performance of a client's portfolio. For these reasons, performance of the portfolio will not be identical with the average client of PSEC Advisors.

Services

PSEC provides investment advisory programs to individuals and plan sponsors who participate in or sponsor certain qualified tax-deferred retirement programs including, but not limited to, payroll deduction programs under Sections 403(b), 401(k), 401(a), 457(b) and 408 of the Internal Revenue Code, as well as individuals invested in nonqualified investment advisor firms, and wrap fee programs. For accounts with Pershing as the custodian, brokerage and execution services are provided by Pershing. For accounts for which PlanMember acts as record keeper, PSEC will provide brokerage and execution services as the broker-dealer on transactions

THE PROGRAM FEE

PSEC offers the PlanMember Preference and PlanMember Rep-Directed Programs under which client accounts are managed for a single, asset-based fee for advisory services that includes the costs associated with portfolio management, custodial services, commissions, and securities transactions (the “wrap fee”). In addition, there is an annual account service fee of up to \$50 depending on account type that will be billed separately. However, the custodian charges no additional transactional or record-keeping charges. Pershing charges an additional annual services fee of \$40 for individual retirement accounts (“IRAs”) and of \$50 for qualified retirement accounts; no fee is charged for non-tax qualified accounts.

PSEC Advisors provide investment portfolio management services, on a discretionary basis, to clients participating in the PlanMember Preference and PlanMember Rep-Directed Programs. Participating clients are required to establish accounts at PlanMember FDx, which is a registered transfer agent, or Pershing, LLC, which an unaffiliated securities broker-dealer and member of FINRA and SIPC.

The wrap fee for PlanMember Preference Program accounts on the PlanMember FDX platform is billed monthly, in arrears, based on the average daily balance of the account during the preceding month. The wrap fee for the PlanMember Rep-Directed Program accounts on the Pershing platform is billed quarterly, in advance, based on the average daily balance of the account during the preceding month. For the PlanMember Rep-Directed Program, in the event the portfolio management agreement is executed at any time other than the first day of a month, fees will be assessed pro rata based on the initial account value.

Clients participating in the Preference and PlanMember Rep-Directed Programs are required to authorize PSEC to debit the Program wrap fee from their account. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. On an annualized basis, the Program wrap fee is charged at a maximum annual rate of 2.00% of assets under management. However, a lower rate may be negotiated with Your PSEC Advisor. Of the wrap fee, PSEC retains 0.35% of assets under management; the remainder is paid to Your PSEC Advisor.

Fees Charged by Third Parties

There are other fees and charges that are imposed by third parties other than PSEC that apply to investments in Preference Program accounts. Some of these fees and charges are described below. If your assets are invested in mutual funds or other pooled investment products, you should be aware that there will be two layers of advisory fees and expenses for those assets. You will pay an advisory fee to the fund manager and other expenses as a shareholder of the fund. In the case of mutual funds that are fund of funds, there could be an additional layer of fees, including performance fees that may vary depending on the performance of the fund. You will also pay PSEC and your PSEC Advisor the Account Fee with respect to those assets. Most of the mutual funds available in the program may be purchased directly. Therefore, you could generally avoid the second layer of fees by not using the advisory services of PSEC and Your PSEC Advisor and by making your own decisions regarding the investment.

If you transfer into a Preference Program account a previously purchased mutual fund, and there is an applicable contingent deferred sales charge on the fund, you will pay that charge when the mutual fund is sold. If your account is invested in a mutual fund that charges a fee if a redemption is made within a specific time period after the investment, you will be charged a redemption fee. If a mutual fund has a frequent trading policy, the policy can limit your transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting).

When transferring securities into an account, you should be aware that certain securities may not be eligible for the account. In such case, the securities may be rejected.

Important Things to Consider About Fees on a Program Account

- ☐ The Account Fee is an ongoing fee for investment advisory services and other administrative and custodial services. You do not pay commissions or transaction charges. The Account Fee may cost you more than purchasing the program services separately, for example, paying an advisory fee plus commissions for each transaction in the account. Factors that have a bearing upon the cost of the account in relation to the cost of the Preference Program services purchased separately include the:
 - type and size of the account
 - historical and or expected size or number of trades for the account
 - transaction charges for the securities purchased and sold in the account and
 - number and range of supplementary advisory and client-related services provided to you.
- ☐ The Account Fee also may cost you more than if assets were held in a traditional brokerage account. In a brokerage account, you are charged a commission for each transaction, and your PSEC Advisor has no duty to provide ongoing advice with respect to the account. If you plan to follow a buy and hold strategy for the

account or you do not wish to purchase ongoing investment advice or management services, you should consider opening a brokerage account rather than a Program account.

- ☐ The Account Fee may be higher than the fees charged by other investment advisors for similar services.
- ☐ Your PSEC Advisor, by recommending the program to you, receives compensation as a result of your participation in the Program. This compensation includes a portion of the Account Fee, and also may include other types of compensation, such as bonuses, awards or other things of value offered by PSEC to the Your PSEC Advisor. PSEC pays your PSEC Advisor this compensation based on your Advisor's overall business production and/or on the amount of assets serviced in PSEC advisory programs. Therefore, the amount of this compensation may be more than what your PSEC Advisor would receive if you participated in other PSEC programs, programs of other investment advisors or paid separately for investment advice, brokerage and other client services. Therefore, your PSEC Advisor may have a financial incentive to recommend a Preference Program account over other programs and services.
- ☐ The investment products available to be purchased in the Preference Program can be purchased by clients outside of a Program account, through broker-dealers or other investment firms not affiliated PSEC.

ITEM 5: ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

Participation in the Preference Program is available to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. The minimum account size for the PlanMember Rep-Directed Program is \$5,000. The minimum account balances may be waived by PlanMember at its sole discretion.

ITEM 6: PORTFOLIO MANAGER SELECTION AND EVALUATION

We are both the sponsor and portfolio manager of the PlanMember Preference Program. Our maximum fee for acting as portfolio manager of the Preference Program is stated above and clients will not be charged additional fees for Preference Program participation. Refer to the *Services, Fees and Compensation* section of this Brochure for additional disclosures on this topic.

In the PlanMember Preference Program, PSEC does not select, review or recommend other investment advisors or portfolio managers. PSEC, through your PSEC Advisor, is responsible for the investment advice and management offered to you, and you select the PSEC Advisor who manages your account. PSEC generally requires that individuals involved in determining or giving investment advice have at least two years financial planning, advisory or brokerage-related experience. Each PSEC Advisor is also generally required to possess a FINRA Series 6, 7, 65, or 66 license (as required). For more information about the PSEC Advisor managing your account, you should refer to the Brochure Supplement for your PSEC Advisor, which you should have received along with this Brochure at the time you opened the account.

PSEC does not calculate the performance record of PSEC Advisors; however, PSEC does calculate performance for each account. PSEC makes available online individual quarterly account performance, which provides performance information on internal rate of return basis. PSEC performance reports are intended to inform clients as to how their investments have performed for a period, both on an absolute basis and compared to leading investment indices.

PSEC sponsors other types of advisory programs. In PSEC's third-party strategist program, PlanMember Strategist, a third-party portfolio manager provides discretionary advisory services as a sub-advisor to PSEC. In PSEC's mutual fund asset allocation programs, such as PlanMember Advisor and PlanMember Elite, PSEC (and not its PSEC Advisors) is

responsible for the discretionary advisory services. PSEC and its PSEC Advisor Representatives do not accept performance-based fees under any PSEC advisory programs.

INVESTMENT DISCRETION

PSEC renders investment advice to advisory clients in the PlanMember Preference Program and the PlanMember Re-Directed Program on a discretionary basis pursuant to written authorization granted by the client.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while, at the same time, managing accounts that are not charged performance-based fees. Performance-based fees are based on a share of the capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Services, Fees and Compensation* section above, and are not charged on the basis of a share of capital gains or capital appreciation of the assets within your advisory account.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

Security analysis methods used by PSEC Advisors participating in the PlanMember Preference and PlanMember Re-Directed Programs may include, but are not limited to, charting (using charts to track individual security or market movements over time); fundamental analysis (evaluating securities based upon its historical and projected financial performance); technical analysis (examining moves in the price of an issue based upon peer securities or comparisons to an investment sector or index); and cyclical analysis (determining the desirability of an issue based upon the status of an issue within the price cycle the security or similar securities have followed historically).

Investing involves risk. The investment return and principal value will fluctuate and, when redeemed, the investment may be worth more or less than the original purchase price.

While there is risk in all investments, some carry a greater degree of risk or higher costs. There is no guarantee that the investment strategy selected for you will result in your goals being met, nor is there any guarantee of profit or protection from loss. For those investments sold by prospectus, you should read the prospectus in full.

PSEC is disclosing those risks and opportunities for our investment strategy or for particular types of securities used.

- High yield, high-risk bonds generally involve more credit risk. These securities may also be subject to greater market price fluctuations than lower yielding higher rated debt securities. Fixed income investments are subject to interest rate risk and values may decline in an increasing interest rate environment.
- Lower-rated bonds are subject to greater fluctuations in value and risk of loss of income and principal. Investing outside the United States entails additional risks, such as currency fluctuations, as more fully described in the prospectus.
- The return of principal for the bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.
- There are tax consequences for short-term trading wherein capital gains are taxed as ordinary income. Additionally, some Funds charge short-term trading fees that are more fully disclosed in the Fund families' prospectus.

- Small cap and Mid-cap investments may have additional risk, including greater price volatility.
- While diversification through an asset allocation strategy is a useful technique that can help to manage overall portfolio risk and volatility, there is no certainty or assurance that a diversified portfolio will enhance overall return or outperform one that is not diversified. An investment made according to one of these asset allocation models neither guarantees a profit nor prevents the possibility of loss.
- Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high-quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds.

PlanMember Preference and PlanMember Rep-Directed Program accounts are rebalanced periodically. While the Account is being rebalanced, requests for movements of Account balances, distributions, or other transactions affecting Account assets may be delayed until rebalancing is completed, which may be up to three (3) business days. Investment portfolio rebalancing is subject to market risk primarily that the value of redeemed and purchased shares may vary during the rebalancing process, resulting in gains or losses to your account. Also, some or all of the PlanMember Preference and PlanMember Rep-Directed Program accounts will be redeemed from the market and invested in a cash equivalent investment for one or two days during rebalancing; during this period, such PlanMember Preference and PlanMember Rep-Directed Program accounts will not participate in major market movements to the extent that they would if fully invested in the market. To avoid rebalancing market risk you may notify your PSEC Advisor to move your account to a non-managed program with a static asset allocation, as PSEC will not periodically rebalance such accounts.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of client assets. Regardless of account size or any other factors, we strongly recommend all clients continuously consult with a tax professional prior to and throughout the investment process.

Pursuant to revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will use the FIFO accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is right for you. If your tax advisor believes another accounting method is best, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods must be made before trades settle, as the cost basis method cannot be changed after settlement.

BROKERAGE FOR CLIENT REFERRALS

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

RECOMMENDATION OF PARTICULAR TYPES OF SECURITIES

PSEC Advisors recommend all types of securities and do not necessarily recommend one particular type of security over another since each client has different needs and a different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the

higher the anticipated return of an investment, the higher the risk of loss associated with it.

VOTING CLIENT SECURITIES

For PlanMember Preference Accounts and PlanMember Rep-Directed Accounts, PSEC will not vote proxies on behalf of our accounts. However, we may, at your request, answer questions you may have regarding the nature of a proxy and voting procedures.

ITEM 7: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

Your PSEC Advisor obtains the necessary financial data from you and assists you in setting an appropriate investment objective for your account. Your PSEC Advisor obtains this information by having you complete an Account Application that is a part of the Account Agreement. No less than annually, PSEC asks you to contact your PSEC Advisor if there have been any changes in your financial situation or investment objectives or if you wish to impose any reasonable restrictions on the management of your account or reasonably modify existing restrictions. You should be aware that the investment objective selected for the Program is an overall objective for the entire account and may be inconsistent with a particular holding and the account's performance at any time. You should further be aware that achievement of the stated investment objective is a long-term goal for the account.

PRIVACY POLICY

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Sean Haley, Chief Compliance Officer, at 805-684-1199 if you have any questions regarding this policy.

ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGERS

PSEC does not place any restrictions on your ability to contact and consult with your PSEC Advisor.

ITEM 9: ADDITIONAL INFORMATION

DISCIPLINARY INFORMATION

2010. NASD Rules 2110, 3010 - PSEC outsourced its mutual fund breakpoint determinations to a third party vendor. Due to a software programming error, PSEC's vendor failed to take certain B shares into consideration when determining PSEC's customers' breakpoints. As a result, some of PSEC's customers (39 accounts) were overcharged for their mutual fund purchases. During this period, PSEC did not have in place a system or procedures for supervising the vendor's breakpoint determinations. PSEC's decision to outsource breakpoint determinations to a third party did not relieve PSEC of its ultimate responsibility for the outsourced activity. During the relevant period, PSEC failed to have in place adequate policies and procedures to monitor the outside vendor's compliance with the terms of its agreement with PSEC, and to assess the outside vendor's continued fitness and ability to perform the outside activities. PSEC failed to properly supervise its outside vendor to ensure that it was adequately carrying out the outsourced functions.

Without admitting or denying the findings, PlanMember Securities Corporation consented to the described sanctions and to the entry of finding; therefore it was censured and fined \$20,000.

2008. SEC Rule 17A-3, NASD Rules 2830(M) (1), 3110 - PlanMember Securities Corp. received checks from public customers for payment of direct retail transactions for Investment Company shares; some of the checks were not transmitted by either the end of the third business day following a receipt of a customer's order to purchase such shares or by the end of one business day following receipt of a customer's payment for such shares, which ever was the later date. With respect to some of the checks, PSEC failed to maintain adequate books and records to evidence the date on which a registered representative both received the check from the customer and forwarded the check to PSEC's main office.

Without admitting or denying the findings, PlanMember Securities Corporation consented to the described sanctions and to the entry of finding; therefore it was censured and fined \$5,000.

2018. MSRB Rules G-17, G-27, and G-30 – During the period from October 1, 2015, through December 31, 2015, PlanMember was found by the FINRA to have committed municipal securities fair pricing and related supervision violations with respect to 8 transactions in 3 accounts, in violation of Municipal Securities Rulemaking Board regulations.

Without admitting or denying the findings, PlanMember consented to the described sanctions and to the entry of the finding; it was fined \$18,500 and paid restitution in the amount of \$5,808, plus interest.

2019. Investment Advisers Act Sections 206(2) and 207. During the period from January 2014 to June 2018, PlanMember purchased, recommended, or held for advisory clients mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds for which the clients were eligible. PlanMember and its associated persons received 12b-1 fees in connection with these investments. PlanMember failed to adequately disclose in its Form ADV or otherwise the conflicts of interest related to (a) its receipt of 12b-1 fees, and/or (b) its selection of mutual fund share classes that pay such fees.

Without admitting or denying the findings, PlanMember Securities Corporation entered into a settlement with the U.S. Securities and Exchange Commission (SEC), agreeing to disgorge the 12b-1 fees it had received, plus interest, in the total amount of \$3,550,660.48 and be censured, but the firm was not assessed any fines.

2019. FINRA Rules 3010, 3110, 2330(d)(1), 2210, and 2010. During the period July 2012 to June 2016, PlanMember is alleged to have failed to establish, maintain, and enforce a supervisory system reasonably designed to achieve compliance with respect to four aspects of its business: the review of variable annuity exchanges; the review, approval, and retention of consolidated reports; the review of e-mail and customer correspondence; and the review of its registered representatives' business-related websites and social media.

On July 3, 2019, PlanMember, without admitting or denying the findings of FINRA, entered into a letter of Acceptance, Waiver, and Consent ("AWC") to settle the alleged violations. As conditions of its settlement, PlanMember consented

to a censure and a monetary fine of \$90,000.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

PSEC is not, but PSEC Advisors are licensed as securities salespersons (“Registered Representatives”) and insurance agents, and are in the business of selling securities and insurance products.

PSEC Advisors are associated with PlanMember Securities Corporation (“PSEC”), a dually-registered investment adviser and securities broker/dealer, as Registered Representatives. PSEC is a general securities broker/dealer having membership in the Financial Industry Regulatory Authority (“FINRA”). PSEC is a wholly-owned subsidiary of PlanMember Financial Corporation, a diversified financial services company engaged in the design and sale of investment products. We may recommend securities, asset management, or insurance products. If you purchase these products through us, we will receive the normal commissions or fees. Thus, a conflict exists between our interests and those of our advisory clients. You are under no obligation to purchase products recommended, or to purchase products through PSEC.

PSEC Advisors are licensed with several life, disability, and other insurance companies. Insurance products offered by these companies may be recommended. If you purchase these products through us, we receive the normal commissions. Thus a conflict of interest exists between our interests and those of our advisory clients. You are under no obligation to purchase products recommended, or to purchase products either through us or through these insurance companies.

PSEC may exercise agreements with other Registered Investment Advisors and recommend other Advisors to clients. In such instances, PSEC may receive a portion of the account fee or commissions. In these instances, we will make available to the client a “Compensation Disclosure Statement” and the Investment Advisor Brochure for the other Advisor. You are under no obligation to use the services of the other Advisor(s) recommended.

PSEC is affiliated by common ownership with PlanMember Services Corporation (“PSC”), a pension administration and recordkeeping company, which is registered with the SEC as a transfer agent. PSC will perform client level recordkeeping and plan administration for PSEC clients enrolled in the PlanMember Advisor and PlanMember Preference and PlanMember Rep-Directed Programs and may receive fees for such services from the Fund Companies.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our employees and PSEC Advisors. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Advisors are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm. Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Daniel Murphy at (805) 684-1199.

PSEC does not share revenue sharing payments with PSEC Advisors, and therefore, there is no financial incentive for an Advisor to select a participating fund for an account over another fund because of this fee arrangement. However, PSEC and its affiliates may make recommendations of mutual funds, which recommendations can be implemented by PSEC Advisors in an account. PSEC does not require that a mutual fund participate in these fee

arrangements in order for a fund to be recommended. PSEC intends to make all recommendations independent of such fee arrangements.

REVIEW OF ACCOUNTS

Client accounts are monitored on a continuous basis, with a formal review conducted at least annually by the PSEC Advisor assigned to your account.

The custodian holding your funds and securities (or its designated agent) will send you a confirmation of every securities transaction in your account(s), and a brokerage statement at least quarterly. Our firm will provide reports to you on an as-needed basis. Such reports may include information about accounts that are not directly managed by our firm.

CLIENT REFERRALS AND OTHER COMPENSATION

We directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this Disclosure Brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive either a percentage of the advisory fee you pay our firm for as long as you are a client with our firm (or until such time as our agreement with the Solicitor expires) or a one-time, flat referral fee upon your signing an advisory agreement with our firm. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

BROKERAGE PRACTICES

For PlanMember Rep-Directed Program accounts, PSEC requires that clients direct Pershing, LLC, as the sole and exclusive broker-dealer to execute transactions in the account. PSEC is not paid a commission for executing transactions. Clients should understand that not all advisors require their clients to direct brokerage. By directing brokerage to Pershing, clients may be unable to achieve the most favorable execution of client transactions. Therefore, directed brokerage may cost clients more money. However, clients should understand that Pershing is not paid a commission for executing transactions in program accounts. In addition, in the case of mutual funds, execution is made at the net asset value of the fund.

Pershing may aggregate transactions in equity and fixed income securities for a client with other clients to improve the quality of execution. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. Pershing may determine not to aggregate transactions, for example, based on the size of the trades, the number of client accounts, the timing of the trades, the liquidity of the securities and the discretionary or non-discretionary nature of the trades. If Pershing does not aggregate orders, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that this practice of not aggregating may cost clients more money.

FINANCIAL INFORMATION

We do not receive fees of more than \$500 six months or more in advance, thus we are not required to provide financial information to our clients. We do not have any financial condition that is reasonably likely to impair our ability to meet our contracted commitment to any client.

TRADE ERRORS

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

CLASS ACTION LAWSUITS

From time to time, securities held in your accounts may be the subject of class action lawsuits. Without exception, we have no obligation to determine if securities held by you are subject to a pending or resolved class action lawsuit. We also have no duty to evaluate your eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, we have no obligation or responsibility to initiate litigation to recover damages on your behalf if you may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held in your account.

Refer to the Part(s) 2B for background information about management personnel and those giving advice on behalf of our firm.