HORNOR, TOWNSEND & KENT, LLC
BEST INTEREST DISCLOSURE

Effective June 30, 2020

Overview

Hornor, Townsend & Kent, LLC ("HTK"), a wholly owned subsidiary of The Penn Mutual Life Insurance Company ("Penn Mutual"), is an independent broker-dealer and an investment adviser, registered with the U.S. Securities and Exchange Commission. HTK offers a broad array of investment products to its clients, including mutual funds, stocks, bonds, variable annuities, fixed annuities, and variable life insurance products.

HTK has a duty to make full and fair disclosure to clients, particularly where HTK may have a conflict of interest. For example, HTK provides both investment advisory and brokerage services. HTK discloses conflicts of interest related to its investment advisory programs and services in Form ADV disclosure brochures, which are available on the HTK website (www.htk.com). The information in this Best Interest Disclosure ("Disclosure") informs clients of conflicts of interest that relate to HTK's brokerage and brokerage-referral services only. In particular, this Disclosure describes conflicts related to the compensation received by HTK and HTK Financial Professionals ("HTK FPs").

A HTK FP makes investment recommendations that are in the best interest of the client based on, generally, the client's stated investment objectives and financial needs. When a client makes an investment decision, based on the HTK FP recommendation, the client pays HTK and/or product sponsor (aka the issuer of the security) for execution of the investment decision. For these services, HTK and/or its HTK FP receive compensation.

Compensation to the HTK FP can be paid at the time of the transaction ("upfront commission") and/or as ongoing compensation ("trailing commission"). With upfront commissions, the greater the number of transactions executed, the more HTK and the HTK FP will earn in compensation. The amount of compensation is based on the type of investment, the investment amount, and/or the total invested assets with the product sponsor.

In addition to upfront commissions and trailing commissions, HTK and HTK FPs may receive compensation directly from product sponsors from whom, through HTK, clients purchase securities. Some of these compensation arrangements are described below.

The compensation described in this Disclosure represents the maximum profit HTK and the HTK FP will receive on an investment, before subtraction of expenses. On average, HTK retains 23% of such compensation, and the remainder is paid to the HTK FP. The types of investment products and the related compensation may change over time.

Additional compensation information and conflicts of interest are described below. Not all conflicts will apply to a certain HTK FP or their services. HTK encourages each client to ask their HTK FP any questions about compensation or conflicts of interest.

Limitations on Our Investment Recommendations

Except for exchange-traded stocks and bonds, HTK and HTK FPs offer and recommend investment products only from product sponsors with which HTK has entered into selling and distribution agreements. Other firms may offer products and services not available through HTK, or other firms may offer the same or similar investment products and services at lower cost. The scope of products and services offered by a HTK FP may also be more limited than those generally available through HTK. Such limitations could be based on the HTK FP's licensing, training, or the policies and restrictions of each HTK branch office. Your HTK FP must disclose those securities and services that they are not licensed or qualified to sell. They must also disclose to you whether they are able to service investments that are transferred to HTK from another firm.

Proprietary Products

HTK serves as a distributor for variable insurance products issued by Penn Mutual and its wholly owned subsidiary, The Penn Insurance and Annuity Company. A HTK FP receives commissions for the sale of these insurance and annuity products and a HTK FP can also receive benefits contingent on this sale. Benefits may include, but are not limited to, retirement and healthcare benefits, awards and recognition, educational conferences attendance, registration maintenance, expense support, and sales support. This arrangement can present an incentive for the HTK FP to recommend Penn Mutual products.

Commissions and Sales Charges

When securities are purchased or sold in a brokerage account, HTK receives commissions. HTK will share a portion of this commission with the HTK FP. A commission, depending on the product type, may also be called a sales load, sales charge, or placement fee. Note that a commission paid up front, often a percentage of the amount of assets invested, can be charged directly against an investment and will reduce the amount available to invest, or the investable amount. In many cases, a portion of the sales charge or commission is retained by the product sponsor. Commissions vary from product to product and can influence the HTK FP's recommendation. If fees are charged on a per transaction basis, more numerous transactions will generate more fees. Therefore, HTK FPs have an incentive to encourage frequent trading. For more information about the commissions that apply to a particular transaction, please refer to the applicable prospectus or other offering document and/or a transaction statement.

Compensation Arrangements of Specific Products

Stocks and Exchange-Traded Products. Commissions for exchange-traded securities, for example, products traded in centralized exchanges, such as the New York Stock Exchange, are based on the principal value, or original amount, of the trade. The maximum commission charged by HTK for an exchange-traded security transaction, such as one involving a stock, an option, an exchange traded fund (ETF), an exchange traded note (ETN,) or a closed-end fund (CEF), is 3.20% of the transaction amount.

The table below, effective as of July 15, 2020, reports allowable commissions based on the principal value. A HTK FP can decide to discount the commission amount.

Principal Value	% of Principal Value	Plus Dollar Amount
$0.01- $1000	3.20%	N/A
$1000.01-$2000	2.20%	$10
$2,000.01-$5,000	1.40%	$26
$5,000.01-$10,000.00	1.35%	$29
$10,000.01-$30,000	1.04%	$60
$30,000.01 +	0.55%	$207

Options. Effective July 15, 2020, commissions are $25 plus $1.50 per contract. The HTK FP can choose to discount his/her share of the commission.

Fixed Income Products. Commissions for fixed income products, such as corporate bonds or municipal bonds, range from a minimum of 0.25% to a maximum of 2.5% of the principal (face amount or par value of the bond). A HTK FP can discount his/her share of the commission. For new issue securities or certificates of deposit, the sales charge is determined by the issuer. Refer to the product prospectus, if available, for more information.

Mutual Funds and 529s. A mutual fund load or fee is a charge for the purchase or sale of mutual shares. This charge reduces the value of the investment. The maximum potential commission or sales charge permitted is 5.75%. This charge is non-negotiable and set by the product sponsor. Refer to the product prospectus for more information.

Annuities. While the maximum upfront commission for new sales of annuities is 7.25%, this amount may vary depending on the annuity type and time of purchase. Annuity types include variable annuities and fixed index annuities, and the charge is set by the product sponsor. Refer to the product prospectus for more information.

Unit Investment Trusts (UITs). The maximum upfront sales charge, typically ranges from 1.85% to 3.95% and may also depend on the length of the term of the UIT. This charge is non-negotiable and set by the product sponsor. Refer to the product prospectus for more information.

Trail Compensation

HTK and the HTK FP receive ongoing compensation from investment products, such as mutual funds, variable annuities, variable life insurance, and alternative investments. Depending on the type of investment product, this ongoing compensation is known as a “trail commission” or a “SEC Rule 12b-1 fee”. This compensation is typically paid from the assets of the investment under a distribution or servicing arrangement with the product sponsor.

Compensation is calculated as an annual percentage of invested assets and is shared between HTK and the HTK FP. The amount of trail commission received by the HTK FP depends on the product and may vary, from 0.10% to 1.0%, of the investment principle amount. The ability to receive and the amount received of trail commissions can influence the HTK FP’s recommendation. For more information about trailing compensation received for a particular investment, please refer to the product prospectus.

Some mutual funds offer investors different types of shares, known as "classes." Each class invests in the same portfolio of securities and has the same investment objectives and policies, yet each class has different shareholder services and/or distribution arrangements with different fees and expenses. HTK offers various share classes of mutual funds. As an example, certain share classes, often referred to as Class A shares, pay an upfront sales charge and ongoing trail commission. For other share classes, often titled Class C shares, there is no upfront sales charge paid; however, there is an ongoing trail commission and a contingent deferred sales charge to the client if there is a redemption within a certain period of time after purchase. Depending on the length of the holding period for the mutual fund and other factors such as breakpoints, one share class may be less expensive than others. HTK and HTK FPs may earn more or less in compensation for one share class than another, which can influence their recommendation.

Ongoing Compensation of Specific Products

Mutual Funds and 529s. The ongoing commission for mutual funds depends on the class of shares. While some funds charge 0.10%, the typical range is between 0.25% and 1.0% of assets, annually.

Annuities. A trail commission is received from the annuity product sponsor for the promotion, sale, and servicing of a contract. The amount and timing of trailing commissions vary depending on the agreement between HTK and the product sponsor as well as the type of annuity contract purchased. The maximum trailing commission for annuities is 1.0%, annually, and may vary depending on the type of annuity.

Alternative Investments. An alternative investment is an investment in an asset class excluding stocks, bonds, and cash. For alternative investment products, such as non-traded real estate investment trusts (“REITs”) or non-traded business development companies (“BDCs”), trail commissions can range from zero percent to 1.25%, annually.

Concessions and Mutual Fund Finder’s Fees. HTK and HTK FPs receive compensation from a mutual fund product sponsor in connection with transactions for which sales charges are waived or under other circumstances as described in a mutual fund prospectus. This compensation is generally referred to as a “finder’s fee” or “concession” and ranges between 0.25% and 1.0% of the transaction amount. Refer to the product prospectus for more information.

Account Fees and Charges. For accounts held by HTK’s clearing firm and custodian, Pershing LLC (“Pershing”),HTK charges fees for the following:

- Paper statement and/or confirmation generation;
- Retirement account maintenance;
- Retirement account termination;
- Individual Retirement Account (IRA) conversions;
- Checking accounts/checks;
- Purchasing foreign securities or alternative investments;
- Inactive accounts;
- Wire transactions;
- Stop payment/returned checks; and,
- Account transfers

These fees are not shared with HTK FPs. Details of account fees may be found at www.htk.com/for-clients.
Direct Account Fees. For mutual funds, annuities, and other investments held directly with the product sponsor and not Pershing, please refer to the additional disclosures contained in your account opening forms. These disclosures address applicable account fees that can be charged by the product sponsor.

Cash Sweep Program. Un-invested cash, or cash awaiting investment or reinvestment, held in certain accounts at Pershing, may be invested in a money market fund, with an automatic cash sweep program ("Program"). This Program permits un-invested cash balances in eligible accounts to be automatically deposited or "swept" into an overnight money market fund. This includes cash balances derived from the sale of securities, dividend payments, interest credited from bonds, and cash deposits. Pershing receives revenue from this Program and shares this revenue with HTK. This shared revenue includes, but is not limited to, SEC Rule 12b-1 fees that are paid to Pershing by money market fund product sponsors. This shared revenue from Pershing presents a conflict of interest for HTK when HTK recommends that clients utilize Pershing as their clearing firm and custodian and that they enter into the Program. The revenue received by HTK from Pershing from the Program ranges from zero percent to 0.60%. HTK does not share this revenue with HTK FPs.

Non-Sweep Money Market Mutual Funds. Clients are able to invest in money market mutual funds other than those that are part of the sweep arrangement described above ("non-sweep money market funds"). Depending on interest rates and other market factors, investment returns on money market mutual funds have been, and may continue to be, lower than the aggregate fees and expenses charged by HTK in connection with the transaction. This may result in a client experiencing a negative overall investment return on cash reserves invested in the non-sweep money market funds. Non-sweep money market funds also have various share classes. Some share classes have lower fees and expenses than others. HTK does not offer all share classes and other firms may offer options with lower costs.

Third-Party Revenue Sharing Payments. HTK receives revenue sharing payments from certain product sponsors. These arrangements support HTK product marketing and training efforts. They also allow product sponsors to communicate with HTK and HTK FPs so that the product sponsor can promote their products. The arrangements offset some expenses that would be incurred by the FP and/or the client. As such, this arrangement can be an incentive for HTK and HTK FPs to work with certain product sponsors. Revenue sharing payments are calculated as a fixed fee, as an annual percentage of the amount of assets invested, as a percentage of annual new sales, or as a combination of the aforementioned.

Penn Mutual. HTK has a revenue sharing agreement with Penn Mutual for variable annuity, fixed indexed annuity, and variable life sales. Penn Mutual pays HTK between 0.20% and 0.39% of deposits to reimburse HTK for costs incurred for the required regulatory review. These payments are not shared with HTK FPs.

HTK Educational Partners Program. The HTK Educational Partners Program provides approved product sponsors increased access to HTK FPs in exchange for a fee. HTK may receive compensation of no more than$200,000 annually from a partner. These payments are not shared with HTK FPs.

Pershing. HTK receives a performance fee, annually, for new net deposits from Pershing. Pershing pays HTK 0.025% for the net growth of HTK client assets held in safekeeping with Pershing. These payments are not shared with HTK FPs.

Miscellaneous and Non-Cash Compensation. HTK employees and HTK FPs can receive compensation from product sponsors that is not connected to a particular client or a particular client's assets. Compensation includes gifts valued at less than $100 annually or an occasional dinner or ticket to a sporting event. It also includes reimbursement for client events, such as identifying prospective clients, or marketing or advertising initiatives. Product sponsors may pay and/or reimburse HTK for HTK-sponsored conferences and events and for the costs associated with education events that may be attended by HTK employees and HTK FPs. The criteria for inclusion in the compensation is decided by the product sponsor and participation is approved by HTK. This compensation incentivizes HTK FPs to sell the products of the product sponsor providing the compensation.

HTK Affiliation. HTK and HTK FPs can offer various types of brokerage programs, products, and services. HTK and HTK FPs can earn more for certain programs, products, or services, which can influence the recommendation. HTK FPs are independent contractors and not HTK employees, and are compensated pursuant to an independent contractor agreement. HTK FPs are entitled to receive compensation and other benefits from HTK.

Cash Compensation. HTK typically pays a HTK FP a percentage of the revenue the HTK FP generates from sales of products and services. The percentage received by the HTK FP can vary, but is typically between 40% and 85% of the revenue they generate. The actual amount of cash compensation received depends on the HTK FP's agreement with HTK and the investment product or service recommended. This compensation can be more or less than what the HTK FP would receive at another brokerage firm. In addition, HTK compensates sales managers based on sales of products and services in their branch. In some cases, a HTK FP may pay a portion of his/her compensation to the sales manager or to another HTK FP who may have provided administrative or sales support.

Other Benefits. HTK FPs are eligible to receive other benefits based on the revenue generated from sales of products and services. These benefits, which are provided by Penn Mutual, can include one or more of the following: assistance with the cost of transition to HTK, commission advances, expense reimbursement, inclusion in a 401(k) retirement plan, payroll taxes, charitable contribution matching, discounted technology upgrades, recognition programs, study group participation, practice management support, enhanced service support levels, educational events, and other non-cash compensation.

Affiliation Fee. HTK FPs that are part of the HTK Affiliation Program pay a fee to HTK for certain services, such as access to technology and software tools that assist them with their business. The fee paid by the HTK FP is dependent upon the terms of the HTK contract and other factors, including meeting certain production or sales goals. This can create an incentive to increase sales.

Fees Charged to HTK FPs. HTK charges HTK FPs fees associated with the independent contractor agreement. Such fees include costs associated with trade execution, which may vary based on the type of product, administrative services, technology, and licensing assistance. Since these fees vary based on the product sold, they can influence the HTK FP's recommendation.

FP's Outside Business Activities. HTK FPs are permitted to engage in certain outside business activities other than the provision of brokerage and advisory services through HTK. In certain cases, HTK FPs could receive greater compensation through their outside business activities than the compensation they receive through HTK. This can influence the service HTK FPs provide. HTK FPs could provide services through an independent unaffiliated investment advisory firm, sell insurance through an unaffiliated business, and/or provide third-party administration to retirement plans through an unaffiliated firm. If you engage with a HTK FP for services separate from HTK, you may wish to discuss any questions you have about the compensation received from the engagement, including any compensation from third parties.

Rollovers. If a client decides to transfer or roll assets out of a retirement plan, such as a 401(k) plan, into an individual retirement account (IRA) brokered by HTK, there is a financial incentive to recommend that a client invest those assets with HTK, because HTK will be paid for its execution of that transaction. For example, HTK will be paid through commissions, fees and/or third-party payments on the assets in the IRA registered with HTK. Clients should be aware that such fees and commissions likely will be higher than those they pay through their retirement plan. In addition, there can be custodial and other maintenance fees associated with an IRA brokered by HTK. Securities held in a retirement plan are generally not transferred to an IRA; therefore, commissions and sales charges may be charged when liquidating such securities, prior to the transfer. These commissions and charges are in addition to commissions and sales charges paid on transactions in the plan.

Margin. HTK offers clients the ability to purchase securities using leverage and borrowing the balance of the funds needed to complete a transaction from a bank or broker, also known as buying on margin. When a client buys on margin, Pershing extends a line of credit to the client and charges interest on the amount borrowed. The interest charged varies and is dependent on the debit balance (details of charges can be found at www.htk.com/for-clients). HTK has a financial incentive to encourage margin borrowing because HTK and HTK FPs earn compensation from transaction charges and other fees made from buying on margin. This financial incentive creates a conflict of interest insofar as HTK and HTK FPs benefit from the decision to borrow and incur the various fees and interest described above. If contemplating the use of margin, please consult the Pershing Margin Agreement and related disclosures for additional details.

Non-Purpose Lending. In certain situations, HTK FP's can be incented to encourage clients to assume a non-purpose loan, which could be avoided by liquidation of their account.

Error Correction.If a client holds an account at HTK, in the event a trade error occurs in the account and such error is determined to be caused by HTK, HTK will cancel the trade and remove the resulting monetary loss to a client from the account. If a trade correction is required as a result of a client's action, for example, a client does not make full payment for a purchase or fails to deliver negotiable securities for liquidations before trade settlement, HTK will cancel the trade and any resulting monetary loss will be borne by the client. In the case of a trade requiring a correction that results in a monetary gain to the client, such gain may be removed from the account and may result in a financial benefit to HTK.

Arrangements with Banks and Credit Unions. HTK FPs may offer brokerage on the premises of unaffiliated financial institutions like banks and credit unions. In such cases, the HTK FP is an employee of the financial institution and may be compensated in the form of salary, bonus or commissions by the financial institution in accordance with the terms agreed upon between the financial institution and the HTK FP. These terms may vary depending on each financial institution's contract with its employees and can act as incentive to sell certain products.

Payment for Order Flow. Order flow involves the directing of trades to different firms for execution. HTK does not receive payment for order flow.

This Disclosure is posted on the HTK website, and HTK will update this Disclosure from time to time. You may not be notified when changes are made, so please consult the website for current information. If you are unable to access the website or require paper copies of any documents referenced above, please contact your HTK FP or HTK Client Services at 800-873-7637.