



# **PlanMember Securities Corporation Investment Adviser Brochure**

(Form ADV Part 2A) for the  
OPTIFUND™ Investment Program

March 31, 2023

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This brochure provides information about the qualifications and business practices of PlanMember Securities Corporation. If you have any questions about the contents of this brochure, please contact us at 800.223.7608 or 800.874.6910. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about our firm is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

The terms "Registered" and "Registered Investment Advisor" do not imply a certain level of skill or training.

## **Material Changes**

PlanMember Securities Corporation (“PSEC” or “PlanMember”) has elected to create separate Brochures that describe specific programs with similar traits. This Brochure has been developed to address the OPTIFUND Investment Program mutual fund asset allocation program.

There are no material changes in this brochure since March 31, 2022.

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## Advisory Business

### Advisory Firm

PlanMember Securities Corporation ("PSEC," "we," "our," and/or "us") is registered with the Securities and Exchange Commission (SEC) as both a broker-dealer and an investment adviser. PSEC has been providing investment advisory services since 1994. Jon M. Ziehl is the founder and President of PSEC and has been in the financial services industry since 1980. PSEC is a direct subsidiary of PlanMember Financial Corporation. More than 25% of a voting class of securities of PlanMember Financial are held by Mr. Ziehl and, indirectly, by Equitable Distribution Holdings. Equitable Distribution Holdings is a member of the Equitable.

As used in this Brochure, "Your PSEC Professional" or "Professional" refers to the PSEC financial professional 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.

### Advisory Services

Our brokerage and investment advisory services and fees differ, and it is important for you to understand these differences. Free and simple tools are available for you to research firms and financial professionals at [investor.gov/crs](https://investor.gov/crs), which also provides educational materials about broker-dealers, investment advisers, and investing.

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

In addition to the advisory programs and services described in this Brochure, PSEC also offers other advisory programs and services, which are described in separate Forms ADV, Part 2As. Detailed discussions of each of the advisory programs and services provided by PSEC, are available on our website at [planmember.com/disclosures](https://planmember.com/disclosures).

When you choose to purchase products and services through PSEC and work with a PSEC financial professional, you have the option of investing through a transaction-based account, such as a brokerage account, a fee-based investment advisory program, or both. It is important to understand the services you can expect to receive, and the costs associated with each of these different types of accounts and relationship with PSEC and your PSEC financial professional. Additional information on the types of accounts PSEC offers and the costs associated with each are available on our website at [planmember.com/disclosures](https://planmember.com/disclosures).

The advisory services described in this brochure apply to the OPTIFUND Investment Program. This Program is marketed primarily to participants in individual retirement plans, such as 403(b)(7) accounts and IRAs ("Clients"). Other advisory programs and services are described in separate Investment Advisor Brochures, which are available upon request.

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.

For the OPTIFUND Investment Program, PSEC constructs a series of asset allocation portfolios with varying risk profiles that are invested in mutual funds. The OPTIFUND Investment Program employs a variety of investment strategies, which are described in the section of this Brochure captioned "Methods of Analysis, Investment Strategies and Risk of Loss."

PSEC's asset allocation service utilizes mutual funds with no front-end or back-end sales charges from multiple mutual fund companies. Each Client receives a prospectus for each mutual fund in which his or her account is invested.

The beneficial owners of certain retirement accounts whose assets are held by a trustee/custodian may be subject to special terms and conditions with respect to shareholder report, proxies, and other matters, depending on the terms and

conditions of the plan documents under which such accounts are established. PSEC or its agent furnishes quarterly consolidated account statements to each Client, confirming all transactions during the report period.

As of 12/31/2020, PSEC managed a total of \$6.19 billion on a discretionary basis.

## **Fees and Compensation**

The annual fee for the OPTIFUND Investment Program is billed quarterly, in arrears, based on the average daily balance of the Client's account during the preceding quarter.

Clients participating in the OPTIFUND Investment Program are required to authorize PSEC to debit the Program fee from their account. Fees are liquidated from the Client's largest mutual fund holding or, if there are insufficient assets in the largest holdings, from the Client's remaining mutual fund holdings. On an annualized basis, the OPTIFUND Investment Program advisory fee (the "Advisory Fee") is based on the following tiered fee schedule:

- 1.50% for accounts up to \$250,000
- 1.25% for accounts of \$250,000 or more

The above Advisory Fee schedule may be discounted as negotiated with sponsors of certain employer-sponsored plans.

PSEC retains between 0.20% and 0.50% of the Advisory Fee, depending on the size of the account and other factors. PlanMember's advisory services may not be purchased outside of the OPTIFUND Investment Program (Investment advice is available through individual PlanMember Investment Advisory Representatives but related to individual accounts only.)

Other fees related to the custody and servicing of the account and not related to the advisory services may apply. See your account application for details. OPTIFUND Investment Program accounts are invested in mutual funds that carry separate expenses as disclosed in each mutual fund prospectus.

The portion of the Advisory Fee not retained by PSEC is paid to the Financial Professional (who may be a Registered Representative of PSEC or a Registered Representative of another broker/dealer with whom PSEC has a clearing and carrying relationship) as a Promotor's Fee. This compensation may be more or less than the compensation that the Financial Professional would receive from the sale of other financial products. Therefore, the Financial Professional may have a financial incentive to recommend the PlanMember Advisor Programs over other programs or services. In some cases, a portion of the Promotor's Fee may be paid to a referring entity other than the Financial Professional.

PSEC may also provide mutual fund lineup selection and monitoring services for sponsors of certain employer-sponsored plans. If contracted to perform such services, PSEC will create an initial fund lineup based on the criteria provided by the plan sponsor, monitor the funds to ensure ongoing conformance with the selection criteria, and provide periodic reports to the plan sponsor on the performance and status of funds within the lineup. In addition, PSEC may, from time-to-time, remove, add or replace funds in the lineup.

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 Professional 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 Professional, 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 will include other types of compensation, such as bonuses, awards or other things of value offered by PSEC to the Your PSEC Professional. PSEC pays your PSEC Professional 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 can be more than what your PSEC Professional 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. In that case, your PSEC Professional has a financial incentive to recommend an Advisor or Strategist Program account over other programs and services.

## Program Choice Conflicts of Interest

Clients should be aware that the compensation to PSEC and our financial professionals will differ according to the specific advisory programs or services provided. This compensation to PSEC and a financial professional generally are more than the amounts we would otherwise receive if a client participated in another program or paid for investment advice, brokerage, or other relevant services separately. Lower fees for comparable services may be available through PSEC or from other sources. PSEC and its financial professionals have a financial incentive to recommend advisory programs or services that provide higher compensation over other comparable programs or services available through PSEC or elsewhere that cost you less. For example, PSEC is registered both as a broker/dealer and an investment adviser, and a majority of PSEC's advisors offer both commission-based brokerage services and fee-based advisory services to their clients. It is important to understand all the associated costs and benefits of each option so clients can decide which types of accounts and services are best suited for their unique financial goals, investment objective, and time horizon. PSEC encourages clients to review its Form CRS available on the firm's website at <https://www.planmember.com/disclosures> and to discuss their options and the many differences between brokerage and advisory relationships with a PSEC financial professional.

In addition, PSEC offers its financial professionals one or more financial benefits based on the professional's total assets under management held at PSEC or in PSEC's own Program accounts, as well as financial assistance for transitioning from another firm to PSEC. The types of financial benefits that are available to PSEC financial professionals include, but are not limited to, forgivable or unforgivable loans, enhanced payouts, and discounts or waivers on transaction, platform, and account fees; technology fees; research package fees; administrative fees; brokerage account fees; account transfer fees; licensing and insurance costs; and the cost of attending conferences and events. The enhanced payouts, discounts, and other forms of financial benefits that financial professionals have the opportunity to receive from PSEC provide a financial incentive for a financial professional to select PSEC as broker/dealer for client accounts over other broker/dealers from which they may not receive similar financial benefits or to use certain PSEC Advisory programs over other programs available through PSEC.

Additionally, some PSEC financial professionals own and operate locations known as PlanMember Financial Centers. These Financial Centers may be single advisor branches or may include two or more advisors. As these Financial Centers grow, their fee-based business within PSEC's suite of PSEC Programs, PSEC's economies of scale are shared with those Financial Centers by increasing the payout percentage to the Financial Center owner, making loans to the Financial Center owner that are forgivable when the Financial Center accumulates certain client asset levels in PSEC Programs, and accruing and paying a deferred growth participation bonus based on client assets accumulated in PSEC Programs. As the amount of the advisors' client assets in PSEC's programs grows above certain levels, the advisors receive more financial benefits than they would otherwise receive with fewer assets in PSEC's programs.

These increases in a financial professional or Financial Center's revenue translate into higher payouts for reaching various PSEC AUM levels which present a conflict of interest because they provide a financial incentive for financial professionals who receive the discounts to recommend PSEC's Programs over other available managed or wrap account programs that do not offer such discounts or higher payouts to the financial professionals.

## Additional Compensation through Schwab Relationship

Through its clearing relationship with Schwab, PSEC is charged an asset-based fee by Schwab for all of the assets in the PSEC programs in which Schwab conducts omnibus trading. For certain mutual fund holdings within those programs, Schwab receives shareholder servicing payments from the fund companies directly. Any amount Schwab receives in the form of shareholder servicing fees from the fund in excess of a negotiated floor is paid to PSEC. While PSEC will always attempt to identify and use the lowest-expense share classes available, this scenario creates a conflict of interest as PSEC has a financial incentive to select or recommend mutual funds for its programs for which Schwab directly receives shareholder servicing fees which will result in additional revenue paid to PSEC. PSEC attempts to mitigate this conflict by disclosing it to you, by ensuring that your financial professional doesn't benefit himself or herself from this arrangement and by ensuring that the PSEC institutional money managers are not aware of which mutual funds pay such shareholder servicing fees.

## Important Considerations Regarding Rollovers

If you are a participant in an employer-sponsored retirement plan such as a 401(k) plan, and decide to roll assets out of the plan into a PSEC account, PSEC and your financial professional have a financial incentive to recommend that you invest those assets in a PSEC Account, because PSEC and the financial professional will be paid on those assets, for example, through commissions, fees and third party payments. You should be aware that such fees likely will be higher than those a participant pays through a plan, and there can be maintenance and other miscellaneous fees. As securities held in a retirement plan are generally not transferred directly to a PSEC Account, commissions and sales charges may be charged when liquidating such securities prior to the transfer, in addition to the commissions and sales charges previously paid on transactions in the plan. Deciding what to do with assets saved in an employer-sponsored retirement plan is one of the most important financial decisions a worker will make. For more information about distribution options, including IRA rollovers, check out the resources available to you on [sec.gov](https://www.sec.gov), [irs.gov](https://www.irs.gov), and [dol.gov](https://www.dol.gov). As with any important financial decision, an individual should consider seeking professional assistance. Financial Advisors with investment expertise, as well as tax and legal advisers, can provide valuable support to individuals who want to learn more about IRA rollovers.

## **Performance-Based Fees and Side-By-Side Management**

This item is not applicable because PSEC does not charge performance-based fees.

## **Types of Clients**

PSEC provides advisory services to individuals, pension and profit sharing plans and other ERISA accounts, trusts, estates, and business entities. The OPTIFUND Investment Program is available only to employees of sponsors of participating 403(b) or 457(b) plans (or other similar retirement savings plans).

## **Account Requirements**

There is no minimum investment required to establish an OPTIFUND Investment Program 403(b) or 457(b) account.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

For the PlanMember Elite Program, PSEC utilizes strategic asset allocation, i.e. a top-down approach, in the management of client portfolios. Portfolios are primarily constructed using mutual funds, which are an investment vehicle that provides diversification in a cost-effective manner. Within each investment program, clients can generally pick from a series of five portfolios (labeled I through V) that graduate risk from conservative to aggressive. One typically finds higher equity allocations in the more aggressive portfolios, and higher fixed-income allocations in the more conservative portfolios.

PSEC's investment process can be divided into 3 main parts:

1. **Economic Framework:** PSEC develops a broad, intermediate to long-term view of the global economy and financial markets.
2. **Portfolio Strategy:** PSEC develops its strategy for each managed portfolio. Such strategy may increase or decrease expected portfolio risk or shift into or out of investments based on their perceived attractiveness.
3. **Mutual Fund Selection and Weighting:** PSEC's investment strategy is then translated into specific mutual fund weightings. Adjustments to the strategy can be made depending on strengths and weaknesses of the individual mutual funds being used. PSEC also implements a monitoring process to identify if and when another portfolio reallocation or rebalancing should occur.

Decisions to change portfolio weightings rely on Strategic Rebalancing Events (SREs). These events can be classified into the following categories (but are not exclusive).

- Changes in economic circumstances
- Financial market disparities
- Drift-based repositioning
- Repositioning based on the characteristics of individual mutual funds

## Risk of Loss

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.

By its nature, asset allocation looks to the long-term. After the client's short-term cash needs and emergency fund is evaluated, investment strategies are designed to help the client achieve his or her financial goals.

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 the client will result in the client's goals being met, nor is there any guarantee of profit or protection from loss. For those investments sold by prospectus, clients 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.
- 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.
- Investing outside the United States entails additional risks, such as currency fluctuations, as more fully described in the prospectus.
- Small cap and Mid-cap investments may have additional risk, including greater price volatility.
- 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.
- There may be 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.
- 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.
- 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.

## **Disciplinary Information**

An investment advisor must disclose material facts about any legal or disciplinary event that is material to a Client's evaluation of the advisory business or of the integrity of its management personnel.

2010. NASD Rules 2110, 3010-PSEC outsourced its mutual fund breakpoint determinations to a third party vendor. Due to software programming error PSEC's vendor failed to take certain B shares into consideration when determining PSEC's customers' breakpoints. As a result, 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, PSEC consented to the described sanctions and to the entry of finding, therefore it was censured and fined \$20,000.



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 or e-mail and customer correspondence; and the review or 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 Investment Advisor Representatives and Registered Representatives of the firm are licensed as securities salespersons ("Registered Representatives") and insurance agents, and are in the business of selling securities and insurance products. The sale of these products accounts for approximately 50% of the Registered Representatives' working time.

Investment Advisor Representatives are associated with PSEC, a dual registrant, as Registered Representatives. PSEC is a general securities broker/dealer having membership in the Financial Industry Regulatory Authority. PSEC is a wholly owned subsidiary of PlanMember Financial Corporation, a diversified financial services company engaged in the design and sale of investment products. Registered Representatives of PSEC may recommend securities, asset management, or insurance products. If Clients purchase these products through us, we will receive the normal commissions or fees. Thus, a conflict may exist between our interests and those of advisory Clients. The Client is under no obligation to purchase products recommended, or to purchase products through PSEC.

Investment Advisor Representatives and Registered Representatives of the firm are licensed with several life, disability, and other insurance companies. Insurance products offered by these companies may be recommended by Registered Representatives in their capacity as insurance agents. If Clients purchase these products through PSEC, we receive the normal commissions. Thus, a conflict of interest may exist between our interests and those of advisory Clients. The Client is under no obligation to purchase products recommended, or to purchase products either through us or through these insurance companies.

Some Registered Representatives of Introducing Brokers (not PSEC) may act as promoters of the OPTIFUND Investment Program. Clients of these Registered Representatives and of the Introducing Brokers should review the features of their relationships, and the attendant risks, with their Introducing Brokers.

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 received by those other. In these instances, we will make available to the Client a "Compensation Disclosure Statement" and the Investment Advisor Brochure for the other Advisor. The Client is 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, registered with the SEC as a transfer agent. PSC will perform Client level recordkeeping and plan administration for PSEC Clients enrolled in the OPTIFUND Investment Program and may receive fees for such services from the Fund Companies.

## **Fiduciary Duty with Respect to Retirement Plan Accounts and IRAs**

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

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

### Code of Ethics

PSEC maintains a Code of Ethics. The Code of Ethics sets forth standards of conduct expected of advisory personnel; requires compliance with federal securities laws; and, addresses conflicts that arise from personal trading by advisory personnel.

### Personal Trading

At times PSEC and/or its Investment Advisor Representatives may take positions in the same securities as Clients, and we will try to avoid conflicts with Clients. The firm and its Investment Advisor Representatives will generally be "last in" and "last out" for the trading day when trading occurs in close proximity to Client trades. We will not violate our fiduciary responsibilities to our Clients. Scalping (trading shortly ahead of Clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the Client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading. Given that the OPTIFUND Investment Program strategy calls for investment exclusively in open-end mutual funds, which generally are traded on the open market, it is unlikely that trades by PSEC or its Investment Advisor Representatives will conflict with the interest of OPTIFUND participants.

## **Brokerage Practices**

### *Selection or Recommendation of Broker/Dealers*

Because the Investment Advisor Representatives of PSEC are also Registered Representatives, if Clients freely choose to implement advice through PSEC, the broker/dealer and the investment adviser are one and the same. PSEC performs "due diligence" on mutual funds, limited partnerships, and insurance products. Only those investments that meet firm requirements will be on the PSEC "approved product list" and be offered for sale to Clients.

## **Soft Dollar Practices**

PSEC does not engage in soft dollar practices.

## **Review of Accounts**

Quarterly, PSEC will notify the Client in writing to contact PSEC or their Financial Professional if there have been any changes in the Client's financial situation or investment objectives, or to impose or modify account restrictions. Clients may call in at any time during normal business hours to discuss directly with PSEC or their Financial Professional about the Client's account, financial situation, or investment needs.

Clients will be contacted in writing and/or via telephone on an annual basis to determine whether there have been any material changes to their financial situation or investment objectives that may affect their asset allocation recommendation. Any Clients who feel they may have such a change will be directed to consult with PSEC or their Financial Professional. It is the Client's responsibility to notify PSEC or their Financial Professional at any time there are changes.

## **Client Referrals and Other Compensation**

### **Referral Fees Paid**

We directly compensate non-employee (outside) consultants, individuals, and/or entities (Promoters formerly known as Solicitors) for client referrals. In order to receive a cash referral fee from our Firm, Promoters must comply with the requirements of the jurisdictions in which they operate. If you were referred to our Firm by a Promotor, you should have received a copy of this Disclosure Brochure along with the Promotor's Disclosure Statement (formerly known as a Solicitors Disclosure Statement) at the time of the referral. If you become a client, the Promotor 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 Promotor 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 Promotor are contingent upon your entering into an advisory agreement with our Firm. Therefore, a Promotor 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.

Promoters 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 Promoters 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 Promoters' compensation is less favorable.

PSEC distributes investment products through independent financial professionals who are Registered Representatives of our broker-dealer, Investment Adviser Representatives affiliated with our Registered Investment Adviser, or both. Many of these financial professionals are affiliated with a PlanMember Financial Center—a group of financial professionals who work together under the guidance of a Financial Center principal. Financial Centers and financial professionals associated with Financial Centers receive sales and marketing support from us in the form of access to our business development and marketing staffs.

Our financial professionals offer investments that are part of the PlanMember Services Program, as well as a broad range of other investments that are not part of the Program. The PlanMember Services Program includes PSEC-managed investment advisory programs, mutual funds and annuities that have been selected based on our assessment of our clients' general investment needs and the ability to consolidate these investments into our service model. For investments that are part of the Program, we provide clients with consolidated account statements, access to the PlanMember Center, web and mobile app account access and ongoing financial education and communications. The intent of the PlanMember Services Program is to provide our clients a "one-stop shop" for their investment needs.

As described in the Fees and Costs section, we charge additional fees for certain investments included in the PlanMember Services Program. As described below, we also receive additional revenue from some of the mutual fund and insurance companies included in the program. Additionally, some of the incentives that we provide to our investment professionals or Financial Center principals are based on PlanMember Program asset levels.

While the PlanMember Services Program includes a broad array of investments, our financial professionals are not limited to selling investments that are part of the Program.

We have identified certain conflicts of interest ("conflicts" or "COIs") that relate to the recommendations we and our financial professionals make. A conflict arises when an interest (such as an economic benefit) might incline us or a financial professional, consciously or unconsciously, to make a recommendation that is not disinterested. Some of these conflicts exist between retail customers and both our firm and our financial professionals, while others exist primarily between retail customers and our firm or between retail customers and our financial professionals. The section below discloses material facts relating to these conflicts so that you are able to make an informed decision regarding any recommendation a financial professional provides you.

The manner in which we are paid varies based on the types of services we provide.

For our broker-dealer services, we are paid each time you make a new investment or trade in your self-clearing account, brokerage account or directly-held account. For our investment advisory services, we are paid based on a percentage of

the assets in your advisory account (an “advisory fee”). The different methods of payment create an incentive for us or our financial professionals to recommend one type of product or service over another depending on how we prefer to be paid.

The amount of commissions, fees, transaction-based payments, ongoing payments, and other forms of compensation we share with financial professionals is dictated by a compensation grid. Additionally, your financial professional’s payout percentage can be adjusted periodically depending on your financial professional’s total sales and overall performance.

Our financial professionals are also eligible to receive cash compensation and/or non-cash compensation based on the revenue he/she generates from sales of PlanMember Services Program accounts. Cash compensation is conveyed through back-end bonuses, higher contractual payout percentages, and payment in the form of forgivable loans. Non-cash compensation includes, but is not limited to, eligibility for practice management/service support, free or reduced-cost marketing materials, and reimbursement or credits of fees that financial professionals pay to PSEC for items such as administrative services or technology. This provides an incentive for your financial professional to recommend PlanMember Services Program products over other products for which we do not provide such additional compensation.

Financial Center principals are eligible to receive Growth Participation Payments. Growth Participation Payments are tiered payments based on incremental growth in PlanMember Program AUM and result in increased compensation of 1 to 5 basis points paid on incremental Financial Center PlanMember Program AUM. This payment structure incentivizes financial professionals to promote PlanMember Programs over other programs or investment products.

Certain product sponsors or their affiliates also make payments to us to cover the costs associated with certain educational conferences or training seminars we host for our financial professionals. These payments are typically for fixed amounts and are not tied to total sales or customer assets. Even so, these payments incentivize us to sell you or recommend you hold investments issued by issuers that make these payments rather than investments of issuers that do not make these payments or make comparatively lower payments. A list of mutual fund product sponsors from whom we receive such compensation is available at [planmember.com/disclosures](http://planmember.com/disclosures).

In all cases, such marketing allowances or other compensation will be paid to PSEC from the Program Sponsor’s own resources and not from client funds or assets.

## **Custody**

Clients will receive from the custodian/brokerage firm or its agent timely confirmations and at least quarterly statements containing a description of all transactions and all account activity. 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. PSEC may send quarterly reports to the Client in addition to the custodial statements. All statements should be carefully reviewed by the Client to ensure accuracy.

## **Investment Discretion**

As part of the advisory contract, each Client gives PSEC a limited power of attorney to (i) allocate the assets in the accounts as indicated on the initial account application; (ii) periodically rebalance the account to adjust for changes resulting from fluctuations in the market price of the assets, by returning the account to the new strategic asset allocation selections; (iii) reallocate the assets in the account within the portfolio(s) selected; (iv) increase, decrease or change the number of funds utilized in each allocation; and (v) add or delete new funds/fund families or other investment options within the mutual funds.

## **Voting of Client Securities**

PSEC has adopted proxy voting policies and procedures. Under these policies, PSEC’s general policy is to promote the alignment of the interests of corporate management with the interests of its shareholders, to improve the accountability of corporate management to its shareholders, to reward good performance by management, and to approve proposals that Adviser believes will result in financial rewards for its clients. Clients may obtain a copy of the voting policies upon request.

The proxy voting policies and procedures have been designed so that proxies are voted in the best interests of PSEC's clients and to resolve potential conflicts of interest. PSEC votes shares in a manner consistent with the voting policies and without regard to any other relationship, business or otherwise, that PSEC may have with companies in which PSEC invests client assets.

If clients would like to obtain information about how their securities have been voted or about how they can direct their votes in a particular matter, they should contact PlanMember Securities at the address on the cover of this brochure.

## **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.

## **Financial Information**

Investment advisors who have discretionary authority or custody of Client funds or securities are required to disclose any financial condition that is reasonably likely to impair its ability to meet its contractual obligations to Clients. PSEC has no such conditions to disclose.

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.