

# Sports & Entertainment Investment Advisers, LLC

ADV Part 2A, Brochure  
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**This Brochure provides information about the qualifications and business practices of Sports & Entertainment Investment Advisers, LLC. If you have any questions about the contents of this Brochure, please contact us at (845) 369-9422 or cbarba@pegasusassetmgt.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 Sports & Entertainment Investment Advisers, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Sports & Entertainment Investment Advisers, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.**

## Item 2           Material Changes

Since the most recent annual amendment on March 16, 2018, this Disclosure Brochure has been materially amended at Item 4 to reflect a change in the firm's ownership structure. In addition, this Disclosure Brochure has been amended at Items 5 and 10 to remove references to registered representatives of broker-dealers and associated conflicts of interest.

**Sports & Entertainment Investment Advisers, LLC's Chief Compliance Officer, Courtney J. Barba, remains available to address any questions that a client or prospective client may have regarding this Brochure.**

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#### **Item 4            Advisory Business**

- A. Sports & Entertainment Investment Advisers, LLC, (the “Registrant”) is a limited liability company formed on October 31, 2016 in the State of New York. The Registrant became registered as an Investment Adviser Firm in January 2017. The Registrant is owned by Pegasus Asset Management, Inc. and Sports & Entertainment Capital, LLC. John M. Sebastiano, Rodd D. Berro, and Brian Heal are the Registrant’s indirect owners.
- B. As discussed below, the Registrant, through its affiliated SEC registered investment advisor, Pegasus Asset Management, Inc. (“Pegasus”) (SEC File No. 801-3186, CRD# 104766) offers to its clients (currently: individuals and pension and profit sharing plans.) investment advisory services. The Registrant does not hold itself out as providing financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant, pursuant to the sub-advisory agreement between Registrant and Pegasus, to provide discretionary investment advisory services on a fee basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management. Before Registrant provides investment advisory services, an investment adviser representative will ascertain each client’s investment objectives. The Registrant will then allocate investment assets consistent with the designated investment objectives to be managed by Pegasus. Once allocated, the Registrant provides ongoing monitoring and review of asset allocation as compared to client investment objectives.

#### **MISCELLANEOUS**

**Limitations of Financial Planning and Non-Investment Consulting / Implementation Services.** Although the Registrant does not hold itself out as providing financial planning, estate planning or accounting services, to the extent specifically requested by the client, the Registrant, pursuant to the sub-advisory agreement between Registrant and Pegasus may provide limited consultation services to its investment management clients on investment and non-investment related matters, such as estate planning, tax planning, insurance, etc. Registrant shall not receive any separate or additional fee for any such consultation services. Neither the Registrant, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of the Registrant’s services should be construed as legal, accounting, or insurance brokerage services. Accordingly, Registrant does not prepare estate planning documents, tax returns, or sell insurance products. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including certain of the Registrant’s supervised persons in their separate individual capacities as licensed insurance agents. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. The preceding sentence shall not limit or waive any applicable rights under federal or state law, including securities laws and fiduciary obligations that cannot be limited or waived.

**Sub-Advisor Arrangement.** The Registrant is affiliated with Pegasus Asset Management, Inc. (SEC# 801-3186, CRD# 104766) (“Pegasus”), and Pegasus Group, LLC (SEC# 801-60436, CRD# 113499), both of which are registered investment adviser firms. Registrant shall engage Pegasus to provide investment management services on a sub-advisory basis according to the terms and conditions of a written Sub-Advisory Agreement. With respect to its sub-advisory services, Registrant will maintain both the initial and ongoing day-to-day relationship with the client, including initial and ongoing determination of client suitability for the client’s designated investment strategies and/or programs. **The Registrant’s Chief Compliance Officer, Courtney J. Barba, remains available to address any questions concerning the Registrant’s sub-advisory arrangements.**

**Cash Positions.** Registrant may maintain cash and cash equivalent positions (such as money market funds) for defensive and liquidity purposes. Unless otherwise agreed in writing, all such cash positions are included as part of assets under management for purposes of calculating the Registrant’s advisory fee.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client’s other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant’s previous recommendations and/or services.

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client’s best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance and changes in the client’s investment objectives. Based upon these and other factors, there may be extended periods of time when Registrant determines that changes to a client’s portfolio are neither necessary nor prudent. Notwithstanding, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s).

**Disclosure Statement.** A copy of the Registrant’s written disclosure statement as set forth on Part 2 of Form ADV shall be provided to each client before, or contemporaneously with, the execution of the Investment Advisory Agreement.

- C. The Registrant shall provide investment advisory services tailored to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client’s investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant’s services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2018 the Registrant had \$4,750,574 in assets under management on a discretionary basis.

## Item 5 Fees and Compensation

A.

### INVESTMENT ADVISORY SERVICES

If a client determines to engage the Registrant, through Pegasus, to provide discretionary investment advisory services on a non-negotiable *fee* basis, the Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management (between 0.50% and 1.25%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$1,000,000	1.25%
Next \$1,000,000	1.00%
Next \$1,000,000	0.75%
Over \$3,000,000	0.50%

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant generally recommends that Charles Schwab and Co., Inc., an SEC-registered and FINRA member broker-dealer ("Schwab") and its affiliates serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity, certain exchange traded fund and fixed income securities transactions). In addition to Registrant's investment advisory fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level and disclosed in the applicable prospectus (i.e. management fees and other fund expenses). The fees charged by the applicable broker-dealer/custodian, and the charges imposed at the fund level, are in addition to Registrant's investment advisory fees referenced in this Item 5.
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant does not require a minimum annual fee or asset level for investment advisory services. The Investment Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.
- E. Neither the Registrant nor any of its supervised persons accept compensation from the sale of securities or other investment products.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7                    Types of Clients**

The Registrant's clients currently include individuals, trusts, and estates, and pension and profit sharing plans. The Registrant does not require a minimum annual fee or asset level for investment advisory services.

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

A. The Registrant may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear, including the complete loss of principal investment. Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s). Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies.

B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of

market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

- C. Currently, the Registrant, through Pegasus, primarily allocates client investment assets among various individual equity and fixed income securities, and, to a lesser extent, among various mutual funds and exchange traded funds on a discretionary basis in accordance with the client's designated investment objectives. Each type of investment has its own unique set of risks associated with it, and it would not be possible to describe the specific risks of every type of investment. However, the following provides a short description of some of the underlying risks associated with the types of investments that Pegasus uses or recommends:

Market Risk. The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors), but may also be incurred because of a security's specific underlying investments. Additionally, each security's price can fluctuate based on market movement, which may or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

Unsystematic Risk. Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not guarantee better performance and cannot eliminate the risk of investment losses.

Value Investment Risk. Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

Growth Investment Risk. Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

Small Company Risk. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Commodity Risk. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

Foreign Securities and Currencies Risk. Foreign securities prices may decline or fluctuate because of: (i) economic or political actions of foreign governments, and/or (ii) less regulated or liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

Interest Rate Risk. Fixed income securities and fixed income-based securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices tend to fall. When interest rates fall, fixed income security prices tend to rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Inflation Risk. When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

Reinvestment Risk. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate), which primarily relates to fixed income securities.

Credit Risk. The issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and impact performance. Credit risk is considered greater for fixed income securities with ratings below investment grade. Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.

Call Risk. During periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.

Regulatory Risk. Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. For example, changes in zoning, tax structure or laws may impact the return on investments.

Mutual Fund Risk. Mutual funds are operated by investment companies that raise money from shareholders and invest it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. In addition, the client's overall portfolio may



be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

Exchange Traded Fund Risk. ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: (i) an ETF's shares may trade at a market price that is above or below its net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

Registrant may also engage Pegasus to allocate investment management assets on a discretionary basis among one or more of its asset allocation models described below. Each model will be monitored and periodically adjusted at Registrant's discretion based upon the respective investment objectives:

Conservative: The primary emphasis is generating a stable level of current income, with future capital appreciation serving as a secondary objective. Modest annual principal fluctuation is expected and acceptable. The model will consist of a determined allocation among equities, fixed income, and cash, with a primary focus on fixed income.

Moderate: The primary emphasis is on current income with future capital appreciation serving as a secondary objective. Principal risk and fluctuation is expected and acceptable over the intended investment time horizon (at least 5 years). The model will consist of a determined allocation among equities, fixed income, and cash.

Growth and Income: The primary emphasis is on future capital appreciation with income as a secondary objective. Principal risk and fluctuation is expected and acceptable over the intended long-term investment time horizon. The model will consist of a determined allocation among equities, fixed income, and cash, with a primary focus on equities. Allocation subject to change at discretion of Adviser dependent upon market conditions.

Growth: This strongly emphasizes future capital appreciation. Principal risk and fluctuation is expected and acceptable over the intended long-term investment time horizon. The model will consist of a determined allocation among equities, fixed income, and cash, with a primary focus on equities.

The asset allocation model management administration has been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to Registrant when engaging Pegasus to manage its client assets in conformity with asset allocation models:

1. Initial Interview – at the opening of the account, Registrant, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;

2. Individual Treatment - the account is managed on the basis of the client's financial situation and investment objectives;
3. Quarterly Notice – at least quarterly Registrant shall notify the client to advise Registrant whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
4. Annual Contact – at least annually, Registrant shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
5. Consultation Available – Registrant shall be reasonably available to consult with the client relative to the status of the account;
6. Quarterly Report – the client shall be provided with a quarterly report for the account for the preceding period;
7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct Registrant not to purchase certain securities;
8. No Pooling – the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
9. Separate Account - a separate account is maintained for the client with the custodian;
10. Ownership – each client retains indicia of ownership of the account (e.g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

The Registrant believes that the applicable investment advisory fee for this service is reasonable in relation to: (1) the advisory services provided; and (2) the fees charged by other investment advisers offering similar services/programs. However, the annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to the annual investment advisory fee, the client will also incur charges imposed directly at the mutual and exchange traded fund level (e.g., management fees and other fund expenses). **Please Note:** The asset allocation models may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.

## **Item 9           Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

- C. **Other Investment Advisor.** As indicated in Item 4 above, the Registrant is affiliated with Pegasus Asset Management, Inc. (SEC# 801-3186, CRD# 104766), and Pegasus Group, LLC (SEC# 801-60436, CRD# 113499), both SEC-registered investment adviser firms. Registrant shall engage Pegasus Asset Management, Inc. to provide investment management services on a sub-advisory basis. This arrangement does not present a conflict of interest, because clients do not incur additional or increased advisory fees as a result.

**Licensed Insurance Agents and Affiliated Insurance Agencies.** Certain of the Registrant's supervised persons, in their individual capacities are licensed insurance agents. Clients can choose to engage these supervised persons, in their individual capacities, to purchase insurance products on a commission basis. The recommendation by Registrant's supervised persons, that a client purchase an insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions received, rather than on a particular client's need. No client is under any obligation to engage the services any supervised person in their individual capacities as licensed insurance agents. Furthermore, clients are reminded that they may purchase insurance commission products recommended by Registrant through other, non-affiliated insurance agents.

The Registrant is affiliated with Major League Financial Group and The Heal Agency, both licensed insurance agencies (the "agencies"). The Registrant may refer certain clients to either of the agencies for insurance services/products. The recommendation by the Registrant that a client engage either of the agencies for insurance needs presents a conflict of interest as Brian Heal, an indirect owner of the Registrant, may receive a direct economic benefit from any such referral. No client is under any obligation to engage the services of either of the agencies. Furthermore, clients are reminded that they may purchase insurance commission products recommended by Registrant through other, non-affiliated insurance agencies. **The Registrant's Chief Compliance Officer, Courtney Barba, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest**

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a

material financial interest.

- C. The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation presents a conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed before those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation presents a conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant and Pegasus generally recommend that investment management accounts be maintained at Schwab. Before engaging Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant and Pegasus consider in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant’s clients shall comply with the Registrant’s duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. 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 the broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee.

1. Non-Soft Dollar Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant receives from Schwab (or could receive from other broker-dealer/custodians, unaffiliated investment managers, vendors, investment platforms, and/or product/fund sponsors) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. The support services that Registrant obtains can include: investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or free consulting services, discounted and/or free travel and attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations. As referenced above, certain of the support services and/or products that may be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise. The receipt of these support services and products presents a conflict of interest, because the Registrant may be incentivized to recommend that clients utilize Schwab as a broker-dealer/custodian based upon its interest in receiving ongoing support services and products, rather than based on a client's particular need. However, Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. **The Registrant's Chief Compliance Officer, Courtney J. Barba, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interest presented.**

2. The Registrant does not receive referrals from broker-dealers.

3. Directed Brokerage. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, clients may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. If the client directs Registrant to effect securities transactions for the client's accounts through a

specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts. **The Registrant's Chief Compliance Officer, Courtney J. Barba, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. Transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on a monthly basis by Rodd D. Berro, John M. Sebastiano, and Brian Heal. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial issues, investment objectives and account performance with the Registrant on an annual basis, as applicable.
- B. The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. Those clients to whom Registrant provides investment advisory services will also receive a quarterly report from the Registrant.

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

- A. As referenced in Item 12.A.1. above, the Registrant receives economic benefits such as support services and/or products without cost or at a discount from Schwab. Registrant can also receive similar support services and/or products from various other broker-dealers/custodians. Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab or any other broker-dealers/custodians or other entities as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result

of the above arrangements. **The Registrant's Chief Compliance Officer, Courtney J. Barba, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interest presented.**

- B. Neither the Registrant nor related persons of the Registrant compensate non-supervised persons for client referrals.

## **Item 15 Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. Those clients to whom Registrant provides investment advisory services will also receive a quarterly report from the Registrant.

To the extent that the Registrant provides clients with periodic account statements or reports, Registrant urges clients to carefully review those statements and compare them to custodial account statements. Registrant's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The account custodian does not verify the accuracy of the Registrant's advisory fee calculations.

## **Item 16 Investment Discretion**

Clients are required to engage the Registrant on a discretionary basis in order to provide investment advisory services. Before Registrant assumes discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, granting the Registrant limited power of attorney to transact within the client's designated accounts, such authority shall allow the Registrant to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account. Clients may, at any time, impose restrictions, **in writing**, on the Registrant's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

## **Item 17 Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

**Item 18          Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Courtney J. Barba, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**