

Pegasus Asset Management, Inc.

SEC File Number: 801 – 3186

ADV Part 2A, Brochure

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This Brochure provides information about the qualifications and business practices of Pegasus Asset Management, Inc. 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 Pegasus Asset Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

References herein to Pegasus Asset Management, Inc. 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

There have been no material changes made to this ADV Part 2A, Brochure since the March 29, 2019 annual update filing.

Pegasus Asset Management, Inc.’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. Pegasus Asset Management, Inc. (the “Registrant”) is a New York corporation formed on December 10, 1962. The Registrant became registered as an investment adviser in May 1963. John M. Sebastiano and Rodd D. Berro are the Registrant’s Co-Presidents and principal owners.
- B. The Registrant offers investment advisory services to its clients, who are generally comprised of: individuals, high net worth individuals, trusts, estates, pension and profit sharing plans, business entities, and other investment advisers. For the purposes of this Brochure, the term “client” could refer to the Registrant’s direct clients, or those investors for whom Registrant is engaged to provide investment management services according to the sub-advisory engagement described below, as applicable. 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 to provide discretionary investment advisory services on a *fee-only* 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. Once allocated, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives, and may periodically execute or recommend execution of account transactions based upon such reviews.

Sub-Advisor Arrangements. The Registrant is the co-owner of Pegasus Group, LLC (SEC# 801-60436, CRD# 113499), and Sports & Entertainment Investment Advisers, LLC (SEC# 801-108742, CRD# 285611) both of which are affiliated SEC-registered investment advisers. Pegasus Group, LLC and Sports & Entertainment Investment Advisers, LLC shall engage the Registrant to provide investment management services according to the terms and conditions of a written Sub-Advisory Agreement. With respect to its sub-advisory services, Pegasus Group, LLC and Sports & Entertainment Investment Advisers, LLC respectively maintain the initial and ongoing day-to-day relationship with the underlying client, including initial and ongoing determination of client suitability for the client’s designated investment strategies and/or programs. If the custodian/broker-dealer is determined by Pegasus Group, LLC, or Sports & Entertainment Investment Advisers, LLC, Registrant will be unable to negotiate commissions and/or transaction costs, and/or seek better execution. 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 through alternative clearing arrangements recommended by Registrant. Higher transaction costs adversely impact account performance. The Registrant’s Chief Compliance Officer, Courtney J. Barba, remains available to address any questions concerning the Registrant’s sub-advisory arrangements.

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 Group, LLC and Sports & Entertainment Investment Advisers, LLC may provide limited consultation services to its investment management clients about 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. Unless specifically agreed in writing, neither Registrant nor its representatives are responsible to: implement any financial plans or financial planning advice; provide ongoing financial planning services; or provide ongoing monitoring of financial plans or financial planning advice. The client retains absolute discretion over all financial planning and related implementation decisions, and is free to accept or reject any recommendation from Registrant and its representatives. Registrant's consulting services are completed upon communicating its recommendations to the client. 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.). Clients are under no obligation to engage the services of any recommended professional, who shall be solely responsible for the quality and competency of the services they provide. If the client engages any unaffiliated recommended professional, and a dispute arises related to the engagement, the client should 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.

Retirement Plan Rollovers – No Obligation / Conflict of Interest. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant. 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 conflict of interest presented by such a rollover recommendation.

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

Portfolio Trading Activity. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any trades are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, 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 trades within a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 during periods of portfolio trading inactivity.

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.

Availability of Mutual Funds and Exchange Traded Funds. While the Registrant may allocate investment assets to mutual funds and exchange traded funds ("ETFs") that are not available directly to the public, the Registrant may also allocate investment assets to publicly-available mutual funds and ETFs that the client could purchase without engaging Registrant as an investment adviser. However, if a client or prospective client determines to purchase publicly-available mutual funds or ETFs without engaging Registrant as an investment adviser, the client or prospective client would not receive the benefit of Registrant's initial and ongoing investment advisory services with respect to management of the asset.

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 prior to, or contemporaneously with, the execution of the Investment Advisory Agreement.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objectives. Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. 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, 2019, the Registrant had \$280,561,087 in assets under management on a discretionary basis.

Item 5 Fees and Compensation

- A. Clients can engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis.

INVESTMENT ADVISORY SERVICES

If a client determines to engage the Registrant to provide discretionary investment advisory services on a *fee-only* 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 (generally, 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%

In limited circumstances, the Registrant's investment advisory fee is negotiable at Registrant's sole discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professionals rendering the service; prior relationships with the Registrant and/or its representatives, and negotiations with the client. In addition, certain legacy clients may have accepted different pre-existing service offerings from Registrant and may therefore receive different services under different fee schedules than as set forth above. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above. 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 fee determination.

- 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. 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 and its affiliates ("Schwab") serve as the broker-dealer/custodian for client investment management assets. When beneficial to the client, transactions may be effected through other broker-dealers (e.g., Piper Jaffray & Company, etc.) with whom Registrant has entered into arrangements for prime brokerage clearing services. Broker-dealers charge transaction fees for effecting certain securities transactions according to their fee schedule, and they or their affiliated custodians also impose additional charges for custodial services / fees associated with maintaining the

client's account. For mutual fund and ETF purchases, clients will incur charges imposed by the respective fund, which represent the client's pro rata share of the fund's management fee and other fund expenses. These fees and expenses are described in each fund's prospectus or other offering documents. The fees charged by the applicable broker-dealer/custodian, and the charges imposed by mutual funds and ETFs, are separate from and in addition to Registrant's advisory fee referenced in this Item 5. Registrant does not share in any portion of those fees or expenses.

Asset-Based Pricing Arrangements and Limitations. Registrant doesn't currently recommend that clients enter into an "Asset-Based" pricing agreement with the account broker-dealer/custodian. However, certain of Registrant's legacy clients who have required that account transactions be effected through a specific broker-dealer/custodian that was not recommended by Registrant have chosen to be subject to an Asset-Based pricing arrangement through that respective broker-dealer/custodian. As a result, the Registrant is unable to negotiate commissions and/or transaction costs on behalf of those clients. However, those clients are encouraged to contact the Registrant to confirm their belief (subject to the inability to predict the markets and the corresponding amount of trading that will occur) that Asset-Based pricing continues to be beneficial, and to seek Registrant's assistance in obtaining alternative pricing arrangements. Registrant's Chief Compliance Officer, Courtney J. Barba, remains available to address any questions that a client or prospective client may have regarding Asset-Based versus Transaction- Based pricing.

- 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 its representatives 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, high net worth individuals, trusts, estates, pension and profit sharing plans, business entities, and other investment advisers. 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)

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. 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 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 primarily allocates client investment assets among various individual equity and fixed income securities, and, to a lesser extent, among various mutual funds and ETFs on a discretionary basis in accordance with the client's designated investment objective(s). Each type of investment has its own unique set of risks associated with it. The following provides a short description of some of the underlying risks associated with the types of investments that Registrant 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.

When engaged on a sub-advisory basis by Sports & Entertainment Investment Advisers, LLC, Registrant may also allocate investment management assets on a discretionary basis among one or more of its asset allocation models described below. Each asset allocation model will be monitored and periodically adjusted at Registrant’s discretion based upon the respective investment objectives. Registrant may also manage client portfolios based on the asset allocation models, but will modify the allocations based on the client’s unique circumstances and portfolio composition. 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 Sports & Entertainment Investment Advisers, LLC and Registrant (as applicable) when engaging Registrant to manage its client assets in conformity with Registrant’s asset allocation models:

1. Initial Interview – at the opening of the account, Sports & Entertainment Investment Advisers, LLC or Registrant (as applicable), 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 Sports & Entertainment Investment Advisers, LLC or Registrant (as applicable) shall notify the client to advise Sports & Entertainment Investment Advisers, LLC or Registrant (as applicable) 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, Sports & Entertainment Investment Advisers, LLC or Registrant (as applicable) 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 – Sports & Entertainment Investment Advisers, LLC or Registrant (as applicable) 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 Sports & Entertainment Investment Advisers, LLC or Registrant (as applicable) 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). 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.

A brief description of each of the asset allocation models follows. Please note that all allocations and model compositions are subject to change at the Registrant's discretion based generally upon market conditions and 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.

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 Advisers. As indicated in Item 4 above, the Registrant is the co-owner of Pegasus Group, LLC (SEC# 801-60436, CRD# 113499); and Sports & Entertainment Investment Advisers, LLC (SEC# 801-108742, CRD# 285611), both of which are affiliated SEC-registered investment adviser firms. Pegasus Group, LLC and Sports & Entertainment Investment Advisers, LLC shall engage the Registrant 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. However, the Registrant's Chief Compliance Officer, Courtney J. Barba, remains available to address any questions that a client or prospective client may have about this arrangement.
- 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 creates a potential 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 prior to 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 creates a potential 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 generally recommends 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 considers 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. Soft Dollar Benefits

In return for effecting securities transactions through Capital Institutional Services, Inc., an SEC-registered and FINRA member broker dealer, Registrant has received certain investment research products or services to assist the Registrant in its investment decision-making process for the client pursuant to Section 28(e) of the Securities Exchange Act of 1934 (generally referred to as a "soft dollar" arrangement). This arrangement presents an inherent conflict of interest because the Registrant is incentivized to recommend that a client select Capital Institutional

Services, Inc. as designated broker-dealer for their accounts based on its receipt of “soft dollar” benefits, rather than based on client’s needs. While the soft dollar arrangement between the Registrant and Capital Institutional Services, Inc. has been terminated with respect to transactions moving forward and therefore the conflict of interest is mitigated, the Registrant continues to utilize the “soft dollar benefits” it previously received in conformity with that arrangement. Investment research products or services received by Registrant may include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications, portfolio management systems, and statistical and pricing services. Although the commissions paid by Registrant’s clients have complied 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 determined, in good faith, that the commission 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’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant has and will continue to will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Although the investment research products or services that may be obtained by Registrant will generally be used to service all of Registrant’s clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client’s account. With respect to investment research products or services obtained by the Registrant that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, Registrant has and will continue to make a reasonable allocation of the cost of the product or service according to its use, the percentage of the product or service that provides assistance to the Registrant’s investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by the Registrant with hard dollars. The brokerage commissions or transaction fees charged by Capital Institutional Services, Inc., are exclusive of, and in addition to, Registrant’s investment management fee. 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.

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 receives 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

indicated above, certain of the support services and/or products that Registrant can receive 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 has the incentive to recommend that clients utilize Schwab as a broker-dealer/custodian based upon its interest in continuing to receive the above-described support services and products, rather than based on a client's particular need.

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 arrangements and conflicts of interest presented.

Schwab Advisor Services™

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like Registrant. Schwab Advisor Services™ provides Registrant and its clients with access to its institutional brokerage –trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services and additional economic benefits ("Additional Benefits"). Some of those support services and Additional Benefits help Registrant manage or administer its clients' accounts while others help Registrant manage and grow its business. As part of the Additional Benefits, Schwab may also provide monetary assistance to Registrant or to third parties on Registrant's behalf to defray certain costs towards certain technology, compliance, legal, business consulting and other related expenses. Schwab's support services are generally available on an unsolicited basis (Registrant does not have to request them) and at no charge to Registrant. The availability of these services from Schwab benefits Registrant because Registrant does not have to produce or purchase them. Registrant is not required to pay for Schwab's services. A more detailed description of Schwab's Additional Benefits follows.

Services that Benefit the Client

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Registrant might not otherwise have access or that would require a significantly higher minimum initial investment by Registrant's clients. Schwab's services described in this paragraph generally benefit Registrant's clients and their accounts.

Services that May Not Directly Benefit the Client

Schwab also makes available to Registrant other products and services that benefit Registrant but may not directly benefit Registrant's clients or their accounts. These products and services assist Registrant in managing and administering its clients' accounts. They include investment research, both Schwab's own and that of third parties. Registrant may use this research to service all or some substantial number of its clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of Registrant's fees from Registrant's clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Services that Generally Benefit Only Registrant

Schwab also offers other services intended to help Registrant manage and further develop its business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession;
- access to employee benefits providers, human capital consultants and insurance providers; and
- marketing consulting and support.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Registrant. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide Registrant with other benefits such as occasional business entertainment of its personnel.

Additional Benefits Received

Registrant has and may continue to receive certain Additional Benefits that may or may not be offered to the Registrant again in the future. The Registrant previously received a \$2,000 software discount from Schwab for the benefit of the Registrant, which Registrant used to help effectively manage its clients' accounts. The Registrant has no expectation that these Additional Benefits will be offered again; however, the Registrant reserves the right to negotiate for these Additional Benefits in the future. Schwab provides the Additional Benefits to Registrant in its sole discretion and at its own expense, and neither the Registrant nor its clients pay any fees to Schwab for the Additional Benefits. The Additional Benefits are generally provided on an unsolicited basis. The recommendation by Registrant or its representatives that a client select Schwab as designated broker-dealer/custodian for their accounts or transfer their account assets from another broker-dealer/custodian to Schwab presents a conflict of interest, because Registrant had and may continue to have the incentive to make such a recommendation based on its interest in receiving the Additional Benefits to benefit its business interests, rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of transactions.

To mitigate this conflict of interest, Registrant will only recommend that a client select Schwab as broker-dealer/custodian if it reasonably believes that the arrangement is in the best interests of its clients based upon the factors discussed throughout this Item 12. Registrant's Chief Compliance Officer, Courtney J. Barba, remains available to address any questions about this conflict of interest.

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, the client 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 about the above.
- B. To the extent that the Registrant provides investment management services to its clients, the 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 the Registrant’s Principals, Rodd D. Berro, John M. Sebastiano and/or its representatives. All investment supervisory and financial planning 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 planning 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 from broker dealers including the soft dollars disclosed therein, and other economic benefits such as support services and/or products without cost or at a discount received 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 about this arrangement and the conflicts 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

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Before the Registrant assumes discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis 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.