

Item 1 – Cover Page

**Pendragon Capital Management, Inc.**  
**23 Heath Road**  
**Fishkill, NY 12524**  
**917-837-2287**

[www.pendragon-capital.com](http://www.pendragon-capital.com)

March 27, 2020

**FORM ADV PART 2A**  
**BROCHURE**

**This brochure provides information about the qualifications and business practices of Pendragon Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 917-837-2287 or [ian@pendragon-capital.com](mailto:ian@pendragon-capital.com). 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 Pendragon Capital Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Our firm IARD/CRD number is 128659.**

**Any references to Pendragon Capital Management, Inc. as a registered investment adviser or its related persons as registered Advisory Representatives does not imply a certain level of skill or training.**

**Item 2 – Material Changes**

When we amend the Pendragon Capital Management, Inc. (“Pendragon”) brochure for the annual update and it contains material changes from our last annual update, we will provide you with a summary of such changes. We will discuss only specific material changes that are made to the brochure since the last annual update of the brochure and we will reference the date of the last annual update to this brochure.

Our last annual update occurred on March 29, 2019. Since that date, we made the following changes:

- Item 4 was updated to report client assets under management as of December 31, 2019. Additionally, we added the Pendragon Climate Impact Portfolio to our list of specialty strategies.
- In Item 5 and Item 19, we state that our fees are negotiable
- Item 8 was revised to add a description of our Climate Impact Portfolio, which is designed to generate returns from investing in companies that are working to solve the planet’s climate and environment challenges.

A copy of our updated brochure is available to you free of charge and may be requested by contacting us at 917-837-2287 or [ian@pendragon-capital.com](mailto:ian@pendragon-capital.com).

Additional information about Pendragon is also available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The IARD number for Pendragon is 128659. The SEC’s website also provides information about any persons affiliated with Pendragon who are registered, or are required to be registered, as Advisory Representatives of Pendragon.

**Item 3 – Table of Contents**

Item 1 – Cover Page .....	1
Item 2 – Material Changes.....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	10
Item 6 – Performance-Based Fees and Side-By-Side Management .....	14
Item 7 – Types of Clients.....	15
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	15
Item 9 – Disciplinary Information .....	19
Item 10 – Other Financial Industry Activities and Affiliations .....	19
Item 11 – Code of Ethics, Participation or Interest in Client Transactions & Personal Trading .....	21
Item 12 – Brokerage Practices .....	22
Item 13 – Review of Accounts .....	24
Item 14 – Client Referrals and Other Compensation .....	25
Item 15 – Custody .....	26
Item 16 – Investment Discretion .....	27
Item 17 – Voting Client Securities.....	27
Item 18 – Financial Information.....	27
Item 19 – Requirements for State Registered Advisers.....	27
Brochure Supplements	

**Item 4 – Advisory Business**

Pendragon Capital Management, Inc. (hereinafter referred to as “Pendragon”) is an investment advisory firm offering asset management services through in-house, separately managed accounts and relationships with third-party managers.

Pendragon is a company formed under the laws of the State of New York and filed for investment adviser registration with the State of New York in 2004. Ian J. Green, CRD number 3097802, is the President and Portfolio Manager. Ian has been in the financial services industry since 1993. Additional business information about Ian is disclosed on the supplemental brochure attached to this brochure.

Pendragon offers the following advisory services, with each service more fully described below:

- Asset Management Services
- Third-Party Management Services.

We tailor our advisory services to your individual needs. You may ask us to restrict and/or limit certain securities or types of securities when we invest for you. To begin the process, we will ask you to complete our data-gathering form to assist us with obtaining information about your financial situation and history. Additionally, we will meet with you and conduct an interview and data-gathering session to continue the due-diligence process. We will discuss your desired level of risk, your knowledge of investing, and how we can best meet your needs. The information we collect will help us to provide a program customized to your financial situation.

Depending on the services you have requested, we will gather various financial information and history from you such as:

- Retirement goals
- Financial goals
- Investment objectives
- Investment horizon
- Risk tolerance
- Financial needs
- Biographical information
- Employment information
- Other applicable financial information to provide the investment advisory services requested.

## Pendragon Capital Management, Inc.

Once we complete our analysis of your situation, Pendragon will construct a customized portfolio for you. In building the portfolio, Pendragon employs a combination of strategies and tactics.

### EQUITY STRATEGIES

- ❖ Core Value Equity Selection
- ❖ Dividend-Paying Stock Selection

### BALANCED STRATEGY

- ❖ Index, Sector and International ETFs

### FIXED INCOME STRATEGIES

- ❖ Intermediate Taxable Bonds
- ❖ Intermediate Municipal Bonds

### SPECIALTY STRATEGIES

- ❖ Pendragon Special Value Fund LP
- ❖ Pendragon Trading Plus Portfolio
- ❖ Pendragon Climate Impact Portfolio

Clients may have different combinations of strategies and may have different individual investments within the various strategies depending on the clients' goals, needs and risk tolerance as well as available funds, tax situations and market conditions.

After we implement the initial portfolio allocation, Pendragon will provide continuous and ongoing management of your account on a discretionary basis. We will manage your account and make changes to the allocation as deemed appropriate by Pendragon. We will determine the securities to be purchased and sold in the account and will alter the securities holdings from time to time, without prior consultation with you. We may actively trade securities and hold such securities for periods of 30 days or fewer, or maintain positions for longer or shorter periods.

Our Advisory Representatives may use open-ended mutual funds including no-load and load-waived or mutual funds purchased at net asset value (NAV). In addition, managed accounts may include stocks (U.S. and foreign including emerging markets), preferred stocks, corporate bonds, municipal bonds, U.S. Government and Agency bonds, foreign sovereign bonds, options, and exchange traded funds (ETFs).

Registered investment company securities such as mutual funds are offered in various share classes. Share classes are priced differently and have varying levels of internal costs. Share classes, other than institutional share classes, involve higher internal costs that over time will cost you more. Institutional share classes, which tend to have low annual expenses, often have higher internal trading costs within the fund. A client needs to consider the amount being invested and the length of anticipated holding to make a decision as to the share class most suitable to the client. Please read the disclosures under Item 10 for important information about the advice and recommendations offered by our Advisory Representatives who are also Registered

Representatives. Our Advisory Representative will select the lowest cost share class funds available that are appropriate to the specific client situation. By selecting the lowest cost share class, internal fund trading costs are higher. Additionally, selecting the lowest cost share class appropriate to the situation does not mean the least expensive share class; however, it is what your Advisory Representative deems to be the lowest cost for your specific situation. Advisory Representatives consider the anticipated holding period, cost structure, and administrative and transaction costs associated with the product when selecting a share class. However, there is no way to predict the future and there are occasions where a holding is liquidated sooner or held longer than initially anticipated resulting in higher costs to the client. Additional information about share classes can be found in an Investor Alert issued by the Securities and Exchange Commission at <https://www.investor.gov/additional-resources/news-alerts/alerts-bulletins/investor-bulletin-mutual-fund-classes> and <https://www.investor.gov/additional-resources/news-alerts/alerts-bulletins/investor-bulletin-mutual-fund-classes>. Additionally, the SEC and FINRA provide investor information at [www.sec.gov](http://www.sec.gov) and [www.finra.org](http://www.finra.org).

In some situations, managed accounts will contain other securities such as limited partnerships, real estate investment trusts (REITs), and alternative investments. These other investments are also excluded from fee billing. However, our Advisory Representative, in the capacity as a Registered Representative, has or is receiving commissions and/or trail compensation. In some situations, this compensation is higher than the ongoing advisory fee that would be charged. Certain limited partnerships, real estate investment trusts, and alternative investments offer units in an advisory share class where no commissions or trail compensation is paid. In such cases, a value is obtained annually and an advisory fee, as disclosed under Item 5, is charged to the client. Please refer to Item 8 for information about alternative investments.

Your managed account may be similarly managed and contain similar holdings as compared to other clients' managed accounts.

Transactions in the account, account reallocations and rebalancing may trigger a taxable event, with the exception of IRA accounts, 403(b) accounts, and other qualified retirement accounts.

If you elect to have your accounts managed on a nondiscretionary basis, no changes will be made to the allocation of your account without prior consultation with you and your expressed agreement for each transaction.

As further described below, Pendragon has entered into a relationship to offer you brokerage and custodial services through BrokerageSelect and its clearing firm, Wedbush Securities, Inc. If you select another brokerage firm for custodial and/or brokerage services, you will not be able to receive asset management services from Pendragon. Our Advisory Representatives are dually registered with BrokerageSelect, which is a broker-dealer, member FINRA, MSRB, and SIPC. Advisory Representatives must adhere to FINRA rules and regulations and the policies and procedures of BrokerageSelect. BrokerageSelect's policies and procedures and FINRA rules prohibit our Advisory Representatives from conducting transactions at a broker-dealer for which approval has not been obtained from BrokerageSelect.

### **Assets Under Management**

The amount of discretionary assets under continuous and regular management by Pendragon totaled approximately \$15.5 million as of December 31, 2019. We do not have any non-discretionary regulatory assets under management. In addition, we have \$7 million in client assets under our Third-Party Management services.

### **Third-Party Management Services**

If appropriate, your Advisory Representative will qualify you for investment in certain Third-Party Management services. To assist you in the selection of a Third-Party Manager, your Advisory Representative will gather information from you about your financial situation, investment objectives, and any reasonable restrictions you want to impose on the management of your account. Upon review of that information, your Advisory Representative will recommend the services of a Third-Party Manager with which Pendragon has either a solicitation arrangement or a wrap-fee program sponsor agreement.

Your Advisory Representative will assist you with the completion of documents to use the services of the Manager. Pendragon and your Advisory Representative will not share in a portion of the Third-Party Manager's fee. Instead, Pendragon will charge a separate fee that is in addition to the fee charged by the Third-Party Manager. The compensation arrangement is fully disclosed in advance and will be outlined in the Third-Party Manager's Form ADV as well as your client agreement.

We will help you monitor your account and act as a communication conduit between you and the Third-Party Manager. Your Advisory Representative will periodically review any reports provided to you. Additionally, your Advisory Representative will contact you at least annually to review your financial situation and objectives and assess the ongoing suitability of the program, communicate information to the Third-Party Manager managing the account as necessary, and will assist you in understanding and evaluating the services provided by the Manager. You are expected to notify your Advisory Representative of any changes in your financial situation, investment objectives, or account restrictions you would like to place.

We will not directly conduct any securities transactions on your behalf or participate directly in the selection of securities to be purchased or sold. The Third-Party Manager makes investment decisions according to your agreement with the Manager. The Third-Party Manager's fees are disclosed in their disclosure brochure.

Prior to recommending a Third-Party Manager, we will conduct due diligence that will include ensuring the manager is appropriately registered or notice-filed in your state of residence.

Currently Pendragon refers qualified clients to Brinker Capital, Inc.

Pendragon will not take custody of your assets or funds. Clearing and custodial services will be provided by the custodian. A wrap-fee program may be more costly to you than if you obtained execution and investment advisory services separately. Also, a wrap-fee account as compared with

a traditional commission-based account may be more costly, particularly during periods when trading activity is lower. Therefore, you may find that a wrap account results in a higher annual cost for transactions. During periods when trading activity is heavier, such as when the account is first opened, wrap-fee accounts may result in lower costs.

### **General Information**

The investment recommendations and advice offered by Pendragon and your Advisory Representative are not legal advice or accounting advice. You should coordinate and discuss the impact of financial advice with your attorney and/or accountant. Our primary goal is to help our clients identify and pursue their financial goals, thereby enhancing the overall quality of their lives.

### **IRA Rollover Considerations**

As part of our consulting and advisory services, we provide you with recommendations and advice concerning your employer retirement plan or other qualified retirement account. When appropriate, we recommend that you withdraw the assets from your employer's retirement plan or other qualified retirement account and roll the assets over to an individual retirement account ("IRA") that we will manage or to be managed by a Third-Party Manager that we recommend. If you elect to roll the assets to an IRA under our management or to be managed by a Third-Party Manager that we recommend, we will charge you an asset-based fee as described in Item 5. This practice presents a conflict of interest because our investment advisory representative has an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Furthermore, if you do complete the rollover, you are under no obligation to have your IRA assets managed by us or by our Third-Party Managed Program. You have the right to decide whether or not to complete the rollover and the right to consult with other financial professionals.

Some employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of each.

An employee will typically have four options:

1. Leave the funds in your employer's (former employer's) plan.
2. Roll over the funds to a new employer's retirement plan.
3. Cash out and take a taxable distribution from the plan.
4. Roll the funds into an IRA rollover account.

Each of these options has advantages and disadvantages. Before making a change, we encourage you to speak with your financial advisor, CPA and/or tax attorney.

Before rolling over your retirement funds to an IRA for us to manage or under our Third-Party Managed Program, carefully consider the following. NOTE: This list is not exhaustive.

1. Determine whether the investment options in your employer's retirement plan address your needs or whether other types of investments are needed.

Pendragon Capital Management, Inc.

- a. Employer retirement plans generally have a more limited investment menu than IRAs.
- b. Employer retirement plans may have unique investment options not available to the public such as employer securities or previously closed funds.
2. Your current plan may have lower fees than our fees or our fee and the Third-Party Manager's fee combined.
  - a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. You should understand the various products and services available through an IRA provider and their costs.
  - c. It is likely you will not be charged a management fee and will not receive ongoing asset management services unless you elect to have such services. If your plan offers management services, the fee associated with the service may be more or less than our asset management fee or our fee and the Third-Party Manager's fee combined.
3. Our strategy or the Third-Party Manager's strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may offer financial advice, guidance, management, and/or portfolio options at no additional cost.
5. If you keep your assets titled in a 401k or retirement account, and you are still working, you could potentially delay your required minimum distribution beyond age 72.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies; however, there can be exceptions. Consult an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, prior to age 59 ½, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses, or a home purchase.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand your options, their features and differences and decide whether a rollover is best for you. If you have questions, contact us at our main number listed on the cover page of this brochure.

**Item 5 – Fees and Compensation**

**Asset Management Services**

Our fees are negotiable and are not based on a share of capital gains or capital appreciation of the funds or any portion of the funds in your account. Our fee schedule is as follows:

<b>Account Size</b>	<b>Annual Fee</b>
Up to \$100,000	2.00%
\$100,001–\$250,000	1.50%
\$250,001–\$500,000	1.25%
Over \$500,000	1.00%

Pendragon may change the above fee schedule upon a 30-day prior written notice to you.

If you have more than one portfolio under Pendragon’s professional services, we will aggregate the values of your portfolios for the purposes of computing our management fee. For example, if you have an individual account valued at \$100,000 and a joint account valued at \$500,000, our annual advisory fee is 1.00%.

Advisory fees will be charged in arrears of the billing period. The billing period will be on a calendar quarterly basis (i.e., March 31, June 30, September 30, and December 31). The quarterly advisory fee will be based on the value of your account on the last day of the just completed 3-month period (i.e., the value of your account on March 31<sup>st</sup> will be used to compute the advisory fee for the just completed January – March billing period).

The formula used to calculate your advisory fee is:

$$\text{Account Value} \times \text{Annual Fee Percentage} / 4 = \text{Quarterly Fee}$$

Fee calculation example for a \$400,000 account:

$$\$400,000 \times 1.25\% = \$5,000 \text{ divided by } 4 = \text{Quarterly Fee is } \mathbf{\$1,250}$$

If the account is established or closed during the quarter, you will pay a prorated portion of the advisory fee based on the number of days your account was under Pendragon’s management.

Advisory fees will be deducted directly from your account, provided you have given Pendragon written authorization to do so. We will provide you with a fee invoice that identifies the advisory fee, the value of the account, and how the fee was calculated. Additionally, the custodian will provide you with an account statement reflecting the deduction of the advisory fee. If the Account does not contain sufficient funds to pay advisory fees, Pendragon has limited authority to sell or

redeem securities in sufficient amounts to pay advisory fees. You may reimburse the account for advisory fees paid to Pendragon, except for ERISA and IRA accounts.

Pendragon does not impose an account minimum as a condition for obtaining asset management services. However, the Third-Party Managers to which we refer clients may impose account minimums. You may make additions or withdrawals from your account, provided the account continues to meet minimum account size requirements. No fee adjustments will be made for account appreciation or depreciation.

In addition to Pendragon's advisory fee, you will pay transaction fees for securities transactions executed in your account in accordance with the custodian's transaction fee schedule. You will also pay fees for custodial services, account maintenance fees, and other fees associated with maintaining the account. These fees are not charged by Pendragon and are charged by the product, broker-dealer, or account custodian. Pendragon does not share in any portion of these fees. Additionally, you will pay your proportionate share of the fund's management and administrative fees and sales charges as well as the mutual fund adviser's fee of any mutual fund purchased. These advisory fees are not shared with Pendragon and are compensation to the fund manager. More information is available in the mutual fund prospectus.

For additional information, please refer to Item 12 that describes the factors that Pendragon considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

#### *Performance-Based Fees*

A performance fee is a fee that is based on a share of capital gains and appreciation of a client's funds. At present, our only product offering with a performance fee structure is the Aggressive Growth Portfolio mentioned in the Asset Management Services section above. Pendragon can enter individual asset management relationships, on a case-by-case basis with qualified investors, where performance fees are charged.

Clients in the Aggressive Growth Portfolio are charged a 20% performance fee based on the realized and unrealized appreciation of the account plus the asset-based management fee described above. Compensation is negotiable. The performance period is the calendar year and our performance fee is billed at the end of the year. Performance fees will be deducted directly from the account along with the year-end quarterly management fee.

Performance-based fees can only be utilized by individuals who meet the following qualifications:

- a. A natural person who, or a company that, immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser;
- b. A natural person who, or a company that, the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, has a net worth (together, in the case of a natural person, with assets

Pendragon Capital Management, Inc.

held jointly with a spouse, exclusive of value of primary residence) of more than \$2,100,000 at the time the contract is entered into.

Performance-based fees will be charged in accordance with the provisions of CCR Section 260.234 and in accordance with SEC Rule 205-3 of the Investment Advisers Act of 1940.

Pendragon has a conflict of interest in charging performance-based fees as our compensation is in direct relation to the performance of your account. Therefore, in an effort to increase the performance of the account and consequently our advisory fee, we are inclined to make investments that are riskier or more speculative than would be the case absent a performance fee. Further, we will receive increased compensation based on unrealized appreciation in addition to realized gains in your account.

As previously indicated, the Advisory Representatives of Pendragon are dually Registered Representatives of BrokerageSelect, a registered broker-dealer, member of the Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board ("MSRB"), and SIPC. BrokerageSelect is affiliated to Pendragon through common ownership and control. Advisory Representatives receive trail commissions (i.e., 12b-1 fees) for a period of time as a result of directing securities transactions through BrokerageSelect. Load and no-load mutual funds pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from your assets. 12b-1 fees are initially paid to BrokerageSelect and a portion passed to the Advisory Representative as a dually registered person. The receipt of these fees represent an incentive for the Advisory Representative to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a result, there is a conflict of interest because the receipt of compensation provides an incentive to recommend investment products based on the compensation received rather than on your needs.

Commissions and other compensation for the sale of investment products recommended to clients, including asset-based distribution fees from the sale of mutual funds, comprise less than 50 percent of the total revenue derived from advisory clients. As noted above, you are not obligated to implement advice through Pendragon or its Advisory Representatives. However, if you do, advisory fees are not reduced by any commissions earned.

As stated above, Pendragon recommends mutual funds that pay 12b-1 fees and no-load funds. You may be able to purchase the securities recommended by Pendragon directly or through other brokers or agents not affiliated with Pendragon.

As stated above in Item 4, registered investment company securities, such as mutual funds, are offered in various share classes. The share classes have different fee and expense structures. Some managed accounts contain previously purchased A and/or C share mutual funds that are more expensive for the client. Mutual fund class A shares and C shares that are held in managed accounts will be excluded from being charged an advisory fee. A and C share classes pay trail compensation, which is paid to the broker-dealer with which the Advisory Representative (in the capacity of a Registered Representative) is registered. Typically, a portion of the trail compensation

is paid to the Advisory Representative, in the capacity of a Registered Representative. C shares do not enable the Advisory Representative to convert to an institutional share class and certain investment companies will only convert a C share to an A share after ten years. Further, the sale of C shares, in order to switch to another share class, requires a sell transaction that can result in tax consequences to the client. This is a conflict of interest since the Advisory Representative has an interest in the compensation. This compensation can be higher than what you would have paid if the shares were converted to an institutional share class and an advisory fee was charged on the value. To mitigate the conflict of interest, this disclosure is provided.

From time to time, Pendragon will utilize variable annuity products that have additional costs to the client. These costs include surrender fees if the purchase of the product results from the transfer from another variable product; costs associated with living or death benefits; administrative fees; sub-account management fees; mortality and expense fees; and bonus expenses if the product has a bonus element. Certain variable annuities have surrender fees if the annuity is transferred or liquidated within the stated surrender period. Surrender periods can range from 5 to 10 years depending on the individual product purchased. Additionally, certain variable products often have limitations on the number of transactions that can be conducted among the subaccounts. Exceeding the limitation could result in additional expenses. It is vital clients read the variable annuity prospectus for details on all of the costs associated with the product. Furthermore, depending on the annuity product, Advisory Representatives, in their role as Registered Representatives, will receive selling compensation paid through the broker-dealer.

Variable annuities managed by Pendragon where an advisory fee is charged are fee-based variable products and no commissions or trail compensation is earned by Pendragon or our Advisory Representative. Additionally, the internal expenses of the annuity product are less than if the client purchased the annuity product on a commission basis.

Alternative investments have additional costs and expenses including a management fee. Disclosures of the costs, fees, expenses and risks are disclosed in the offering memorandum. It is important clients read the offering memorandum for complete information about all costs and expenses associated with the product.

#### *Termination Provisions*

You may terminate investment advisory services obtained from Pendragon, without penalty, upon verbal or written notice within 5 business days after entering into the advisory agreement with Pendragon. You will be responsible for any fees and charges incurred from third parties as a result of maintaining the account such as transaction fees for any securities transactions executed and account maintenance or custodial fees. Thereafter, you may terminate investment advisory services upon a 30-day written notice to Pendragon.

#### **Third-Party Management Services**

When appropriate, we will recommend the services of Brinker Capital, Inc. This is the Third-Party Manager with which Pendragon has a solicitation arrangement, or a wrap-fee program sponsor with which Pendragon has an agreement.

Pendragon Capital Management, Inc.

Your total advisory fee will be composed of our fee and the Third-Party Manager’s fee. Our advisory fee is negotiable and is in accordance with the fee schedule below.

<b>Account Size</b>	<b>Maximum Annual Fee</b>
First \$500,000	2.00%
Next \$500,000	1.50%
Over \$1,000,000	1.25%

For complete information regarding the services rendered and the fee schedule, please refer to Pendragon Capital’s advisory agreement in concert with the Disclosure Brochures and agreements for the Third-Party Managers.

Clients selecting a wrap-fee program may pay fees in excess of the combined total of separate advisory fees and brokerage commissions paid on a transactional basis. If a wrap-fee program is not selected, clients will incur fees in addition to those charged by the Third-Party Manager such as transaction fees charged by broker-dealers. If a wrap-fee program is selected, the client will also receive the Form ADV 2A Brochure Appendix 1 provided by the sponsor of the program.

Differences in compensation paid by Third-Party Managers create an incentive for Advisory Representatives to recommend one Third-Party Manager over another. The Third-Party Manager must be appropriately licensed as an Investment Adviser with the SEC or states in which they conduct business.

*Termination Provisions*

You may terminate investment advisory services obtained from Pendragon, without penalty, upon written notice within 5 business days after entering into the advisory agreement with Pendragon. You will be responsible for any fees and charges incurred from third parties as a result of maintaining the account such as transaction fees for any securities transactions executed and account maintenance or custodial fees. Thereafter, you may terminate investment advisory services in accordance with the Third Party Manager’s termination policy.

**Item 6 – Performance-Based Fees and Side-By-Side Management**

Pendragon offers asset management services for an asset-based fee, that is, a fee based on the value of your assets that are under our management (“management fee”). In addition, for qualified investors, we offer asset management services for a performance-based fee. The performance-based fee is based on a share of the capital gains on or capital appreciation of the managed securities.

## Pendragon Capital Management, Inc.

When managing both asset-based fee accounts and performance-based fee accounts at the same time, we are faced with various conflicts as we have an incentive to favor the performance-based fee accounts due to the potential to generate more compensation. We have an incentive to direct our best investment ideas or allocate trades in favor of performance-based fee accounts.

Performance-based compensation creates an incentive for us to recommend an investment that may carry a higher degree of risk to the qualified investor in an attempt to generate a higher fee.

We will attempt to mitigate conflicts of interest by:

- Informing you of conflicts of interest in our disclosure document and agreement
- Maintaining and abiding by our Code of Ethics, which requires us to place your interests first and foremost
- Advising you of the right to decline to implement our recommendations and the right to choose other financial professionals for implementation.

### **Item 7 – Types of Clients**

Our services are geared toward individuals and their families including high-net-worth individuals, as well as pension and profit sharing plans and corporations and other business entities. In addition, Pendragon serves as the Investment Manager for the Pendragon Special Value Fund, LP.

Pendragon does not impose an account minimum as a condition for obtaining our asset management or third-party manager services. However, the Third-Party Managers to which we may refer clients may impose account minimums to obtain their services. Please refer to the Third-Party Manager's disclosure documents for further information.

### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Pendragon conducts economic and fundamental analysis and attempts to analyze and determine trends. Fundamental analysis generally involves assessing a company's or security's value based on factors such as sales, assets, markets, management, products and services, earnings, and financial structure.

We use a combination of original research and available sell-side "street" research. We take a value approach to investing that follows the spirit of Benjamin Graham and David Dodd. A value investing strategy generally involves a methodology for identifying and buying securities priced well below their true value by some form of fundamental analysis.

Pendragon constructs customized portfolios employing a combination of strategies and tactics.

## **EQUITY STRATEGIES**

### ❖ *Core Value Equity Selection*

Investments are selected by following the principles of Graham & Dodd. The portfolio invests in low PIE, low PIB securities, "growth at the right price" securities, and shareholder friendly companies. Emphasis is on small to mid-cap companies.

### ❖ *Dividend-Paying Stock Selection*

These stocks are selected to generate either higher tax advantaged income or to have the potential to increase their dividends. To enhance income, covered call writing is used. The focus is on mid to large-cap companies.

## **BALANCED STRATEGY**

### ❖ *Index, Sector and International ETFs*

Exchange-Traded Funds are a diversified way to invest in indices and sectors of the market that we believe will outperform. The strategy includes investments in foreign country ETFs.

## **FIXED INCOME STRATEGIES**

### ❖ *Intermediate Taxable Bonds*

Individual corporate bond issues are chosen with staggered maturities from one to ten years. The structure provides flexibility, liquidity and some protection against rising rates through reinvestment of the bonds that mature each year.

### ❖ *Intermediate Municipal Bonds*

Structured like the Taxable Bonds but Municipals are tax-exempt bonds issued by state and local jurisdictions, this account is best suited for non-retirement accounts of individuals in high tax brackets.

## **SPECIALTY STRATEGIES**

### ❖ *Pendragon Special Value Fund LP*

This portfolio, structured as a limited partnership, invests primarily in companies in the banking, real estate, leasing and specialty financial services industries. In addition, the partnership seeks out opportunities in all industry groups in business turnarounds, spin-offs or other special situations.

### ❖ *Pendragon Trading Plus Portfolio*

Employs a disciplined short-term trading strategy based on a combination of dollar-cost-averaging and reversion-to-the-mean. The portfolio uses levered Index ETFs as the principal trading securities. These are complemented by holdings in MLPs, dividend-paying stocks, REITs and BDCs to offset volatility and provide income. The Trading Plus Portfolio is not based on the value investing process inherent in Pendragon's other portfolios. Trading Plus seeks capital appreciation through a short-term trading strategy. Investors must understand that as a short-term trading vehicle, account values may fluctuate significantly.

❖ *Pendragon Climate Impact Portfolio*

The Climate Impact Portfolio is designed to generate returns from investing in companies that are working to solve the planet's climate and environment challenges. The strategy will invest in the companies that we believe will succeed in developing technologies and services to combat climate change and improve the planet's environment. Also, the managers will short securities of companies where business models will be threatened as climate change continues to grow in importance and in light of new technologies.

Clients may have different combinations of strategies and may have different individual investments within the various strategies depending on the clients' goals, needs and risk tolerance as well as available funds, tax situations and market conditions.

Investing in securities involves risk of loss, including the potential loss of the principal money you are investing. Therefore, your participation in any of the management programs offered by Pendragon requires you to be prepared to bear the risk of loss as well as the fluctuating performance of your accounts. Market values of investments will always fluctuate based on market conditions.

We do not represent, warrant, or imply that the services or methods of analysis we use can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Pendragon or our Advisory Representatives will provide a better return than other investment strategies.

As stated above, Pendragon primarily uses stocks (U.S. and foreign including emerging markets), preferred stocks, corporate bonds, municipal bonds, U.S. Government and Agency bonds, foreign sovereign bonds, options, mutual funds, and exchange traded funds (ETFs). The risks with mutual funds include the costs and expenses within the fund that can impact performance, change of managers, and/or the fund straying from its stated investment objective. Open-ended mutual funds do not typically have a liquidity issue and the price does not fluctuate throughout the trading day. Mutual fund fees are described in the fund's prospectus, which the custodian mails directly to the client following any purchase of a mutual fund that is new to the client's account. In addition, a prospectus is available online at each mutual fund company's website. At the client's request, Pendragon will direct the client to the appropriate web page to access the prospectus.

Some risks involving stocks include financial risk, market risk, inflation risk, and regulatory risk. Financial risk is the risk that the companies may perform poorly while market risk is the risk that the stock market will decline. Inflation risk is the risk that inflation will undermine the performance of your investment. Regulatory risk is that a change in the laws may affect the business or industry and impact the security's value.

Some risks involving bonds include inflation rate risk, interest rate risk, default risk, and call risk. Inflation risk is where the principal repaid at maturity will have less purchasing power if the

inflation rate is higher than expected. Interest rate risk is the risk that the value of the bond investments will fall if interest rates rise. Default risk is the chance that the entity that sold the bond is unable to repay the debt. Call risk is the risk that your bond investment will be redeemed by the issuer before maturity.

An additional risk involving foreign sovereign bonds is currency risk (or exchange rate risk). Also, not all sovereign debt is liquid.

Options are complex securities and can be very risky. They are not suitable for everyone. Option trading can be speculative and carry substantial risk of loss.

It is important to refer to the information about mutual funds and registered investment companies disclosed above in Item 4. As previously stated, registered investment companies offer their shares in various share classes. The share classes have differing fee structures. Some share classes pay trail compensation or 12b-1 fees. There is a conflict of interest for Advisory Representatives to offer share classes that pay a commission and/or trail compensation in advisory accounts. To the best of our knowledge, the lowest cost share class is an institutional share class. However, trading costs are often higher with institutional shares since there is no compensation paid to the Advisory Representative or the broker-dealer to help offset the trading costs. Active trading and systematic investments or withdrawals will increase the costs to the client when using institutional share classes.

Pendragon and its Advisory Representatives select mutual fund share classes, or sold them in the past, that charge 12b-1 fees, even in situations where clients may be eligible for lower cost share classes of the same fund.

Variable annuities are long-term investments and are generally not suitable for meeting short-term financial goals because substantial taxes and insurance company charges typically apply if a client withdraws money early. Variable products are not suitable if you anticipate the need to access the principal to pay for living expenses or health care during the surrender period. Variable annuities are subject to investment risks, including possible loss of the principal amount invested. Subaccount values fluctuate. Any guaranteed rate option available under the contract may be subject to a market value adjustment, which may increase or decrease your available account value if funds are withdrawn, transferred, or annuitized during the guarantee period. If you withdraw money during the early years of the contract, the issuing insurance company may retain a certain percentage of the amount you withdraw, known as a surrender charge or contingent deferred sales charge (CDSC). Many deferred variable annuities limit the amount that can be withdrawn each year without penalty. Withdrawals from annuities are taxed at ordinary income rates. Withdrawals made prior to age 59 1/2 may be subject to a 10-percent tax penalty. In addition, surrender charges may apply to amounts distributed under IRS minimum distribution requirements beginning at age 70 1/2 for qualified plans. The tax-deferred features of an annuity are redundant if the product is purchased in a retirement account [e.g., IRA, 401(k), 403 (b)]. Any death benefit may terminate upon the owner reaching a specific age. Bonus annuities, as opposed to non-bonus annuities,

provide for additional contributions to the contract on your behalf and generally result in higher fees and expenses and longer surrender periods over the life of the contract.

When appropriate, Advisory Representatives, in their capacity as Registered Representatives, recommend alternative investments to clients who meet the suitability requirements. Such investments are often referred to as real estate investment trusts (REITs), private placements, limited partnerships or direct participation programs. These investments generally have no or limited secondary market and are considered illiquid and long term. Further, clients must meet suitability requirements as outlined in the product's offering memorandum. Because of the illiquidity of the investment and the type of investment, these products are considered risky. Values reflected on statements or reports issued by Pendragon are received directly from the alternative investment company and reported to Pendragon through an outside vendor. It is important to understand that although values are reported on a statement, it does not mean the client can liquidate the investment and receive the stated value. As previously noted and restated for emphasis, these products are generally illiquid with minimal to no secondary market. Furthermore, the products generally pay a higher commission than other products. This is a conflict of interest. To mitigate this conflict of interest, this disclosure is provided. Some alternative investment sponsors now offer an adviser class product for which no commissions are paid. If such product is purchased in an advisory account, Pendragon will charge an ongoing advisory fee on those assets.

When appropriate, we will refer clients to third-party investment advisers, referred to as third-party managers, to obtain asset management services. Our analysis of third-party managers involves examining the experience, expertise, investment philosophies, and past performance of the managers to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. A risk of investing with a third-party manager who has been successful in the past is that the success may not be able to be replicated in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

#### **Item 9 – Disciplinary Information**

There is no reportable disciplinary information required for Pendragon or its management persons that is material to your evaluation of Pendragon, its business, or its management persons.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

Pendragon does not have a related person who is a(an): investment company, other investment adviser or financial planner, futures commission merchant or commodity pool operator, banking or

Pendragon Capital Management, Inc.

thrift institution, accountant or accounting firm, lawyer or law firm, pension consultant, real estate broker or dealer, or sponsor or syndicator of a limited partnership.

Ian J. Green is the President and owner of Pendragon Capital Management, Inc. Ian Green's principal business is that of the owner and Chief Executive Officer of BrokerageSelect, a registered broker-dealer, member Financial Industry Regulatory Authority ("FINRA"), Municipal Securities Rulemaking Board ("MSRB"), and SIPC. Ian is also a Registered Securities Principal and Registered Representative of BrokerageSelect. In addition, BrokerageSelect is an insurance agency and offers life insurance, health insurance, and annuities.

The owner of Pendragon Capital Management, Inc. is also the owner of Pendragon Associates, Inc., which is the general partner for Pendragon Special Value Fund, LP. The limited partnership invests in micro and small cap financial services companies. As compensation for its services as general partner, Pendragon Associates, Inc. receives an allocation of net gains and net losses (a performance fee). Pendragon Capital Management, Inc. is the Investment Manager for the fund and receives a percentage of the assets under management fee for its services.

Ian J. Green was appointed to the Board of Directors of Hometown Bank of the Hudson Valley effective April 2015. He devotes approximately 6% of his time on this activity.

As previously stated, our Advisory Representatives are dually registered as Registered Representatives of BrokerageSelect. You are under no obligation to purchase or sell securities through your Advisory Representative. However, if you choose to implement through BrokerageSelect with our assistance, commissions will be earned in addition to any fees you may pay for our advisory services. Commissions may be higher or lower at BrokerageSelect than at other broker-dealers. Advisory Representatives have a conflict of interest in having you purchase securities and/or insurance-related products through BrokerageSelect in that the higher their production with BrokerageSelect, the greater potential for obtaining a higher pay-out on commissions earned.

It is important to understand investment advisers have a fiduciary obligation to provide advice and services through the investment adviser that are in the best interest of the client. However, when Advisory Representatives act in the capacity of a Registered Representative, their regulatory obligation is to make recommendations and conduct transactions that are suitable to you but are not necessarily in your best interest.

Under the rules and regulations of the FINRA, BrokerageSelect has an obligation to perform supervisory functions regarding certain activities engaged in by Advisory Representatives who are also Registered Representatives of BrokerageSelect.

Advisory Representatives are licensed with various insurance companies. The insurance business represents a small part of our total activities and we do not concentrate resources in this area. However, we will earn commissions if you purchase insurance products through us in our role as an insurance agent. This creates a conflict of interest. You are under no obligation to purchase

insurance products or services through our Advisory Representatives. Clients have the right to decide whether or not to purchase insurance products and which insurance professionals to use.

As noted in Item 4 above, Pendragon recommends the services of Third-Party Managers when suitable for certain clients. The differences in compensation received based on the Third-Party Manager selected creates an incentive for Pendragon to recommend one Manager over another.

It is a conflict of interest for us to recommend a service or product to you for which we will receive compensation. Pendragon attempts to mitigate the conflicts of interest by notifying you of these conflicts. We inform you that you are free to consult other financial and insurance professionals and that you are free to implement recommendations through these professionals. We are bound by our Code of Ethics to act in an ethical manner. Furthermore, as a Registered Representative with BrokerageSelect, Advisory Representatives are subject to a supervisory structure at BrokerageSelect for all securities business.

Pendragon and its Advisory Representatives are not actively engaged in any other financial industry entity.

#### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions & Personal Trading**

##### **Code of Ethics**

Pendragon has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. Pendragon takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as our policies and procedures. Further, we strive to handle your non-public information in such a way to protect information from falling into the hands of anyone who has no business reason to know such information. We provide you with our Privacy Policy that details our procedures for handling your personal information. Pendragon maintains a Code of Ethics for its Advisory Representatives, supervised persons, and office staff. The Code of Ethics contains provisions for standards of business conduct to comply with State and Federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about your transactions. Further, our Code of Ethics establishes our firm's expectation for business conduct.

We follow the Code of Ethics established by the Financial Planning Association. The Code centers around seven guiding principles:

1. Integrity
2. Objectivity
3. Competence
4. Fairness
5. Confidentiality
6. Professionalism
7. Diligence.

## Pendragon Capital Management, Inc.

A copy of our Code of Ethics will be provided to you upon request.

The owner of Pendragon Capital Management, Inc. is also the owner of Pendragon Associates, Inc., which is the general partner for Pendragon Special Value Fund, LP. The limited partnership invests in micro and small cap financial services companies. As compensation for its services as general partner, Pendragon Associates, Inc. receives an allocation of net gains and net losses (a performance fee). Pendragon Capital Management, Inc. is the Investment Manager for the fund and receives a percentage of the assets under management fee for its services.

Pendragon and its associated persons may buy or sell securities identical to those securities recommended to you. Therefore, Pendragon and/or its associated persons may have an interest or position in certain securities that are also recommended and bought or sold to you. They will not put their interests before your interest. Neither Pendragon nor any associated person will trade ahead of you or trade in such a way to obtain a better price for themselves than for you or other clients. No affiliated person may trade in a client's account in such a way as to disadvantage any client.

Pendragon is required to maintain a list of all securities holdings for its associated persons and develop procedures to supervise the trading activities of associated persons who have knowledge of your transactions and their related family accounts at least quarterly. Further, associated persons are prohibited from trading on non-public information or sharing such information.

You have the right to decline any investment recommendation. Pendragon and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

### **Item 12 – Brokerage Practices**

As previously stated, Ian J. Green is the owner of Pendragon and the owner of BrokerageSelect. Advisory Representatives are Registered Representatives of BrokerageSelect. As a result they are subject to FINRA Conduct Rule 3040, which restricts them from conducting securities transactions away from BrokerageSelect unless BrokerageSelect provides them with written authorization.

Not all investment advisers require you to maintain accounts at a specific broker-dealer. You may maintain accounts at another broker-dealer. However, the services provided by Pendragon will be limited to only advice and will not include implementation. If you select another brokerage firm for custodial and/or brokerage services, you will not be able to receive asset management services from Pendragon.

Pendragon clients are strongly encouraged, but not required, to use BrokerageSelect. The principal reason for this recommendation is efficiency in account management. Having the accounts in one place facilitates efficient trading, account monitoring, and performance reporting. The

commissions charged by BrokerageSelect are discounted and competitive with other broker-dealers.

We consider a number of factors in selecting brokers and custodians at which to locate (or recommend location of) client accounts, including but not limited to sufficient staffing and collateral, quality of execution rendered, value of research information provided, financial health of the brokerage firm and its clearing agent, and the cost of services and overall efficiency in transacting business. In selecting BrokerageSelect as the broker and its clearing firm, Wedbush Securities, Inc. as the custodian for certain of its current and future client accounts, Pendragon takes into account its agreement with BrokerageSelect to receive a percentage of the brokerage commissions paid by clients and mutual fund company 12b-1 fees that BrokerageSelect receives as a result of certain transactions.

The agreement with BrokerageSelect may affect our independent judgment in selecting, recommending, or maintaining BrokerageSelect as the broker and Wedbush Securities as custodian for client accounts. However, we currently believe that the products and services offered by BrokerageSelect and Wedbush Securities are competitive in the marketplace for similar services offered by other broker-dealers or custodians.

Periodically, we will review alternative broker-dealers and custodians in the marketplace to ensure BrokerageSelect and its custodians are meeting our duty to provide best execution for your accounts. The review will include a comparison to BrokerageSelect, which involves evaluating criteria such as overall expertise, cost competitiveness, and financial condition. The quality of execution by BrokerageSelect will be reviewed through trade journal evaluations. However, best execution does not simply mean the lowest transaction cost. Therefore, no single criteria will validate nor invalidate a custodian, but rather, all criteria taken together will be used in evaluating the current custodian.

Additionally, some product sponsors such as variable insurance and investment companies and limited partnerships that are recommended to you provide support to Pendragon and our Advisory Representatives. Such support includes research, educational information, and monetary support for due-diligence trips and client events. We receive a benefit because we do not have to pay for the research, products, or services.

There is an incentive for Pendragon and your Advisory Representative to recommend BrokerageSelect over other broker-dealers based on the products and services that we will receive.

BrokerageSelect has a wide range of approved securities products for which BrokerageSelect performs due diligence prior to selection. As BrokerageSelect Registered Representatives, we are required to adhere to these products when implementing securities transactions through BrokerageSelect. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker-dealer. BrokerageSelect also provides our Advisory Representatives, and therefore Pendragon, with back-office operational, technology, and other administrative support. Other services include consulting, publications, and conferences on practice management, information technology,

business succession planning, regulatory compliance, and marketing. Such services are intended to help us and our Advisory Representatives manage and further develop its business enterprise.

BrokerageSelect and its clearing broker-dealer, Wedbush Securities, also make available to Pendragon other products and services that benefit Pendragon but do not directly benefit you. Some of these other products and services assist Pendragon with managing and administering your accounts. These include software and other technology that provide access to your account data (such as trade confirmation and account statements); facilitate trade execution; provide research, pricing information, and other market data; facilitate payment of Pendragon's fees from your accounts; and assist with back-office functions; recordkeeping; and client reporting. Many of these services generally are used to service all or a substantial number of our accounts.

Advisory Representatives as BrokerageSelect Registered Representatives receive trail commissions (i.e. 12b-1 fees) for a period of time as a result of directing securities transactions through BrokerageSelect. Load and no-load mutual funds pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from your assets. 12b-1 fees are initially paid to BrokerageSelect and a portion passed to the Advisory Representative of record. The receipt of such fees represent an incentive for Advisory Representatives to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a result, there is a conflict of interest.

In an effort to strive for best execution and to possibly reduce the price per share and/or other costs to clients, we may aggregate the purchase or sale of securities for various client accounts. We conduct aggregated transactions in a manner designed to ensure that no participating client is favored over another client. Participating clients will obtain the average share price per share for the security executed that day. To the extent the aggregated order is not filled in its entirety and when possible, securities purchased or sold in an aggregated transaction will be allocated prorata to the participating client accounts in proportion to the size of the orders placed for each account. Under certain circumstances, the amount of securities maybe increased or decreased to avoid holding odd-lot or a small number of shares for particular clients.

### **Item 13 – Review of Accounts**

#### **Asset Management Services Program**

Client meetings are conducted quarterly. You may request more or less frequent meetings based on your specific needs.

You must notify Pendragon promptly of any changes to your financial goals, objectives, or financial situation. We will review the portfolio allocation and determine recommendations for changes.

You will also receive monthly or quarterly statements directly from the account custodian. Additionally, the custodian will provide you with trade confirmations of all transactions occurring in your account.

### **Third-Party Management Services**

If you are participating in the Third-Party Management Services, we will meet with you quarterly. You will receive quarterly performance reports from the Third-Party Manager.

Reviews are conducted at least quarterly on managed accounts and attempted to be conducted with clients at least annually. You may request more frequent reviews and set thresholds for triggering events that would cause a review to take place. Levels of reviews will vary depending on your needs at the time of review as well as changes in the financial status or position (tax status or otherwise), financial goals, current market conditions, performance standards, suitability changes, and age, among other things. You are advised that you must notify your Advisory Representative promptly of any changes to your financial goals, objectives, or financial situation as such changes typically require the Advisory Representative to review the portfolio allocation and make recommendations for changes. The reviews are conducted by Advisory Representatives.

Your Advisory Representative will monitor for changes or shifts in the economy, changes to the management and structure of a mutual fund or company in which your assets are invested, and market shifts and corrections.

At least quarterly, the account custodian will provide you with account statements. Additionally, you will receive confirmations of all transactions occurring directly from the account custodian.

Clients participating in the Third-Party Manager program may elect to receive quarterly consolidated performance reporting.

### **Item 14 – Client Referrals and Other Compensation**

Some product vendors recommended by Pendragon provide monetary and non-monetary assistance with client events and provide educational tools and resources. We do not select products as a result of any monetary or non-monetary assistance. The selection of product that is most appropriate for the client is first and foremost. Pendragon's due diligence of a product does not take into consideration any assistance it receives. Although the receipt of products or services is a benefit for you and us, it also presents a conflict of interest.

As noted above, there are multiple conflicts of interest for Advisory Representatives to maintain clients' assets at BrokerageSelect and to recommend products and services. There are conflicts of interest for Advisory Representatives to generate (i.e., sell products) and direct business through BrokerageSelect. To mitigate these conflicts of interest, this disclosure has been provided to you. If you have any concerns about the recommendations provided by your Advisory Representative, you should discuss this with your Advisory Representative. As well, you are free to consult other financial professionals.

Although our securities sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented.

Pendragon does not directly or indirectly compensate any person or entity that is not a supervised person of our firm for client referrals.

#### **Item 15 – Custody**

The custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. The account statements from the custodian will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

#### **Wire Transfer and/or Standing Letter of Authorization**

Our firm, or Advisory Representatives, may effect wire transfers from client accounts to one or more third parties designated, in writing, by the client without obtaining written client consent for each separate, individual transaction, as long as the client has provided us with written authorization to do so. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third party wire transfers has access to the client's assets, and therefore has custody of the client's assets in any related accounts.

However, we do not have to obtain a surprise annual audit, as we otherwise would be required to by reason of having custody, as long as the following criteria are met:

1. You provide a written, signed instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. You authorize us in writing to direct transfers to the third party either on a specified schedule or from time to time;
3. Your qualified custodian verifies your authorization (e.g., signature review) and provides a transfer of funds notice to you promptly after each transfer;
4. You can terminate or change the instruction;
5. We have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party;
6. We maintain records showing that the third party is not a related party to us nor located at the same address as us; and
7. Your qualified custodian sends you, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Pendragon complies with the conditions of the safe harbor provisions and is therefore exempt from the annual surprise exam requirement for Advisers that have custody.

**Item 16 – Investment Discretion**

By execution of our advisory agreement, you will grant Pendragon authorization to manage your account on a discretionary basis. We will have the authority to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold, and/or the commission rates at which the transactions will be effected. You may terminate discretionary authorization at any time upon receipt of written notice by Pendragon.

Discretionary trading authority facilitates placing trades in client accounts so that we may promptly implement the investment policy that clients have approved in writing. A limited power of attorney is a trading authorization for this purpose. Clients sign a limited power of attorney so that we may execute trades, subject to the limitations of the agreement.

In all cases, such discretion is exercised in a manner consistent with your investment objectives, goals, and asset allocation for the account. Investment guidelines and restrictions must be provided to Pendragon in writing.

**Item 17 – Voting Client Securities**

Pendragon does not vote your securities. Unless you suppress proxies, securities proxies will be sent directly to you by the account custodian or transfer agent. You may contact your Advisory Representative about questions you have and opinions on how to vote the proxies. However, the decision to vote and how you vote the proxies is solely up to you.

**Item 18 – Financial Information**

Pendragon will not require you to prepay more than \$500 and 6 or more months in advance of receiving the advisory service; therefore, a balance sheet is not required to be attached.

Pendragon is financially stable. There is no financial condition that is likely to impair our ability to meet our contract actual commitment to you or any other client.

Pendragon has not been the subject of a bankruptcy petition.

**Item 19 – Requirements for State-Registered Advisers**

Ian J. Green is the President and Portfolio Manager of Pendragon. Information about the formal education, business background, and other business activities in which Ian Green and management persons are actively engaged can be found in the attached Brochure Supplement (ADV Part 2B).

Pendragon Capital Management, Inc.

Pendragon is not actively engaged in any business other than providing investment advice. Pendragon and its Advisory Representatives may be compensated for asset management services by a performance-based fee. For qualified investors desiring this service, Pendragon charges a performance-based fee that is in addition to Pendragon's management fee.

The management fee is an annual percentage fee based on the fee schedule:

<b>Assets</b>	<b>Fee (%)</b>
Up to \$100,000	2.00%
\$100,001–\$250,000	1.50%
\$250,001–\$500,000	1.25%
Over \$500,000	1.00%

The management fee is billed at the end of each calendar quarter for services provided during the quarter. In addition, Pendragon will charge a 20% performance fee based on the realized and unrealized appreciation of the accounts. The performance period is the calendar year with the performance fee billed at the end of the year. Compensation is negotiable.

Performance-based fees will be charged in accordance with the provisions of CCR Section 260.234 and in accordance with SEC Rule 205-3 of the Investment Advisers Act of 1940.

Performance-based compensation creates an incentive for Pendragon's Advisory Representatives to recommend an investment that carries a higher degree of risk to the client. Please refer to Item 6 for additional information on performance-based fees.

Neither Pendragon nor any of its management personnel have been the subject of a reportable legal or disciplinary event including a civil, self-regulatory organization, or administrative proceeding.

Neither Pendragon nor any of its management personnel have any arrangement or relationship with any issuer of securities that is not previously disclosed in Item 10 above.