Disclosure Brochure March 11, 2025

# PENDULUM ASSET MANAGEMENT, LLC

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Pendulum Asset Management, LLC (hereinafter "PAM" or the "Firm"). The Firm does not have a website. If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC's website at www.adviserinfo.sec.gov. The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## Item 2.  Material Changes

In this Item, PAM is required to discuss any material changes that have been made to the brochure since the last annual amendment on March 26, 2024.  There are no changes to disclose in relation to this Item.

## Item 3. Table of Contents

## Item 4. Advisory Business

PAM offers investment management services as described in detail below. Prior to PAM rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with PAM setting forth the relevant terms and conditions of the advisory relationship (the "Advisory Agreement").

PAM began its advisory business in January 2024 and is wholly owned by Eric Kruglak. As of January 30, 2025, PAM had $686,500 assets under management, all of which was managed on a discretionary basis.

### Investment and Wealth Management Services

PAM manages client investment portfolios on a discretionary basis. PAM manages assets by placing client assets into strategies that are described in detail in Item 8, below. Client assets are allocated to the stock of small to midcap financial investments (including but not limited to Real Estate Investment Trusts ("REITs"), Business Development Companies ("BDCs"), banks and insurance companies), preferred stock of those financial companies, micro to midcap value investments (industry-agnostic), treasury bonds and other fixed-income instruments. The advice is limited to the types of investments listed above. The Firm continuously and regularly oversees the investments in the strategies and will make changes in client portfolios based on the strategy as well as the specific needs of the client.

The Firm manages client assets through models (as further described in Item 8, below). Those models are developed by the Firm, not any other investment advisers. The allocation of client assets into those models is based on the specific needs of the client. PAM tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. PAM consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify PAM if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if PAM determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

The Firm does not participate in wrap fee programs.

As this document has been prepared in connection with PAM's initial application for investment adviser registration, the Firm does not have any assets under management to report as of the date of this filing.

## Item 5. Fees and Compensation

*A. How are we compensated for advisory services*

PAM offers services for a fee based upon assets under management. This management fee varies in accordance with the following fee schedule:

| PORTFOLIO VALUE | ANNUAL FEE | QUARTERLY FEE |
|---|---|---|
| Up to $1,000,000 | 1.00% | 0.25% |
| $1,000,001 - $2,000,000 | 0.75% | 0.1875% |
| Above $2,000,000 | 0.50% | 0.125% |

The above fee schedule is based on "hard break points." For example, a client with assets under management by the Firm of $1,200,000 will pay 0.75% per annum (0.1875% quarterly) on all of the assets. The annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by PAM on the last day of the quarter as determined by a party independent from the Firm (including the client's custodian or another third-party).

For the initial period of an engagement, the fee is calculated on a *pro rata* basis as the Firm starts to manage the assets. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding portion of the fee is charged.

Neither the Firm nor any of its Supervised Persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

### Fee Discretion

Clients can negotiate a lesser fee. PAM may, in its sole discretion, agree to charge a lesser fee. The Firm will only do this based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention, pro bono activities, or competitive purposes.

*B. Deduction of Fees*

### Direct Fee Debit

Fee are billed quarterly, in arrears. Clients provide PAM with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to PAM. Alternatively, clients may elect to have PAM send a separate invoice for direct payment. When invoicing separately, the Firm will send an invoice quarterly which will be due and payable within 30 days.

*C. Other Expenses*

**Additional Fees and Expenses**

In addition to the advisory fees paid to PAM, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include securities brokerage commissions, transaction fees, custodial fees, fees attributable to alternative assets, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

**Timing of Fees**

As described above, the Firm charges fees in arrears, not advance.

**Account Additions and Withdrawals**

Clients can make additions to and withdrawals from their account at any time, subject to PAM's right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients can withdraw account assets on notice to PAM, subject to the usual and customary securities settlement procedures. PAM may consult with its clients about the options and implications of transferring securities upon client request. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, and/or tax ramifications.

D. No compensation for sale of securities or other investment products.

Neither the Firm nor any of its Supervised Persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## Item 6. Performance-Based Fees and Side-by-Side Management

PAM does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

 

## Item 7. Types of Clients

PAM offers services to individuals, trusts, estates, corporations and other business entities. The Firm does not have any requirements for opening or maintaining an account, but reserves the right to not accept a client if the Firm does not believe that its services would be a good fit for that client. That can include a client with limited assets under management which the Firm does not believe could be properly diversifies in its strategies.

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

### Methods of Analysis and Investment Strategies

*High-dividend Equities, Small-Midcap*

In general, when evaluating high-dividend equities, such as mortgage REITs, REITs, BDCs, etc., the Firm believes that the dividend is the least important factor of economic performance and analysis. Rather, the single most important factor when evaluating these types of investments is, what is the collateral and quality of collateral the firm has invested in? Second to that, what sort of funding method is used to acquire collateral? Third, given the funding and collateral performance, what other levers are needed to operate the entity (how expensive is overhead, for example?). And, going along with the third factor, are there any other factors that make the company unique, such as hedging strategy?

Once the Firm gets a general understanding of the three factors above, it then looks at standard valuation metrics, such as price/book, price/NAV (net asset value), as well as projected earnings and future funding needs. All of the above are used to come to a holistic valuation of the firm.

*Preferred Stock*

Preferred stock of the above high-dividend equities is primarily evaluated by the current yield and determining whether or not the issuing firm can continue to pay the dividend by a comfortable margin. Second to that is determining whether or not the preferred is noncumulative or cumulative. Third is seeing if there are any future events, such as a conversion of fixed to floating coupon, that could either result in a lower coupon, or higher coupon and/or refinancing. Fourth is to see how liquid the preferred is. On the fourth point, this is especially important for delisted preferred stock. Delisted preferreds have significantly lower liquidity than their listed counterparts. Preferred stocks delist for a few reasons, primarily when the issuing firm is taken private. The Firm intends on attempting to take advantage of this to earn a premium on the illiquidity for clients.

*Micro-Mid Cap Value Stocks*

Underfollowed equities that either are producing strong earnings, free cash flow or have the potential to generate high earnings/cash flow relative to its current market value. Value stocks are primarily evaluated by looking at companies, industry-agnostic, that are small, have low-to-no analyst coverage, are producing earnings and cash flow (or have the potential to) *and* have a catalyst tied to the company. The catalyst for upside potential could be anything that could manifest the market to recognizing the inherent value in the stock, such as better than expected earnings, or a legal/regulatory risk that may go away and can be analyzed through court documentation. The Firm searches for names with strong earnings and cash flow potential, as well as strong catalysts to generate excess returns.

## Risk of Loss

The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm's investment management activities. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf. Investing in securities involves risk of loss that clients should be prepared to bear.

*Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of PAM's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that PAM will be able to predict these price movements accurately or capitalize on any such assumptions.

*Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

*Equity-Related Securities and Instruments*

The Firm may take long positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks. The Firm does invest in small-capitalization and mid-capitalization companies.

*Liquidity Risk*

Sectors of the bond market can experience a sudden downturn in trading activity. When there is little or no trading activity in a security, it can be difficult to sell the security at or near its perceived value. In such a market, bond prices may fall.

*Dividend Risk*

Always a risk that the issuing firm decides to not pay the preferred stock dividend, and in certain cases the preferred stock is classified as "non-cumulative", meaning that forgone dividends will not accumulate and the preferred stock holder will not be entitled to any missed payments.

*Fixed Income Securities*

While the Firm emphasizes risk-averse management and capital preservation in its fixed-income bond portfolios (including treasury bonds), clients who invest in this product can lose money, including losing a portion of their original investment. The prices of the securities in our portfolios fluctuate. The Firm does not guarantee any particular level of performance. Below is a representative list of the types of risks clients should consider before investing in this product.

- Interest rate risk. Prices of bonds tend to move in the opposite direction to interest rate changes. Typically, a rise in interest rates will negatively affect bond prices. The longer the duration and average maturity of a portfolio, the greater the likely reaction to interest rate moves.

- Credit (or default) risk. A bond's price will generally fall if the issuer fails to make a scheduled interest or principal payment, if the credit rating of the security is downgraded, or if the perceived creditworthiness of the issuer deteriorates.

- Liquidity risk. Sectors of the bond market can experience a sudden downturn in trading activity. When there is little or no trading activity in a security, it can be difficult to sell the security at or near its perceived value. In such a market, bond prices may fall.

- Call risk. Some bonds give the issuer the option to call or redeem the bond before the maturity date. If an issuer calls a bond when interest rates are declining, the proceeds may have to be reinvested at a lower yield. During periods of market illiquidity or rising rates, prices of callable securities may be subject to increased volatility.

- Prepayment risk. When interest rates fall, the principal of mortgage-backed securities may be prepaid. These prepayments can reduce the portfolio's yield because proceeds may have to be reinvested at a lower yield.

- Extension risk. When interest rates rise or there is a lack of refinancing opportunities, prepayments of mortgage-backed securities or callable bonds may be less than expected. This would lengthen the portfolio's duration and average maturity and increase its sensitivity to rising rates and its potential for price declines.

*Real Estate Investment Trusts (REITs)*

PAM recommends an investment in, or allocate assets among, various real estate investment trusts ("REITs"), the shares of which exist in the form of either publicly traded or privately placed securities. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings.  Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market.  Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle's shares.  Mortgage related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

*Business Development Companies*

Business Development Companies are a special type of investment that combines attributes of publicly traded companies and closed-end investment vehicles, giving investors exposure to private equity- or venture capital-like investments. BDC investments typically have the potential for high yields, but because of that, they also carry more risk.  Those risks include:

- Portfolio and liquidity risk: BDCs hold illiquid investments.
- Credit and interest rate risk similar to the fixed income risks discussed above.
- Diversification risks: BDCs hold concentrated assets in small to mid-size developing and distressed companies.  These companies can have similar attributes in regard to their ability to repay a loan and their ability to weather a prolonged economic downturn. Each BDC is invested in a variety of companies and cannot hold more than 25% of its assets in a single company.
- BDCs charge management and incentive fees that can be high and difficult to calculate.  These fees can detract from total return.

*Preferred Stock Risks*

Preferred stocks are hybrid investments that share characteristics of both stocks and bonds. They can offer higher yields than many traditional fixed income investments, but they come with different risks. While they are less volatile and investors are more likely to recover part of their investment if the company goes bankrupt, preferred stocks have lower long-term growth potential compared to regular stocks. In most cases, investors have no voting rights and they are less liquid than common stocks because there aren't as many shares traded.

*Management through Similarly Managed "Model" Accounts*

PAM manages certain accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. Clients should contact the Firm if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

*Tax Considerations*

The Firm's strategies and investments may have unique and significant tax implications. Specifically, the Firm will buy and sell securities without regard to tax consequences, including long term versus short term gains, cost basis or other tax strategies. The Firm expects to buy and sell securities over short periods of time where circumstances warrant. This could have a negative tax impact because short term gains are taxed at a higher rate than long term gains. However, unless the Firm specifically agrees otherwise, and in writing, tax efficiency is not the primary consideration in the management of client assets. Regardless of a client's account size or any other factors, the Firm strongly recommend that clients consult with a tax professional regarding the investing of their assets. Custodians and broker-dealers must report the cost basis of equities acquired in client accounts. Each client's custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of investments. Clients are responsible for contacting their tax advisor to determine if this accounting method is the right choice for them. If the client's tax advisor believes another accounting method is more advantageous, the client should provide written notice to the Firm immediately and the Firm will alert the account custodian of the individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

*Interest Rate Risks*

Interest rates may fluctuate significantly, causing price volatility with respect to securities or instruments held by clients.

## Item 9. Disciplinary Information

PAM has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

## Item 10. Other Financial Industry Activities and Affiliations

This item requires investment advisers to disclose certain financial industry activities and affiliations. The Firm does not have any other financial industry activities or affiliations that need to be disclosed. This includes the following:

- Neither the Firm nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- Neither the Firm nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- The Firm does not have any relationship or arrangement that is material to its advisory business or to clients with any related person listed below.
    1. broker-dealer, municipal securities dealer, or government securities dealer or broker;
    2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund);
    3. other investment adviser or financial planner;
    4. futures commission merchant, commodity pool operator, or commodity trading advisor;
    5. banking or thrift institution;
    6. accountant or accounting firm;
    7. lawyer or law firm;
    8. insurance company or agency;
    9. pension consultant;
    10. real estate broker or dealer; or
    11. sponsor or syndicator of limited partnerships.

The Firm does not recommend or select other investment advisers for clients nor does it have other business relationships with advisers that create a material conflict of interest.

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

PAM has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. Neither the Firm nor its related persons recommend clients buy or sell securities in which the Firm or related person have a material financial interest.

PAM's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients. This results in a conflict of interest for the Firm or the Supervised Persons to favor themselves over clients (for example, by trading ahead of clients, or buying/selling securities to help a position the Firm or Supervised Person holds personally). The Firm will only allow the Firm or its Supervised Persons to trade in their own accounts if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. The Code of Ethics requires certain of PAM's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

Clients and prospective clients may contact PAM to request a copy of its Code of Ethics by contacting the Firm at the phone number on the cover page of this brochure.

## Item 12. Brokerage Practices

### Recommendation of Broker-Dealers for Client Transactions

PAM recommends that clients utilize the custody, brokerage and clearing services of Charles Schwab & Co, Inc. through its Schwab Advisor Services division ("Schwab") for investment management accounts. The final decision to custody assets with Schwab is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. PAM is independently owned and operated and not affiliated with Schwab. Schwab provides PAM with access to its institutional trading and custody services, which are typically not available to retail investors.

Factors which PAM considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by PAM's clients to Schwab comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where PAM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. PAM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

PAM periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### Software and Support Provided by Financial Institutions

PAM receives without cost from Schwab administrative support, computer software, related systems support, as well as other third party support as further described below (together "Support") which allow PAM to better monitor client accounts maintained at Schwab and otherwise conduct its business. PAM receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. **The Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars")**. The Support benefits PAM, but not its clients directly. Clients should be aware that PAM's receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits will influence the Firm's choice of broker-dealer over another that does not furnish similar software, systems support or services. PAM may have an incentive to select or recommend a broker-dealer based on PAM's interest in receiving the research or other products or services, rather than on the clients' interest in receiving most favorable execution.

In fulfilling its duties to its clients, PAM endeavors at all times to put the interests of its clients first and has determined that the recommendation of Schwab is in the best interest of clients and satisfies the Firm's duty to seek best execution.

Specifically, PAM receives the following benefits from Schwab: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor's clients' assets are maintained in accounts at Schwab. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of personnel of PAM by Schwab personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist PAM in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at Schwab. Schwab also makes available to PAM other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, PAM endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a potential conflict of interest.

### Brokerage for Client Referrals

PAM does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

### Directed Brokerage

The client may direct PAM in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by PAM (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, PAM may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### Trade Aggregation

Transactions for each client will be affected independently, unless PAM decides to purchase or sell the same securities for several clients at approximately the same time. PAM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients' differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among PAM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which PAM's Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. PAM does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## Item 13. Review of Accounts

### Account Reviews

The Firm will monitor model portfolios on a daily and monthly basis to ensure proper allocation of accounts. Because of the frequency of these reviews, there are no other basis for reviews. In addition, annual, formal internal reviews will occur to ensure that specific client portfolios are performing in line with other existing model and client portfolios managed by the Firm and if not, why. The Firm reviews client portfolios at least annually to ensure they are in line with the client's investment parameters (including their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant). In addition to the periodic reviews mentioned above, the Firm also does client reviews more frequently where a client has informed the Firm of a change in those investment parameters. The reviews are conducted by the Firm's Principal and investment adviser representative, Eric Kruglak. All investment advisory clients are encouraged to discuss their needs, goals and objectives with PAM and to keep the Firm informed of any changes thereto.

### Account Statements and Reports

The Firm itself does not provide regular reports. Clients are provided with transaction confirmation notices and regular summary account statements directly from the custodian where their assets are custodied.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

Neither the Firm nor any related person directly or indirectly compensates any person who is not the Firm's supervised person for client referrals.

### Other Compensation

The Firm receives economic benefits from Schwab. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12.

## Item 15. Custody

PAM is deemed to have custody of client funds and securities because the Firm is given the ability to debit client accounts for payment of the Firm's fees. As such, client funds and securities are maintained at one or more Financial Institutions that serve as the qualified custodian with respect to such assets. Such qualified custodians will send account statements to clients at least once per calendar quarter that detail any transactions in such account for the relevant period. Clients should carefully review statements received from the custodian.

## Item 16. Investment Discretion

PAM is given the authority to exercise discretion on behalf of clients. PAM is considered to exercise investment discretion over a client's account if it can affect and/or direct transactions in client accounts without first seeking their consent. PAM is given this authority through a limited power-of-attorney included in the agreement between PAM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). PAM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

## Item 17. Voting Client Securities

### Declination of Proxy Voting Authority

PAM does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

## Item 18. Financial Information

PAM is not required to disclose any financial information listed in the instructions to Item 18 because:

- The Firm does not require or solicit the prepayment of more than $500 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

## Item 19. Requirement for State Registered Advisers

### Principal Executive Officer and Management Person

**ERIC R. KRUGLAK**

Born 1992

**Post-Secondary Education**

Tulane University ┃ B.S., Finance ┃ 2015

**Recent Business Background**

Pendulum Asset Management, LLC ┃ Managing Member, Chief Compliance Officer & Investment Adviser Representative ┃ January 2024 – Present

Continental Bank ┃ AVP, Strategic Partnerships ┃ October 2022 – November 2023

Fraction ┃ Capital Markets ┃ September 2022 – June 2023

Shoals Capital ┃ Trader ┃ July 2019 – July 2020

Summit Investment Management ┃ Senior Analyst ┃ September 2018 – June 2019

**Additional Information**

- Neither the Firm nor Mr. Kruglak are engaged in any other business.
- Neither the Firm nor any Supervised Person are compensated for advisory services with performance-based fees.
- Neither the Firm nor Mr. Kruglak have been the subject of any type of disciplinary event that warrants disclosure pursuant to this Item, including:
  - No award nor otherwise found liable in an arbitration claim alleging damages in excess of $2,500 involving any of the following: (a) an investment or an investment-related business or activity; (b) fraud, false statement(s), or omissions; (c) theft, embezzlement, or other wrongful taking of property; (d) bribery, forgery, counterfeiting, or extortion; or (e) dishonest, unfair, or unethical practices.
  - No award nor otherwise found liable in a civil, self-regulatory organization, or administrative proceeding involving: (a) an investment or an investment-related business or activity; (b) fraud, false statement(s), or omissions; (c) theft, embezzlement, or other wrongful taking of property; (d) bribery, forgery, counterfeiting, or extortion; or (e) dishonest, unfair, or unethical practices.
- Neither the Firm nor Mr. Kruglak have any material relationship or arrangement with any issuers of securities.