

DISCLOSURE BROCHURE

COVER PAGE
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ITEM 1

This Disclosure Brochure provides information about the qualifications and business practices of Pearson Capital, Inc., which should be considered before becoming a client. You are welcome to contact us should you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Pearson Capital, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator.

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BROCHURE
DATED
1
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MATERIAL CHANGES

ITEM 2

There have been no material changes made to this document since the last revision date indicated on the cover of this Disclosure Brochure.

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ADVISORY BUSINESS

Who We Are

Pearson Capital, Inc. (hereinafter referred to as “the Company”, “we”, “us” and “our”) is a fee-only registered investment advisor¹ offer private portfolio management services to assist you, our client², achieve your financial goals.

Our History

In the late 1950s, Walter D. Pearson began First New England Securities, Co. in Southbridge, Massachusetts as a full-service brokerage house and stock management company. In the mid-1970s, Walter Pearson relocated to Florida and in 1982 began publishing the Pearson Investment Letter. In 1990, Pearson Capital Management was formed as a Sole Proprietorship to offer investment advisory services and in August of 1998, the firm’s name was changed to Pearson Capital and was incorporated as a Florida corporation.

Owners

The Company is controlled by the following person:

Name	Title	CRD#
Walter D. Pearson	Chairman	358989
Donald E. Pearson	President/CEO & Chief Compliance Officer	3161464

Assets Under Management

As of January 1, 2011, our assets under management totaled:

Client Discretionary Managed Accounts..... \$25,126,000

We do not offer non-discretionary investment management services.

Our Mission

Our mission is to enhance investment performance by structuring investment strategies designed to assist you retain maximum control over your wealth in a manner appropriate with your given level of risk.

¹ The term “registered investment advisor” is not intended to imply that Pearson Capital, Inc. has attained a certain level of skill or training. It is used strictly to reference the fact that we are “Registered” as an “Investment Advisor” with the United States Securities & Exchange Commission - and “Notice Filed” with such other State Regulatory Agencies that may have limited regulatory jurisdiction over our business practices.

² A client could be an individual and their family members, a family office, a foundation or endowment, a corporation and/or small business, a trust, a guardianship, an estate, another fiduciary or any other type of entity to which we choose to give investment advice.

What We Do

We offer portfolio management services that stress fiscal responsibility and disciplined economic choices to protect your monetary needs for today, tomorrow, and in the future. Our central duty is to manage your wealth and assist you in making intelligent, informed decisions on the complex financial options available in today's economic environment. We provide this service through:

- ❖ Investment management tactics designed to take advantage of the current economic environment.
- ❖ Risk management strategies that reduce the fluctuations and volatility of investment returns based on your risk tolerance level.
- ❖ Monitoring the investment performance of such management strategies.

How We Get to Know You

We get to know you through one-on-one consultations to discuss issues such as your current income and expenses, career, personal goals, investment return expectations and prior investment experience. In addition, we have you complete a Confidential Client Profile questionnaire³, as asked for in our Investment Management Agreement, to provide us a picture of your financial needs.

With the complexity of today's marketplace, it is critical for us to understand who you are and what you want to accomplish financially. We must have a clear picture of your unique financial composition and risk tolerance so that we can develop a successful portfolio management strategy.

Our meetings with you to discuss your finances will help to eliminate much of the guesswork in achieving the security and independence you desire and simplify your financial alternatives. In return, we will have:

- ❖ Defined and narrowed objectives and investment options;
- ❖ Identified areas of greatest distress;
- ❖ Developed a strategy for addressing concerns about the future;
- ❖ Cultivated peace of mind; and,
- ❖ Created a unique picture of your overall economic personality.

Once your financial parameters have been identified, a unique asset allocation mix will be designed for you based on your investment expectations and risk tolerance. Your Confidential Client Profile that outlines your risk tolerance, time horizon, and investment return expectations will guide us in the management of your account(s), and act as a standard against which to measure future results and to make modifications where necessary.

³ The Confidential Client Profile questionnaire we use is an important tool in gathering information about your investment methodology, risk tolerance, income/tax bracket, liquidity, time horizons, etc. If you elect not to answer the questionnaire or choose to respond with limited input, it is possible that we could operate in a handicapped capacity contrary to your investment needs. Therefore, if you desire the most effective and accurate recommendations regarding your managed account(s), you should make every effort to provide us with your detailed personal needs and objectives, along with detailed financial and tax information.

FEES & COMPENSATION

Portfolio Management

Portfolio management is provided on an asset-based fee arrangement. Our management fee is calculated based on the aggregate market value of your account on the last business day of the previous calendar quarter multiplied by one-fourth of the corresponding annual percentage rate (i.e., $2.00\% \div 4 = 0.50\%$).

We retain discretion to negotiate the management fee under 2.00% on a client-to-client basis depending on the size, complexity, and nature of the portfolio managed. Generally, fee breaks occur as assets in your portfolio increase past the following tiers:

Account Balance	Annual Fee Rates
Up to \$25,000	2.00%
\$25,000 and up	1.00%

We do not require a minimum initial investment to open a managed account. The portfolio management fee will be fully disclosed to you in an Investment Management Agreement prior to conducting any investment management services.

Protocols for Portfolio Management

The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) managing your account; (ii) your bill for investment services; (iii) deposits and withdrawing funds from your account(s); and (iv) other fees charged to your account(s).

Discretion

We will establish discretionary trading authority on all management accounts to execute securities transactions at anytime without your prior consent or advice.

Billing

Your account will be billed quarterly in advance based on the aggregate fair market portfolio value of the assets in your account on the last day of the previous quarter. For the first billing quarter, if the management account was not opened at the beginning/end of the quarter, the fee will be based upon a pro-rata calculation of the fair market value of your assets to be managed for the period.

Advisory fees will be taken first from free credit balances or from any money market funds or balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees. Such liquidation may affect the relative balances of the account.

Deposits and Withdrawals

Assets deposited by you into your managed portfolio account between billing cycles will not result in additional management fees being billed to you unless such deposits exceed \$25,000. Such deposits of this amount or greater, in most cases, will require modifications and adjustments to your investment strategy. Therefore, a pro-rated fee similar to what is disclosed above under "Billing" for new accounts may be assessed for deposits in excess of \$25,000.

For assets you may withdrawal, we do not make partial refunds of your management fees. As with deposits, withdrawals may require modifications and adjustments to be made in the account to correct your allocation of assets.

Fee Exclusions

The above fees for all our management services are exclusive of any charges imposed by the custodial firm, such as: (i) any Exchange/SEC fees; (ii) service or account charges, including, debit balances or postage/handling fees; and/or, (iii) transaction fees earned by the custodial firm for securities transactions.

In addition, all fees paid to us for management services are separate from any fees and expenses charged to shareholders of mutual fund shares by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as: 12b-1 fees, redemption fees, account fees, purchase fees, and other sales load charges. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. You are encouraged to carefully read the fund prospectus.

Termination of Portfolio Management Services

To terminate investment advisory services, either party (you or us) by written notification to the other party, may terminate the Investment Management Agreement at any time, provided such written notification is received at least 30 days prior to the date of termination. Such notification should include the date the termination will go into affect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

In the event termination does not fall on the last/first day of a calendar quarter, you shall be entitled to a pro-rated refund of the prepaid quarterly management fee based upon the number of days remaining in the quarter after the termination notice goes into affect. Once the termination of investment advisory services has been implemented, neither party has any obligation to the other - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.

PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

We do not charge fees based on a share of capital gains or the capital appreciation of the assets held in your accounts.

TYPES OF CLIENTS

ITEM 7

The types of clients we offer advisory services to are described above under “Who We Are” in the Item 4, the “Advisory Business” section. Our minimum account size for portfolio management is disclosed above under “Portfolio Management” in Item 5 above in the, “Fees & Compensation” section of this Brochure.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

ITEM 8

Our portfolio management approach incorporates your financial needs and investment objectives, time horizon, and risk tolerance to yield an effective investment strategy. Your portfolio is then tailored to these unique investment parameters using primarily equities (stocks), Exchange Traded Funds (ETFs), debt instruments (bonds), with a minimal mix of investment company products (mutual funds).

Methods of Analysis

In analyzing stocks, ETFs, bonds, and mutual funds we will use a combination of analysis techniques to gathering information and to guide us in our management decisions.

Fundamental Analysis

Fundamental analysis considers: economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.

Quantitative Analysis

Quantitative analysis seeks to understand the behavior of a security using mathematical and statistical modeling to measure certain unique characteristics such as, for example, revenues, earnings, margins, and market share. Mathematical and statistical modeling helps us to ascertain security price and risk to ultimately help identify profitable opportunities.

Technical Analysis

Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.

Cyclical Analysis

Market cycles provide historic tried and true timing mechanisms to indicate turning points in future market prices. By tracking historic data through charts and graphs we can improve entry and exit timing strategies. Coupling cyclical analysis with technical analysis helps to ensure the most favorable buy/sell signal.

Fundamental analysis provides us with a broad long-term view of a security that begins with determining a company's value and the strength of its financials while technical analysis is short-term focusing on the statistics generated by market activity. Quantitative analysis assists us with portfolio optimization. Cyclical analysis provides us with historical data on market trends to focus our technical analysis for ideal entry/exit points.

Investment Strategy

We are not bound to a specific investment strategy or ideology for the management of your investment portfolio except for how such strategy might affect the risk tolerance levels we pre-defined for you during the getting-to-know-you process as well as in your written assessment and proposed investment strategy. However, our investment strategies generally begin with these tools:

- ❖ **Upward Earnings Estimate Revisions** - The heart and soul of our fundamental approach is to utilize the power of earnings estimate revisions made by Wall Street security analysts who daily fine tune upward or downward their earnings expectations. The marketplace reacts to surprises or changes in expectations as stock prices reflect new information about the companies not previously known.
- ❖ **Relative Strength** - Price momentum must accompany good fundamentals so relative strength plays a very important role and typically leads us to stocks with a higher probability of outperforming the market.
- ❖ **Bottom-Up Approach** - Our investment criteria is not bound to trying to pick sectors or industries to invest in. Instead, we look at the broad universe of large and mid cap stocks whose earnings estimates and price behavior are up-trending, then consider them for inclusion in your portfolio. Diversification and balance are then implemented to control overall risk levels.

There is always a time to buy and a time to sell even the most attractive stocks; we do not feel compelled to be fully invested in stocks when an alternative investment (cash reserves and/or bonds) offers a more attractive opportunity. In fact, it is our belief that avoiding severe losses is more important in determining overall market performance over the course of an entire market cycle.

Managing Risk

With the ever-evolving dynamics of our U.S. financial markets, the economy, and the influence of global emerging markets, we feel that a more proactive approach to managing investments is necessary to achieve the long-term returns you desire. In an ideal world we would want to "buy-and-hold" a security forever, enjoying the long-term growth of the investment. In today's economic environment this is an unrealistic expectation. Conventional "buy-and-hold" strategies are not designed to reduce your exposure in fluctuating or declining financial markets. For this reason the investment strategy we will use to manage your portfolio(s) will not be tied to a specific investment ideology except for how such strategy might affect your risk tolerance.

Asset Allocation

Asset Allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this there are more narrow and aggressive Asset Allocation derivatives that we may use.

The investment allocation mix is uniquely designed to achieve your desired investment return. The selected stocks, bonds, and other investment vehicles in your investment portfolio are diversified to reflect your risk profile.

DISCIPLINARY INFORMATION

ITEM 9

There are no legal or disciplinary events to report at this time that are material to your evaluation of our advisory business.

OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

ITEM 10

We are a fee-only registered investment advisor; none of our supervised persons are licensed, or are related to, another financial industry participant and therefore no disclosure is necessary for this item.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

ITEM 11

Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

Client Transactions

We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or any of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

Participation or Interest

It is against our policies for any owners, officers, directors and employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by Mr. Donald E. Pearson, and such investment is not in violation of any SEC and/or State rules and regulations.

Trading Allocation

Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as "best execution") for our clients. Therefore, we will not bunch (aggregate) orders for a block trade unless: (i) the bunching of orders is done for the purpose of achieving best execution; and, (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition preparing individual market orders, for the small number accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

Personal Trading

Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Most of the time, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be made in an employee's account. In these situations we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative (RA), or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Mr. Pearson reviews these holdings on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (See "Trading Allocation" above) may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by Mr. Pearson to ensure that such activities do not impact upon your security or create conflicts of interest.

Class Action Policy

The Company, as a general policy, does not elect to participate in class action lawsuits on your behalf. Rather, such decisions shall remain with you or with an entity you designate. We may assist you in determining whether you should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall generally rest with you.

Insider Trading

The Company is in compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988. We do not share any non-public information with anyone who does not need to know and has set-up internal controls to guard your personal information.

BROKERAGE PRACTICES

ITEM 12

Custodial Services

The Company has custodial arrangements with TD Ameritrade, Inc. ("TD Ameritrade"), a licensed broker-dealer (member FINRA/SIPC), through their division TD Ameritrade Institutional for investment advisors.

We have selected TD Ameritrade as the custodian of choice based on their competitive transaction charges, our familiarity with their trading platforms, and on-line services and desktop software for account administration and operational support, including electronic trading, account forms and applications, market data, trading authorization, accounting and reporting, and other relevant administration and support services for us to assist with the management of your account. In addition, TD Ameritrade provides us proprietary and third-party research. These services offered from TD Ameritrade generally are available to independent investment advisors at no cost provided the investment advisor maintains a minimum amount of client assets under management in accounts at TD Ameritrade.

Services offered to us that have been discounted or waived are defined as "soft dollar" services. However, access to TD Ameritrade's online services, dedicated trading desk and service group, real-time order matching systems and electronic interface, desktop software, and any research services provided or arranged by TD Ameritrade will be used to service all client accounts and will not be limited to only those particular accounts that may have generated commissions/transaction fees.

We are not a subsidiary of, or an affiliated entity of TD Ameritrade. We have sole responsibility for investment advice rendered, and our advisory services are provided separately and independently from TD Ameritrade.

Direction of Transactions and Commission Rates (Best Execution)

Since we do not recommend, suggest or make available a selection of custodians, other than TD Ameritrade for you to choose to custody your account(s), best execution may not always be achieved and you may pay higher transaction fees. Furthermore since we only use TD

Ameritrade's custodial services, we may not be able to provide you complete institutional services if you elect to use another broker-dealer.

There will be no attempt by us to recommend TD Ameritrade solely on the lowest commission rates available. Your investment needs, general reputation, trading capabilities, investment inventory, the financial strength, and our personal experience working with TD Ameritrade has been considered, among other items, in suggesting TD Ameritrade institution to you.

REVIEW OF ACCOUNTS

ITEM 13

Each account is reviewed on an ongoing basis to ensure that your needs and objectives are being met. All accounts are reviewed in the context of your stated investment objectives and guidelines. Cash needs will be adjusted as necessary. In addition, you will receive at least quarterly statements from TD Ameritrade, Inc. where your account(s) are custodied. Each statement will summarize the specific investments currently held, the value of your portfolio and account transactions.

It is recommended that we review your account with you at least annually. Material changes in your personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, it is your responsibility to communicate these changes to us so that the appropriate adjustments can be made.

CLIENT REFERRALS & OTHER COMPENSATION

ITEM 14

Referral Compensation

We may directly compensate persons/firms for client referrals, provided that those persons are qualified and have entered a solicitation agreement with us. Under such arrangements, if you were referred to us by a solicitor, the solicitor will provide complete information on our relationship and the compensation that solicitor will receive should you choose to open an account. In no case will the fee that you pay be higher than it would be if you had dealt directly with us.

CUSTODY

ITEM 15

We do not take possession of or maintain custody of your funds or securities, but will simply monitor the holdings within in your portfolio and trade your account based on stated investment objectives and guidelines. Possession and custody of your funds and/or securities shall be maintained with TD Ameritrade, Inc. as indicated above under Item 12, "Brokerage Practices". TD Ameritrade will send, at least quarterly, brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. You are encouraged to verify the transaction activities disclosed to you in your brokerage statement.

INVESTMENT DISCRETION

ITEM 16

Securities and Amount Bought or Sold

We execute an Investment Management Agreement with you, which set forth the authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.

VOTING CLIENT SECURITIES

ITEM 17

We are hereby expressly precluded from voting proxies. You understand and agree that you retain the right to vote all proxies, which are solicited for securities held in your managed accounts. Any proxy solicitations received by the custodian will be immediately forwarded to you for your evaluation and decision.

FINANCIAL INFORMATION

ITEM 18

We are not required to include financial information in our Disclosure Brochure since we will not take custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.

END OF DISCLOSURE BROCHURE