Part 2A of Form ADV: Firm *Brochure*

Item 1 Cover Page

Pegasus Investment Management
Client Brochure
May 27, 2011

This brochure provides information about the qualifications and business practices of Pegasus Investment Management LLC. If you have any questions about the contents of this brochure, please contact Douglas Saksa at (206) 842-9328 or by email at: dsaksa@pegasusllc.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 Pegasus Investment Management also is available on the SEC's website at: www.adviserinfo.sec.gov.

Pegasus Investment Management
9328 Ferncliff Avenue
Bainbridge Island, WA 98110
(206) 842-9328
dsaksa@pegasusllc.com

Registration as an Investment Adviser does not imply a certain level of skill or training.

Item 2 Material Changes

There are no material changes since the May 25, 2010 update.

Table of Contents

Item 1: Cover Page i
Item 2: Material Changes ii
Item 3: Table of Contents iii
Item 4: Advisory Business 1
Item 5: Fees and Compensation 2
Item 6: Performance Based Fees and Side-By-Side Management 3
Item 7: Types of Clients 4
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss 5
Item 9: Disciplinary Information 6
Item 10: Other Financial Industry Activities And Affiliations 7
Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal Trading 8
Item 12: Brokerage Practices 9
Item 13: Reviews of Accounts 10
Item 14: Client Referrals and Other Compensation 11
Item 15: Custody 12
Item 16: Investment Discretion 13
Item 17: Voting Client Securities (Proxy Voting) 14
Item 18: Financial Information 15
Item 19: Requirements for State- Registered Advisers 16
A. Principle Executive Officer and Owner
B. Other Businesses Engaged In
C. Performance Based Fee Calculation
D. Involvement in Arbitration or Civil, Self-Regulatory or Administrative Proceeding
E. Additional Relationships or Arrangements with any Issuer of Securities

Item 4 Advisory Business

Pegasus Investment Management LLC (PIM) is currently owned 100% by Douglas Saksa and is the sole General Partner of Pegasus Investment Partners LP (PIP), which was started in June of 1982. PIP is a long-short hedge fund open to investors who are both accredited and qualified clients (please see Item 7 for an explanation of these terms). PIP's focus is on large to mediums sized growth stocks long and short. Withdrawal is available quarterly with 30 days notice. Investment objectives are capital preservation and growth. PIM is registered as a Commodity Pool Operator and uses futures for up to 10% of PIP's equity. Fees are .25% quarterly and 20% of the profits when client funds are above 12 month high water marks. As of 12/31/11 PIP equity was $4,619,363.

Types of clients that generally invest in the fund include high net worth individuals and retirement accounts.

PIM currently has no investment advisory clients or Commodity Trading Advisor clients but is open for potential business in this area. Advisory fees are 1% per annum and are negotiable. CTA fees are negotiable.

Item 5 Fees and Compensation

The PIP management fee is 0.25% per quarter, payable at the end of the quarter. When the fund is down for the quarter, the fee is based on beginning equity and when the fund is up, it is based on average equity (beginning plus ending divided by 2).

Advisory fees on separately managed accounts are 0.25% per quarter, payable at the end of the quarter and are negotiable. Such fees are billed to the client following the end of the quarter, based on account values at the end of the quarter.

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

PIP has a performance fee of 20% of the profits on individual partner accounts that are at all time highs over the prior 12 months after management fees at the end of any quarter.

We currently do not manage any other assets and therefore there are no side-by side conflicts.

Item 7 Types of *Clients*

PIP investors must be both accredited and qualified. Accredited investors must have a net worth or joint net worth of $1 million or more exclusive of principle residence and income over $200,000 (single) and $300,000 (married) for the past two years, with the expectation that this income will be maintained. A qualified client must have a net worth of $1.5 million. The minimum investment in the fund is $250,000, subject to General Partner discretion to accept lesser amounts.

Advisory clients, of which there are currently none, would be tend to be individuals, high net worth individuals and individual retirement accounts. Minimum account size of $100,000, but negotiable.

Commodity Pool Operator and Commodity Trade Advisor clients are not currently clients, but would tend to be individuals with significant assets, high net worth individuals or institutions, where fees are negotiable.

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

The partnerships invest a large percentage of its assets in high quality growth stocks based on fundamental and technical analysis. The Fund acquires stock positions in a diverse array of attractive industries that appear undervalued relative to accelerating earnings prospects. We utilize a top down strategy to select the best industries, based on our view of the current and future economic climate. The general partner performs an analysis with input from research firms, investment services, and fellow investment professionals to select undervalued companies in those industries with accelerating earnings growth. The fund initiates short sales in weak industry segments. The fund also employs short sales to generate profits and serve as a hedge against long positions. The fund targets stocks in the weakest industry segments that appear overvalued relative to deteriorating fundamentals. The fund uses stock index futures to help protect the portfolio against stock market declines. During declines, futures are sold short, and then bought back at lower levels to generate profits. Leverage, employed through the use of futures, is not excessive and is limited to 10 percent of the total equity of the Fund. Because market fluctuations are generally a factor influencing stock performance, futures can be utilized to respond quickly to changing conditions. During bull markets, long stock positions drive fund performance, while shorts may be liquidated at small losses. During stock market declines, long positions are liquidated when they stop performing. Simultaneously, short positions are increased as they become more profitable.

Risk of Loss:

The RISK OF LOSS IS SUBSTANTIAL AND THE INVESTOR CAN LOSE THE ENTIRE INVESTMENT. While losses are taken quickly before they become large on individual positions, the higher turnover increases commission costs and the potential for being whipsawed relative to low turnover funds. The fund is highly diversified and is rarely more than 100% net long, with equity exposure averaging about 70%

Specific company risk: There is always the possibility that an individual company will unexpectedly become bankrupt or stop trading for other negative reasons with the result that the entire investment will be lost.

Trading losses: The fund does have a high trading turnover and trading decisions can result in substantial loss.

Trading costs: Differences between the bid and ask can result in substantial losses in high turnover funds such as Pegasus.

Trading Commissions: Brokerage commissions can over time result in substantial expenses for in high turnover funds.

Margin Costs: High margin costs can result in substantial expenses for the fund over time and lead to substantially lower investment returns.

Political and Economic Events: Individual stocks, the stock market and futures can be closed for extended periods of time as a result of negative political or economic events and there can be substantial losses or total loss upon reopening.

Short selling risk: Stocks that are sold short can rise substantially in price as a result of positive economic or specific company news. Stock prices can rise dramatically as a result of a takeover, creating big losses if the company is held short.

Item 9 Disciplinary Information

Pegasus Investment Management LLC (PIM) Douglas Saksa and Peter Bortel have agreed to sign an order instituting an administrative cease and desist proceeding pursuant to sections 203(e),(f) and (k) of the Investment Advisers Act of 1940 relating to a consulting relationship during 2008-09, but the agreement has not received final approval from the SEC. The order is for PIM to pay $90,000 plus interest, for Bortel to pay a fine of $50,000 and for Saksa to pay a fine of $25,000 to the US Treasury. PIM and Bortel violated section 206(2) of the Investment Advisers Act, while Saksa failed to reasonably supervise Bortel within the meaning of Section 203(e)(6). While the Pegasus Investment Partners LP (PIP) offering memorandum did indicate that PIM was able to pursue other businesses, the specific nature of the consulting relationship was not disclosed. PIP is managed by PIM. The consulting relationship involved PIM helping Alchemy Ventures (The firm) to develop its futures software trading platform and futures investment strategy through allowing The firm to discuss and view our futures trading after the end of the trading day. In addition, Mr. Bortel worked with the firm to assess other managers and stock ideas. Our verbal agreement with Alchemy was that they paid us based on their assessment of the value of our work in developing their futures business (which grew dramatically from nothing when we were first hired). Alchemy traders and Pegasus used the same futures brokerage firm and initially both received lower rates as a result of the increased volume. Later, as Alcehmy's futures business grew, Alchemy traders received even lower rates based on their higher volume. Several months after the consulting relationship was terminated, and in the midst of the SEC investigation, Alchemy stated that the firm's payments for PIM's services in developing its futures platform and strategy was based on 50 cents per Pegasus futures trade. PIM had assumed the payments received were based on Alchemy's assessment of the value of the services PIM rendered to Alchemy and was not related to PIP trading. The specific details of the consulting relationship with Alchemy should have been disclosed to PIP investors. PIM did not know what futures commission rate Alchemy traders were paying, but we believed we were receiving competitive rates and we certainly had every incentive to get the lowest rates available given that the Saksa and Bortel families were the two largest investors in the fund.

Item 10 Other Financial Industry Activities and Affiliations

PIM is registered as a Commodity Pool Operator and a Commodity Trading Advisor.

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

PIM's Code of Ethics will be provided to any client or prospective client upon request.

The Code of Ethics states that client interests must always come first and that clients must be informed of any potential conflicts of interest. Douglas Saksa has all of his investable assets and retirement accounts invested in PIP and does not trade in other personal accounts and, as the fund's largest investor, has every incentive to act in the fund's best interest. PIP is currently the only account managed by PIM.

Item 12 Brokerage Practices

PIM considers commission rates, financial stability and ability to service the account when selecting a broker. PIM attempts to get a competitive rate relative to the quality of services provided by periodically checking rates available at other brokers. The PIP offering memorandum sets forth criteria used to select brokers in greater depth and informs investors that we may not be trading at the lowest possible rate.

PIM uses soft dollars relating to investment research and portfolio transactions that are deemed beneficial to the fund. This is a possible conflict of interest because it is possible that commission rates could be lower, if such research and transaction services were not paid by the broker. The soft dollar services provided include a trading platform, associated quotes, graphics charting and a service that provides fundamental research inputs. Only our prime broker (Alchemy/Penson) is used for soft dollars.

Client referrals have not been received from brokers.

There has been no directed brokerage.

Item 13 Review of Accounts

PIP, the only client, is reviewed around the clock and every minute of the day during trading hours. Douglas Saksa performs all reviews. My approach involves reducing or eliminating positions that are not working based on technical analysis and fundamental inputs. Initial selection of investments is based on fundamental and technical analysis.

PIP investors receive quarterly reports from PIM and our accounting firm, Licarr & Co. of Chicago PIP investors receive annual audited reports by DeCosimo & Co. of Chattanooga within 120 days of the end of the fiscal year. The information set forth in the quarterly statements includes:
-the beginning portfolio balance of the fund;
-all individual transactions in the account if the Fund for the period;
-the amount of funds and each security held by the fund at the end of the period;
-the limited partner's respective interest (and percentage interest) in
The Fund and securities in the fundat the beginning and end of the period; and
-the calculation of thre quarterly management fee, and any performance based fee charged against the limited partner's capital account.

Item 14 *Client* Referrals and Other Compensation

There are no current client referrals, other arrangements or other compensation.

Item 15 *Custody*

Penson Financial is the custodian for PIP

Item 16 Investment Discretion

Investors in PIP sign a subscription agreement as part of the PIP offering memorandum which provides PIM with investment discretion as set forth in the document.

Item 17 Voting *Client* Securities

PIM, with rare exception, votes PIP securities as recommended by the Board of Directors of the company in question. PIM also liquidates positions if it disapproves of company management policies.

Item 18 Financial Information

PIM does not solicit or require prepayment of fees, has never been subject to a bankruptcy petition and is well able to meet contractual obligations to clients. Balance sheet available upon request.

Item 19 Requirements for State-Registered Advisers

A. Principle Executive Officer and Owner: Douglas Saksa, See ADV, Part 2 Douglas Saksa, born in 1945, has a BS in Psychology from the University of Washington and an MBA in Finance from Columbia University and has been the General Partner of PIP since 1982.

B. Other Businesses Engaged In:PIM is not engaged in any business not set forth in this form ADV, . Part 2A.

C. Performance Based Fee Calculation: A performance fee of 20% of an investor's account in reallocated to PIM's account when the investor's account is up over a 12 month period to new all time highs (after management fees). This may incent PIM to increase risk, but it may also incent PIM to minimize losses in that the fee will not be paid if the losses are such that it would be more difficult to attain new all time highs.

D. Involvement in Arbitration or Civil, Self-Regulatory or Administrative Proceedure: See Item 9.

E. Additional Relationship or Arrangements with any Issuer of Securities: None.