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## **Form ADV Part 2A**

### **Brochure Cover Page**

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CRD number: 105535

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**This brochure provides information about the qualifications and business practices of PEG Capital Management, Inc.. If you have any questions about the contents of this brochure, please contact us [bmcpherson@pegcap.com](mailto:bmcpherson@pegcap.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 PEG Capital Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Form ADV - Material Changes for Part 2A

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### **PEG Capital Management, Inc.**

#### **Regulatory Assets Under Management**

PEG Capital Management has amended its disclosure for "Regulatory Assets Under Management" to \$224,938,000.00 as of December 31, 2011. Of that amount \$224,938,000.00 is/are "discretionary" accounts and \$0.00 are "non-discretionary". This is an increase from the prior year, attributable to "net" appreciation and a "net" increase in assets under management.

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### PEG Capital Management, Inc.

#### Item 4 Advisory Business

PEG Capital Management, Inc. is a small narrowly focused investment advisor that provides services on a discretionary basis, to clients, through the management of their investment portfolio(s) consisting of publicly traded equity and debt securities. We began active investment advisory operations in April of 1981 and have operated continuously since that time. Our business was incorporated in New York State at approximately the same time that it began operations. We have a single "principal" owner, Lemont Richardson, who currently owns 73% of the company. Mr. Richardson is the sole remaining founder of the company, and has been a "principal" owner of PEG Capital Management since its inception over 30 years ago.

PEG Capital Management provides investment management/advisory services on a discretionary basis for clients. All clients maintain separate accounts at independent bank and broker custodians, we manage those separate accounts on a continuous and comprehensive basis. Our clients consist of individuals, couples, families, foundations and charitable trusts, trusts and small partnerships. The account types that we manage include taxable accounts, IRA's, ERISA plan accounts (PSP, 401K), various types of irrevocable and revocable trusts and foundations (and charitable trusts). We employ an income and value based selection process based upon individual company fundamentals, domestic and global economic conditions and other related macro views of the world. We employ the same basic strategy for all clients, but may make subtle modifications to our strategy for an individual client or client group based on circumstances specific to that client. Such circumstances include, but are not limited to, the desire to hold a higher level of cash than we may otherwise hold, unwillingness to hold stocks or bonds of specific companies or industries and the like.

#### Statement of Investment Philosophy:

PEG Capital Management's primary investment objectives are to preserve capital and to satisfy the minimum annual income requirement of each client, using a value and income oriented investment selection process. The primary emphasis is placed on the identification and selection of companies that offer unique and distinctive products or services that give them a strong market franchise. The preservation of capital objective is achieved by investing only in securities that: (1) enjoy a strong financial position; (2) have a history of paying dividends that are well covered by earnings and offer a competitive yield advantage compared to alternative investments; and (3) sell at a reasonable multiple of historic and current earnings, sales, and book values. Over the broad span of time, it should be noted, dividends have accounted for nearly half of the annual total return provided by common stocks in the United States.

Investments for PEG clients are made on an individual investment basis. That is, we invest in individual securities to create a portfolio for a client, only purchasing issues when they meet our selection criteria. Over the years, we have found that at any particular point in time, opportunities in the investment world are usually concentrated within a limited number of industries and companies. We seek to maximize opportunity by investing only in what we consider attractively valued companies and situations. Therefore, our portfolios tend to be more concentrated than many of our competitors.

Portfolio turnover among PEG client accounts is relatively low, averaging less than 20% per year. This equates to an average holding period of more than five years on individual investments. We analyze corporate fundamentals carefully and continuously, acting as investors rather than speculators. This keeps the costs of turnover low and has the further advantage to our taxable accounts of minimizing taxable changes.

The noteworthy result of the PEG Capital Management approach to investing has been superior performance, with long-term total returns in excess of the major market indexes. Our overriding objective is to achieve investment returns that are above those of the general market without taking undue risks.

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### Summary Characteristics and Objectives:

- ☐ Emphasis on companies that are unique and distinct.
- ☐ Portfolios characterized by company and industry concentration.
- ☐ Low portfolio turnover and long holding periods.
- ☐ Superior investment returns

PEG Capital Management does not participate in any WRAP fee programs. A WRAP fee program bundles together investment advisory, brokerage, custody, research and other service costs into a single fee. We provide, and charge our client, for investment advisory services only. Please see the sections titled: Fees and Compensation for a summary of our fees as well as an indication of what other fees you may encounter as a client.

As of December 31, 2011, PEG Capital Management Inc. had total "Regulatory Assets Under Management" of \$224,938,000.00 for "discretionary" accounts and had no (\$0.00) "non-discretionary" accounts.

### **Item 5 Fees and Compensation**

PEG Capital Management provides investment advisory services on a "percentage of assets" basis, using a sliding scale as follows:

Minimum account size \$500,000, minimum annual fee \$7,000.00 (billed quarterly in advance)

\$ 500,000	1.4%
\$ 500,001 - \$1,000,000	1.2%
\$1,000,001 - \$2,000,000	1.0%
\$2,000,001 and greater	Fee negotiable

We do allow for the grouping of related accounts where we allocate the various breakpoints over several accounts so that clients may reach the higher breakpoints and minimize fees. Groups are most often set-up or determined along family lines or common control. PEG Capital Management also reserves the right to deviate from this schedule and negotiate and set fees based upon specific circumstances as they arise. One such circumstance that frequently occurs is when an existing relationships brings to us a smaller account(s) that falls below our minimum account size. We will usually accept management responsibilities for the portfolio account, and wave the minimum fee regardless of size and allow for the account to be grouped with other accounts within the same relationship and benefit from the breakpoints in the fee schedule.

We invoice clients quarterly (January, April, July, October), in advance, based upon the portfolio balance at the end of the previous quarterly period. We offer two primary payment options to clients. The first option is for the client to pay us directly upon receipt of an invoice for our fees. The second options allows the client to authorize us through their independent custodian to submit invoices directly to the custodian for payment. Clients electing option #2 still receive a copy of their invoice by US Mail informing them of the fee and reminding them that payment was submitted to their custodian for payment from the managed account(s).

All of our relationships are "at-will", and a client may terminate their relationship with PEG Capital Management at any time. If such an event were to occur we agree to refund on a pro rata basis any unearned fees for the period that was prepaid. The termination date will be no sooner than the day on which we are informed by the client of their intent or wish to terminate the relationship, and may be extended to a future date if a client wishes us to assist in account liquidation or transfer.

Clients may incur ancillary fees, other than management fees, in the course of a relationship with PEG Capital Management. Other common fees are those levied by a broker or bank custodian in the form of custody fees or periodic account servicing fees. Brokers will also charge commissions on the buying and selling of securities, and both banks and brokers may charge a minimum commission or ticket charge on trades. Custodians may charge for printed monthly statements, online access to accounts and detailed tax reporting. We try to negotiate with specific brokers and

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custodians in advance to minimize or eliminate these fees when and wherever possible. Other fees may arise from the buying, selling or holding of mutual funds, money funds, closed end funds and exchange traded funds. Many of these funds will have management fees, transaction and other fees within the fund itself that are altogether separate from those charged by us. Certain fund structures allow for upfront collections of marketing fees and commissions, and can also levy withdrawal fees, all of which reduce the returns achieved from that investment by the client.

Neither PEG Capital Management or its key personnel receive any 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**

PEG Capital Management does not charge performance based fees to clients on the assets or accounts that it manages (Performance based fees are charges that would be based on a share of capital gains or capital appreciation of the managed assets of a client).

We also do not maintain any relationships or agreements where we would receive a cash payment(s) or other economic benefit(s) from non-clients in connection with advice to clients.

### **Item 7 Types of Clients**

At PEG Capital Management we offer to provide our services to a wide range of clients and client types. Our clients consist of:

- ☐ Individuals, couples and families
- ☐ Pension and Profit Sharing Plans
- ☐ Trusts and Estates
- ☐ Charitable Organizations
- ☐ Corporations, Partnerships and other business entities

New clients must meet a minimum account size and agree to pay a minimum fee as outlined previously under the section "Fees and Compensation". A client must sign an "advisory agreement" that covers the issue of the account size, advisory fee and gives PEG Capital Management the discretion to manage their account(s).

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

PEG Capital Management's primary investment objectives are to preserve capital and to satisfy the minimum annual income requirement of each client, using a value and income oriented investment selection process based largely upon traditional fundamental analysis. Our style of investing, as with any other, is subject to various uncertainties and involves the risk of financial loss by the client.

These traditional methods of financial analysis give due consideration to the following factors: P/E ratios, dividend yields, fixed charges coverage ratios, debt ratios, company financial statements, competitive conditions in a company's industry, bond market and money market trends, government policies and regulations, and other company specific and general economic factors.

The information sources principally relied upon include, but are not limited to, company press releases, quarterly and annual reports, conference calls, and SEC Filings; attendance at investor focused presentations; research reports and opinions of independent / 3rd party securities analysts; financial publications, newspapers and magazines; internet accessible subscription services that enhance the access to company regulatory filings as well as analyst and earnings conferences calls, and that compile data and compute ratios on securities of public companies. When deemed necessary to reach or form an opinion we may also resort to phone calls and visits with a company's management and officers to address open issues in our investment thesis.

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Our investment objectives lead us to invest mostly in the common stock of medium and large capitalization companies that meet the fundamental and dividend yield standards that we set for ourselves. We will also invest in corporate, municipal and United States Government debt on a more limited basis. With our particular style of investing there are several potentially material risks including:

- ☐ **Systematic risks (Economic risk, Market risk):** These are the risks associated with actual or anticipated changes in interest rates, domestic and global inflation, foreign currency and exchange rates, sociopolitical events such as war, terror attacks, pandemics or the like, and lastly liquidity which is simply the availability of a willing buyer for the asset you are wishing to sell.
- ☐ **Nonsystematic risks (Company or investment specific risk):** Risks that poor management decision making, internal personal or financial scandal, or that new or unexpected competition will negatively affect the company's revenues, profits or image. In many instances it is impossible for an investor to know all things about a company or stay fully abreast of the frequent changes that occur. These unknowns can also lead us to form an incorrect investment thesis on a company or security.
- ☐ **Idiosyncratic risk:** The continual adjustment of the price of a debt or equity security to fresh information entering the market.

### **Item 9 Disciplinary Information**

There are no legal or disciplinary events involving the company or its management personnel that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Legal or disciplinary events for purposes of this statement includes: criminal and civil actions and judgments, proceedings before the SEC or any other government agency, and any disciplinary action or fines imposed by a self regulatory organization (SRO).

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

Peter A. Sherlock, CFA is a shareholder of PEG Capital Management and the principal owner and President of Sherlock Investment Management, Inc. an Investment Advisory Firm in Brattleboro, VT. PEG Capital Management obtains support, securities research and portfolio analysis services from Mr. Sherlock.

Bryan F. McPherson, is an owner, officer, and employee of PEG Capital Management as well as the owner of an accounting Sole-Proprietorship in Lebanon, NH. Mr. McPherson is a former CPA and functions as the firm's internal accountant and compliance officer, performs office support and supervision, customer support as well as investment research and analysis.

Potential conflicts of interest may arise in the form of competing interest between these other business interests and PEG Capital Management for time and objectivity. We carefully monitor these activities with the appropriate related person to ensure no material conflicts of interest arise and that we are able to continuously meet our fiduciary responsibilities to clients.

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

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

##### **Purpose:**

To set forth standards of business conduct that reflects PEG Capital Management, Inc.'s fiduciary duties and responsibilities.

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### Requirements:

- 1) All personnel are to comply with all applicable federal securities laws. Laws can be viewed at [www.sec.gov](http://www.sec.gov) on the internet.
- 2) All personnel are to report (for review by the CCO) their securities holdings within 30 days of becoming an “access” person to comply with PEG Capital Management Inc.’s requirements regarding personal holding and transactions in securities. Quarterly securities transaction reports (purchase and sale reports) are required to be submitted by the end of the month immediate following the reporting period.
- 3) PEG Capital Management, Inc. prohibits participation by any employee in equity Initial Public Offerings (IPOs).
- 4) PEG Capital Management, Inc. requires that any employee immediately report, to PEG Capital Management Inc.’s designated Chief Compliance Officer (CCO), any violations, or suspected violation, of this Code of Ethics or the company’s policies and procedures.
- 5) This Code of Ethics requires employees to disclose to the CCO any potential conflict of interest with fellow employees, officers, clients or vendor and service providers that may arise within the normal course of business.
- 6) This Code of Ethics strongly prohibits employees from entering into any investment or trading strategy in marketable securities of any type that would run counter to the investments being managed on behalf of the company’s clients. Such strategies would include day-trading, swing-trading, option trading and short selling of specific equities held by clients, or equivalent activities with “focused” ETF’s that would in effect do the same thing (ie. Sector ETFs, inverse sector ETFs etc.)
- 7) PEG Capital Management, Inc. prohibits the use of material nonpublic information regarding the company’s recommendations or its client’s securities transactions.
- 8) PEG Capital Management, Inc. limits gifts received from those seeking to do business with the firm to only those of token value, limited to an estimated value of \$50.00 or less. Employees of PEG Capital Management, Inc. should also limit gifts and entertainment to current and potential clients to that which is conducted in the normal course of business (i.e. lunches, dinners, etc.).
- 9) PEG Capital Management, Inc. and its employees are expressly prohibited from making political contributions with the intent of influencing or directing business towards the company in any way.
- 10) Employees of PEG Capital Management, Inc. are encouraged to seek continuous professional education and training in relation to their position and role within the company.
- 11) Employees of PEG Capital Management, Inc. are encouraged to serve the community through their participation in local organizations.

### Participation in client transactions:

PEG Capital Management, Inc. may buy or sell securities for its clients in which applicant, its principals, or their families may have an interest as an investor in the same security. We do not however endeavor to sell to clients securities where the company, its principals, or their families receive a direct material benefit from the sale or holding of a security. That would include any situation where a related person acted as general partner in a partnership, or investment advisor for an investment or investment company of which we would buy securities or make investments for clients. We also do not receive compensation in any form for the placing of client transaction with specific Broker Dealers or based on measured volumes.



**Personal Trading by PEG Capital Management, Inc., its employees, officers and directors:**

Any and all “control” or “access” employees, and persons associated with PEG, including Officers and Directors, must abide by the following rules when entering into securities transactions:

- 1) No “control” or “access” person may purchase for his or her own or affiliated accounts, any security, in the course of “Initial public offering” by an issuer.
- 2) All “control” or “access” persons are required to maintain a record of all securities transactions in/for their own or any affiliated accounts and submit a listing of all transactions to the company on a (calendar) quarterly basis. Transactions involving the U. S. Government, or its agencies securities, are exempt from this rule.
- 3) All employees, Officers and Directors are prohibited from taking trading action that would be considered a violation of Section 204A of the Advisors Act of 1940 with regard to the misuse of material, nonpublic information.
- 4) Trades for PEG Capital Management, Inc., its Directors, Officers, or employees may be placed at the same time as client transactions and may be “bunched” with client transactions where commissions, trading costs, and proceeds are prorated.
- 5) No officers, directors or employee may undertake a securities transaction in their personal account(s) that would run counter to the interests of the company’s clients (ie. taking a short position on a client held security, buying or selling immediately before the client in the same security).
- 6) All “control” or “access” persons involved in the trading of client securities will be required to put on file with the company an end of year statement of securities holdings for each account they own, are the primary beneficiary of or maintain control (discretion). These statements should be filed with the company no later than 30 days following the end of the calendar year to which they apply. They must list the security ticker or description and the number of units; prices and amounts are not required.

**Item 12 Brokerage Practices**

PEG Capital Management is not affiliated with any bank or broker-dealer custodians. We will make recommendations of certain institutions for custody to current and prospective clients. These institutions are those with whom we have had a long and established relationship, where we are able to negotiate fair and reasonable costs and where we feel our clients will receive a highly personal and professional level of service. Client costs (excluding commissions) specifically associated with a bank are primarily custody or safe-keeping fees. Broker-Dealer custody fees are often “nil” or amount to only a small periodic account fee. With Bank custody we will often trade away from the bank using a broker-dealer with whom we have a strong relationship and pre-negotiated fee structure concerning commissions. Any broker-dealer we would recommend would provide similar commission structures and have similar capabilities.

PEG Capital Management will allocate brokerage and trading business to broker-dealers that offer to provide our clients with favorable trading terms (low fees and commissions, prompt response and efficient execution), a high perceived level of service, and/or provide applicant with market information and research (securities, market, economy, etc.). The commission rate on any particular transaction may not be the lowest rate obtainable because the broker-dealer selected may be providing the applicant with research and support services and/or because the total volume of applicants brokered business may not be sufficient to command the highest discounts.

PEG Capital Management has established relationships with several broker-dealers for purposes of trading, all at

relatively the same cost per share, and all of whom offer to provide research and market information in exchange for placing trades with them. All such exchange relationships are non-quantifiable, and do not have explicitly stated dollar or unit values associated with them. We do not consider in selecting a broker-dealer whether we receive client referrals from a broker-dealer or third party. Support, research and market information is intended to be used by us in providing investment advice and advisory services to all clients. However, not all research or support services from a particular broker-dealer will be used exclusively for the client(s) paying the commission(s) on a particular transaction to said broker-dealer. We receive a benefit to the extent that PEG Capital Management does not have to produce such products internally or compensate third-parties with our own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, because we have an incentive to direct client brokerage to those brokers who provide research and services we utilize, even if these brokers do not offer the best price or commission rates for our clients.

We have no relationships where we generate soft-dollars credits to be used to pay for products or services. PEG Capital Management has determined, in advance of entering into such relationships, that its trading activity is not entirely predictable and is largely dependent on market and economic conditions as well as individual client circumstances, and cannot accurately predict in advance the share volumes or potential value of commission dollars that can be generated. We have also determined that we should maintain relationships with several broker-dealers at all times so as not to face the potential risk of undue influence from an independent party on how we conduct our business or allocate brokerage and trading. We therefore try to allocate brokerage somewhat evenly among the selected broker-dealers.

The above does not apply to client directed brokerage. PEG Capital Management defines client directed brokerage as: a relationship where the client chooses, or has chosen, their own broker with whom trades need to be carried out within a single or small group of accounts. Typically in this type of relationship the client has established the fee structure(s) for the account(s) relating to transactions and trading and we can do little if anything to control the cost of execution, only the quality. We typically limit the price ranges within which a transaction can go off at client directed brokers.

PEG Capital Management often finds it necessary to trade through as many as 6 different brokers in order to execute a purchase or sale transaction for all managed accounts. This would include both company and client directed brokerage relationships. There is no predetermined method for selecting which custody/customer group will trade first. We will initiate trades through the various brokers one at a time so as not to risk creating competition in the market between clients at different brokers or custodians. We also attempt to achieve parity in pricing of the underlying security, before commissions, by attempting to restrict (limit) the brokers purchase or sale price per share when able. If we are unsuccessful at achieving the same pricing of a particular security when going through several different broker-dealers some clients may be unintentionally advantaged or disadvantaged based on the selected trading sequence.

Our approach to brokerage services and commission costs are governed by the following policy on "Best Execution":

- 1) It is our policy, and fiduciary duty, to seek the best execution for client transactions by doing some, or all, of the following:
  - A. Seeking to keep the total cost or proceeds the most favorable to the client under the circumstances.
  - B. Consider the full range and quality of a broker's services, including:
    - i. Value of research (soft dollar based)
    - ii. Execution capability
      - Block (combined) trades
      - Ability to accept and provide follow-up on price limit orders
      - Client account allocations
      - Price/cost averaging
    - iii. Commission rate(s)
    - iv. Responsiveness to our inquiries and requests.
      - Error correction(s), conflict resolution
      - Client needs
    - v. Availability of multiple methods of information delivery (mail, e-mail, fax or internet).
  - C. Recognizing that best execution is not always the lowest cost, but rather that it is the best qualitative execution available.

- 2) It is our policy to do everything we can to obtain "best execution" of client transactions, attempting to obtain the most favorable economic terms available. Factors affecting execution quality include:
- A. Price movement and level.
  - B. Speed and certainty of execution.
  - C. Commission rate and/or spread.
- 3) We will do our best to monitor transactions with respect to how they are executed on an ongoing basis as the order is executed, and note any disagreements with broker-dealers regarding execution. Monitoring will include noting the following:
- A. Monitor trading volume and commissions paid to broker-dealers through Axys.
  - B. Observing transaction prices vs. price levels when entering orders.
  - C. Monitoring execution practices of broker-dealers.
  - D. Insuring that transactions are in compliance with our disclosure statement.

### **Item 13 Review of Accounts**

**Review:** PEG Capital Management reviews individual security holdings in all client accounts on a continual basis in light of earnings and dividend reports, merger/takeover announcements, current business and economic reports, credit market developments and other relevant developments that may affect the current and prospective value of specific securities and their suitability for individual clients. This review process is directed and undertaken by Dr. Lemont K. Richardson and Bryan F. McPherson with the support of company staff. We also, through correspondence, visits and conversations with clients attempt to stay current with changes in individual client circumstances and to structure accounts accordingly within the "Investment Philosophy" followed by the company.

**Reports:** PEG Capital Management prepares, at regular six month intervals, performance evaluations and appraisals of all client accounts. These appraisals compare the total percentage returns (sum of dividends and interest, realized and unrealized gains and losses, less management fees and duly adjusted for net cash contributions and/or withdrawals) realized on individual client portfolios with the total percentage returns calculated by investment reporting services for the market indexes appropriate to the objectives of each account. These appraisals are then sent to each client along with appropriate explanatory notes and schedules. Clients also receive regular monthly statements and transaction confirmations directly from their chosen independent bank or broker-dealer custodian. We also receive copies of these documents, and reconcile our records to the custodian and resolve any discrepancies.

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

PEG Capital Management, Inc. may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. We require a written contract with each solicitor from whom we will accept introductions or referrals. Prior to executing an advisory agreement with a referred client for which we will be paying an independent person or firm a referral fee, we require the Solicitor to provide the then prospective client with a copy of this document (our Firm Brochure) and a separate Solicitors Disclosure Statement as required under SEC Rule 206 (4)-3, that includes the following information:

- ☐ the Solicitor's name and relationship with our firm;
- ☐ the fact that the Solicitor is being paid a referral fee;
- ☐ the amount of the fee (percentage of assets); and
- ☐ whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

It is PEG Capital Management Inc's policy not to accept or allow our related persons to accept any form of

compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

### **Item 15 Custody**

**Custody of Client Assets:** PEG Capital Management, Inc. does not maintain physical custody of client assets. PEG Capital Management encourages its clients to place all securities under management at a qualified (licensed) bank or brokerage firm custodian, in the client's own name. We maintain a list of all client assets under management, including those held directly by the client, if any, at all times. PEG Capital Management requires that a custodian send the client a statement of transactions and valuations, preferably on a monthly basis. PEG Capital Management will also receive, as an "interested party", a copy of such a statement for its portfolio management and reconciliation process.

**Receipt of client assets:** If, in the normal course of business, PEG Capital Management, Inc. may receive physical client assets, it will be the procedure of the firm to return such assets to the client as quickly as possible. Assets will be returned to the client either "in hand" or by courier with a delivery signature required.

**Payment of fees:** PEG Capital Management, Inc. may submit invoices directly to a client's custodian for payment only if the client has allowed for it to do so. A client must sign an authorization with the custodian to allow PEG to submit its client's invoice directly to the custodian for a payment to be initiated. We do not at any time hold authorization to debit an account electronically. Anytime a client chooses to terminate its relationship with PEG Capital Management the company will promptly provide a refund to the client for any unused, pro rata, share of its current quarterly fee.

### **Item 16 Investment Discretion**

PEG Capital Management requires all clients to complete an "Advisory Agreement" allowing us full discretion over the account(s) that we will manage. This discretion allows to to initiate purchase and sale transactions within an account without prior notification to the client.

Our discretionary authority includes the ability to do the following without contacting the client:

- ☐ selection of the broker through whom we will initiate a transaction
- ☐ determine the security to buy or sell; and/or
- ☐ determine the amount of the security to buy or sell

As stated previously we only provide our services on a discretionary basis. We do on certain rare occasions choose to contact a client prior to initiating a transaction. This occurs on a case by case basis and often arises in situations where a client may experience significant capital gain and therefore taxes resulting from the sale of a security, or has expressed concern over our buying securities in a certain company or industry.

### **Item 17 Voting Client Securities**

PEG Capital Management, Inc. may in certain situations have been given the authority to vote proxies on behalf of its clients. PEG Capital Management will ensure that corporate actions and proxies are monitored and that client proxies are voted in the best interests of the client. The responsibility of voting the client proxy(s) will rest with the individual designated by the company.

The "designee", in ensuring that the client proxy is voted in the best interest of the client, will review the proxy material(s) and may vote on the following and other issues:

- ☐ Corporate governance matters.
- ☐ Changes to capital structure.
- ☐ Stock option plans and other compensation issues.
- ☐ Social and corporate responsibility issues.

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It will be the policy of PEG Capital Management, Inc. to vote proxies in the best interest of the client. This will most certainly mean that, from time to time, PEG Capital Management, Inc. will be voting against the recommendations of management, especially regarding the issue of management compensation.

In any event where the “designee” perceives a conflict of interest in a specific proxy matter, the company will disclose to the client the specifics of the conflict and obtain the client consent before voting the proxy.

Clients who want to review a record of a proxy voted on their behalf may contact PEG Capital Management, Inc. at any time to receive that information. All client will receive as part of their 1st quarterly invoice an offer to obtain a copy of our policy and procedures regarding client proxy voting.

Records of proxy statements received, records of votes cast, records of all communications received and all documents created that were material to the voting decision, and a record of each client’s written or oral requests for proxy voting records and PEG Capital Management, Inc.’s written response to requests will be maintained at PEG Capital Management, Inc. for five years.

### **Item 18 Financial Information**

PEG Capital Management does not require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a Balance Sheet or Statement of Financial Position. Currently we solicit payment from all of our accounts on a quarterly basis three months in advance.

Since we maintain discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. PEG Capital Management has no additional financial circumstances to report.

We have not been the subject of a bankruptcy petition at any time during the past ten years.

**PEG Capital Management, Inc.**

**Form ADV Part 2B**  
**Brochure Supplement**

Lemont K. Richardson

96 Sawyer Hill Road  
Canaan, NH 03741

Phone: 603-523-9642

This brochure supplement provides information about Lemont K. Richardson that supplements the PEG Capital Management, Inc. brochure. You should have received a copy of that brochure. Please contact Bryan F McPherson if you did not receive PEG Capital Management, Inc.'s brochure or if you have any questions about the contents of this supplement.

### PEG Capital Management, Inc.

#### Educational Background and Business Experience

Lemont K. Richardson, President and CEO, Director

Date of Birth: May 25, 1930;

#### Formal Education after High School:

- ☐ Reed College, Portland Oregon (1948-50),
- ☐ University of Wisconsin, Madison, WI (1950-52) B.A.
- ☐ Cornell University, Ithaca, NY (1952-53) M.A.
- ☐ University of Wisconsin, Madison, WI (1953-56) Ph.D.;

#### Business background, preceding five years:

- ☐ President/CEO PEG Capital Management, Inc.
- ☐ Sole proprietor, Richardson Associates

#### Disciplinary Information

None

#### Other Business Activities

None

#### Additional Compensation

None

#### Supervision

Lemont K. Richardson is the senior most person in PEG Capital Management and is not subject to the direct supervision of any one person within the company. PEG Capital Management has created and instituted numerous policies and procedures, with the input of Mr. Richardson and other individuals employed at the company, meant to provide a meaningful system of checks and balances over the adequacy and appropriateness of the services we provide to clients. Compliance with these procedures is the responsibility of the CCO, Bryan McPherson (603-523-4303).