

Pegasus Capital Advisors, L.P.

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of Pegasus Capital Advisors, L.P. and its affiliated entities (collectively “Pegasus”). If you have any questions about the contents of this brochure, please contact Mr. Daniel Stencel at 203-869-4400 or dstencel@pcalp.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 is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

This Brochure contains information about Pegasus upon its initial registration as an investment adviser with the SEC. There have been no material changes since its registration.

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Advisory Business

Pegasus Capital Advisors, L.P. (“Pegasus”) is an independent private equity manager founded by Craig Cogut (“Managing Partner”) in 1996 and organized under the laws of the State of Delaware as a limited partnership. Pegasus is led by Mr. Cogut together with Mr. Eric Gribetz, Mr. Richard Weinberg and Mr. David Cunningham (collectively the “Investment Committee”), each of whom brings a wealth of investment, operational and financial expertise and experience to Pegasus and its affiliates. Mr. Cogut is the principal owner of Pegasus.

Pegasus serves as an investment manager and provides advisory services to several related collective investment vehicles including private investment partnerships and foreign investment companies together with any respective parallel funds, special purpose and/or subsidiary investment vehicles (each a “Fund” or collectively the “Funds”).

The Funds are/were organized to invest primarily in middle-market companies that are advantaged by global trends across a variety of industries. Utilizing debt or equity securities, the Funds have/will pursue(d) investments in both private and public securities that Pegasus believes involve (i) companies with proven business models that require uniquely structured financing to support varying strategic initiatives, (ii) companies or assets that are undervalued due to discrete events, (iii) companies that are undergoing restructurings or are in financial distress or (iv) companies offering or poised to offer resource efficient business solutions. The Funds have or

will target investments primarily in the United States, Canada, Central America and the Caribbean, in markets where they have significant expertise, including but not limited to energy, natural resources, waste management/recycling, building materials, food, water, transportation, logistics and consumer products. As of December 31, 2011, Pegasus managed approximately \$2.97 billion assets on a discretionary basis on behalf of the Funds.

Pegasus employs a flexible investment strategy that emphasizes appropriate positioning in the target company's capital structure to minimize risk and maximize potential return. Pegasus will evaluate both the potential investment's business, as well as the industry in which it competes, working closely with its team of senior strategic and operational advisory partners (the "Operating Partners") who collectively generate, evaluate, execute and manage investments along with the Investment Committee and other Pegasus investment professionals

Shares or limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and the Funds are not registered under the Investment Company Act of 1940, as amended (the "Investment Act"). Accordingly, interests or shares in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions.

In providing investment management and advisory services to the Funds, Pegasus formulates each Fund's investment objectives, directs and manages the investment and reinvestment of assets, and provides reports to investors. Each Fund structure may vary, but typically the Funds, or portions of them, are structured as limited partnerships, each with a general partner ("General Partners") that is an affiliate of Pegasus. Investment advice is provided directly to the Funds and not individually to the investors of the Funds (the "Investors" or "Limited Partners"). Pegasus manages the assets of the Funds in accordance with the terms of each Fund's confidential offering and/or private placement memoranda, individual limited partnership or operating agreements and other governing documents applicable to each Fund (the "Governing Fund Documents").

Fees and Compensation

Pegasus receive compensation from fees based on a percentage of assets under management, carried interest allocations and certain other fees related to transactions, consulting, advisory and other similar fees associated with investments or proposed investments or commitments made by each Fund, fees in connection with transactions that are not completed (i.e., break-up fees) and directors' fees (which may include options and warrants) and/or monitoring fees from portfolio companies.

Management Fees

Pegasus receives an investment management fee (the "Management Fee") quarterly in advance from its Funds. The Management Fee is calculated during the commitment period of the Funds on total capital commitments of the Limited Partners and after the commitment period of the Funds is calculated on actively invested capital as of the last business day of the prior calendar quarter. The Funds are generally charged a Management Fee (which is borne by Limited Partners) of 1.25% to 2.00% depending upon the stage of the vehicle. Certain Investors may receive preferential pricing

related to the size and timing of their commitments to the Funds. If the investment advisor agreement is terminated before the end of a quarter then a pro-rata portion of the management fees will be returned to clients.

Carried Interest Allocations

Carried interest is a share of the net profits realized on the disposition of investments that is paid to the Funds' General Partner. The General Partner's carried interest allocation is in addition to any investment that the General Partner may have in the Funds.

In order to receive its 20% carried interest allocation, Pegasus must first return all capital contributed by the Investors, plus an 8.00% cumulative internal rate of return, calculated and distributed in accordance with the specific provisions outlined in the Funds' Governing Fund Documents.

Profit Interest to Operating Partners

Pegasus' Operating Partners may, from time to time, be issued a profit interest in portfolio companies depending on their respective level of involvement in the portfolio companies. Such profit interest would be issued to an Operating Partner in addition to the General Partner's carried interest outlined in the preceding paragraph, which may reduce the returns to Investors.

Other Expenses

Pegasus will pay all of its own ordinary administrative and overhead expenses in managing the Funds, including salaries, benefits and rent. The Funds may pay certain other expenses attributable to their activities, including but not limited to, fees, transportation, meals, costs and expenses related to the diligence, purchase and sale of investments; expenses for custodians, consultants, outside counsel, accountants and Operating Partners; any insurance or litigation expenses; and any taxes, fees or other governmental charges levied against the Funds. Organization and syndication costs will be paid by the Funds or reimbursed to Pegasus up to a specified amount, as noted in the Governing Fund Documents.

Detailed information regarding the fees charged to the Funds is provided in the Governing Fund Documents. Investors should review all fees charged by Pegasus to fully understand the total amount of fees to be paid by the Funds and, indirectly, their Limited Partners. The terms of the Governing Fund Documents are generally established at the time of the formation of the applicable Fund.

Performance Based Fees and Side-by-Side Management

As described above, Pegasus or its affiliates receive "carried interest" calculated based on the profits generated on the sale/disposition of the Funds assets. Historically, the majority of the senior investment professionals involved in the management of the Funds received a share of the carried interest, which is calculated on an investment-by-investment basis with a clawback feature on an aggregate basis. A segregated reserve account is also established to escrow a percentage of any carry distributions made to the General Partner in accordance with the Governing Fund Documents for each of the Funds.

Follow-On Investments

At certain times, and in accordance with the Governing Fund Documents, the Funds may make investments to preserve, protect or enhance the value of existing investments (“Follow-On Investments”).

Co-Investment

Where appropriate, Pegasus intends, but is not generally obligated, to provide co-investment opportunities to certain Investors. These co-investment opportunities will be offered as interests in a limited partnership or other similar entity formed for each investment (a “Co-Investment Entity”). Pegasus will allocate the available investment among the Funds, the Co-Investment Entity and any third parties as it may in its sole discretion determine.

Alternative Investment Vehicles

In connection with any investment, Pegasus, subject to certain limited conditions, will have the right to direct the capital contributions of some or all of the Limited Partners to be effected through one or more alternative investment vehicles if, in the determination of Pegasus, the use of such vehicles would allow the Funds to overcome legal and regulatory constraints, be more tax efficient and/or facilitate participation in certain types of investments. Any such vehicles will contain terms and conditions substantially identical in all material respects to those of the Funds and will be managed by Pegasus or an affiliate thereof. The profits and losses of such vehicles will be aggregated with those of the Funds for purposes of determining distributions by the Funds and such vehicles.

Successor Funds

Without the approval of at least 75% of the Investors, none of the General Partner, Pegasus, or any of their affiliates will act as a general partner or manager or the primary source of transactions for any investment fund having substantially the same investment parameters as the Funds (a “Successor Fund”) until the earlier of (i) the end of the commitment period, or (ii) such time as 80% of the total commitments have been (a) invested or committed to be invested in investments; (b) used to fund Fund expenses; and/or (c) reserved in reasonable amounts for follow-on investments or Fund expenses (including, without limitation, anticipated contingent liabilities). If a Successor Fund is organized after at least 80% of the total capital commitments has been applied in accordance with the preceding sentence, then until the end of the commitment period, a Successor Fund may only co-invest alongside the Funds (and any parallel vehicle) on the same terms and conditions in all material respects, with amounts for investment allocated between the Funds (and any parallel vehicle) and the Successor Fund on a basis that the General Partners, in consultation with the Advisory Board, believes in good faith to be fair and reasonable, unless the investment by the Funds is legally or contractually prohibited or, as a result of the application of law, regulation or governmental order could have a material adverse effect on the Funds or the General Partner or any of its affiliates.

Types of Clients

Pegasus provides discretionary advisory services to the Funds described in this brochure. Each Fund operates as a pooled investment vehicle. Investment advice is provided directly to the Funds, subject to the direction and control of the General Partner of such Funds and not individually to the Limited Partners. Investors in the Funds may include, but are not limited to,

pension funds, endowments, corporations, fund of funds, and high net worth individuals. Pegasus identifies the target amount for each Fund in the relevant offering document, but it may accept a lesser amount in its discretion.

In addition, the Funds may enter into separate agreements, commonly referred to as “side letters”, with certain Investors, to waive certain terms, or allow such Investors to invest on different terms than those specifically described in the offering documents. Under certain circumstances, these agreements could create preferences or priorities for such Investors with respect to other Limited Partners.

Investors are required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”). Also, Investors will be required to make certain representations when investing in a Fund, including, but not limited to that (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment and that (iii) they have the ability to bear the economic risk of an investment in the Funds. Details concerning applicable Investor suitability criteria are set forth in the respective Funds’ Governing Fund Documents, which are furnished to each Investor.

Methods of Analysis, Investment Strategies and Risk of Loss

Pegasus employs a value oriented investment strategy in the middle market where conservative pricing, innovative structuring and optionality that allow the firm to protect principal that are designed to protect principal while allowing the Funds to generate equity returns. With a focus on resources, Pegasus maintains six key tenets in its investment approach: creating fundamental value, emphasis on knowledge, targeted industries, downside risk mitigation, low leverage and proprietary deal sourcing. The firm's knowledge and proven experience in handling complex, structured transactions positions the Funds to take advantage of distressed opportunities that may arise.

Pegasus takes an active role in the oversight of portfolio companies following the completion of an investment, primarily through direct board representation or occasionally via board observation rights. Pegasus typically holds numerous board seats for each of its private equity investments. Regardless of its equity ownership position, the firm generally structures investments to allow it to exert significant influence over the direction and management of the relevant businesses, obtaining negative and affirmative control features that often allow the applicable General Partner to replace management, approve budgets, approve asset sales and dictate the realization of investments.

The Funds typically expect to hold private equity investments for on average five years, but holding periods may vary depending on the nature of the investment, the terms of the security and market conditions. Pegasus conducts a detailed hold/sell analysis, when appropriate, for a portfolio company incorporating a variety of factors to determine whether to hold or sell a particular portfolio company.

To mitigate operational risk, the Funds monitor and interact with management teams closely and employ the skills of Operating Partners to best address potential market risks or organizational weaknesses. However, economic, industrial and capital market risks and uncertainties exist today and remain outside of Pegasus' control. In some instances, these conditions actually create investment opportunities given Pegasus' stated strategy.

An investment in the Funds involves significant risks due to the uncertainty inherent when investing in companies at significant points of stress. There can be no guaranty that any Fund will achieve its investment objectives. Before purchasing interests, prospective Investors are presented with a summary of certain of the risks of investing in the Funds, including those set forth below. Additional risk factors and descriptions of certain conflicts of interest are set forth in the Governing Fund Documents. The descriptions contained below are a brief overview of different market risks related to Pegasus' investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Funds.

Investment Risks

Nature of investments. The Funds may invest in equity and debt securities that have significant risks as a result of business, financial, market or legal uncertainties surrounding the issuing companies. There can be no assurance that the General Partners or Managers will correctly evaluate the nature and magnitude of the various factors that could affect the value of the Funds' investments. A variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Funds' activities and the value of the Funds' investments. In addition, the Funds may not seek or obtain controlling positions in its portfolio companies, which may decrease the Funds' profit potential with regard to that portfolio company. The debt securities in which the Funds may invest could be unsecured and subordinated to senior indebtedness, all or a significant portion of which may be secured. In addition, these securities may have limited liquidity. Debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditor's rights laws; (ii) so-called lender liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) equitable subordination.

Difficulty of Locating Suitable Investments. There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable the Funds to invest all of its committed capital in opportunities that satisfy the Funds' investment objectives or that such investment opportunities will lead to completed investments by the Funds. The process of identifying, completing and realizing an attractive investment opportunity is highly competitive and involves a high degree of uncertainty, especially with regard to timing. The Funds will compete for the acquisition of investments with many other investors, some of which will have greater resources than the Funds. Such competitors may include other private investment funds as well as individuals, financial institutions and other institutional investors. In addition, the availability of investment opportunities is subject to market conditions as well as, in some cases, the prevailing regulatory or political climate.

Global Financial Markets. The financial crisis of 2008 and its consequences for global financial markets have created extraordinary uncertainties for investors, including private equity funds such as the Funds. In light of the economic downturn which followed the crisis and the overall weakening of the financial services industry, the Funds and its portfolio companies may be adversely affected and they may become subject to legal, regulatory, reputational and other unforeseen risks which could have a material adverse effect on the Funds' returns. In addition, market conditions may substantially reduce the availability of credit, which may have a material adverse effect on the Funds' portfolio companies and consequently on the value of the Funds' investments.

Financial Market Fluctuations. The Funds may invest in securities of publicly traded companies and fluctuations in the market prices of such securities may negatively affect the value of such investments. In addition, general instability in the public debt market and other securities markets may impede the ability of portfolio companies to refinance their debt through selling new securities, thereby limiting the Funds' exit options with regard to a particular portfolio company.

Portfolio Concentration. The ability of the Funds to diversify its investments will depend upon the ultimate size of the Funds relative to the size of the available investment opportunities. Although the Governing Fund Documents limit the Funds' ability to invest more than 20% of aggregate Commitments in any one portfolio company, the General Partners will have sole discretion within such limitation to select investments for the Funds or the Advisory Boards may consent to waive such provision. The Funds has and expects to make multiple investments in diverse industries, but unforeseen circumstances may cause it to limit the number of its investments. In such case, poor performance by one or more of its investments could severely adversely affect the Funds' total returns and profitability.

Illiquidity of Investments. An investment in the Funds requires a long-term commitment with no certainty of return. It is unlikely that there will be significant near-term cash flow available to the Investors. Many of the Funds' investments will be or are highly illiquid, and there can be no assurance that the Funds will be able to realize such investments at attractive prices or otherwise be able to effect a successful realization or exit strategy. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the Investors. Additionally, the Funds may acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in accordance with Rule 144 promulgated under the Securities Act. There can be no assurance that private purchasers can be found for the Funds' investments. Finally, in some cases, the Funds may be prohibited by contract from selling securities for a period of time.

Risks of Certain Control Investments. In connection with the disposition of an investment in a portfolio company, the Funds may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate or misleading. These arrangements may result in contingent liabilities that may ultimately have to be funded by the Investors to the extent that the Investors have received prior distributions from the Funds.

Forward-Looking Statements. Targeted returns and forward-looking statements reflect the General Partners' views with respect to future events. Actual returns and results could differ materially from those in the targeted returns and forward-looking statements. Investors are cautioned not to place undue reliance on such returns and statements.

Non-Control Investments. The Funds may hold certain non-controlling interests in companies and the General Partner expects that certain of its rights will be limited as compared to rights granted to controlling stockholders. Therefore, the Funds ability to protect its position in such companies may be inhibited.

The Funds may also co-invest with third parties through joint ventures or other entities. Such investments may involve additional risks, including the possibility that a third-party co-venturer may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take (or block) action in a manner contrary to the investment objectives of the Funds. In addition, the Funds may in certain circumstances be liable for the actions of its third-party co-venturers. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation.

Risks Associated with Foreign Investments.

Although the Funds intend to invest primarily in U.S. securities, the Funds may also invest in non-U.S. companies. Investing outside the United States may involve substantially greater risks than investing in the United States. In particular, the value of the Funds' investments in non-U.S. companies may be significantly affected by changes in currency exchange rates. Although the General Partner may attempt to hedge against foreign currency exchange rate risks related to a portfolio investment by utilizing spot and forward exchange contracts, foreign currency options or other instruments, there can be no assurance that the General Partner will be able to do so successfully or cost effectively, and the General Partner may decide not to hedge against such risks or to do so on incompletely. Additional risks of investing outside the United States may include (i) economic dislocations in the host country; (ii) less publicly available information; (iii) less developed standards and regulatory institutions; and (iv) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Additionally, in some countries, there is the possibility of expropriation of value (including through confiscatory taxation, limitations on the repatriation or sale of securities, property or other assets), political or social instability and diplomatic developments, each of which could have an adverse effect on the Funds' investments in such countries. While the General Partner will take these potential factors into consideration in making investment decisions for the Funds, these risks are inherently difficult to quantify and no assurance can be given that the General Partner will be able to evaluate these risk successfully.

Leverage. The Funds may use credit lines for the purpose of short-term financing related to the following; (i) investments, (ii) expenses, (iii) cover shortfalls of capital contributions arising from the default of Investors or (iv) other purposes related to the Funds' business. The credit lines are guaranteed by the commitments of the Investors in the specific Funds. Any outstanding balances on credit lines are expected to be short-term in nature and will be paid down when the Funds issue a call notice to its Investors.

Management Risks

Reliance on Key Personnel. The success of the Funds will be highly dependent on the financial and managerial expertise of the Investment Committee and the other Pegasus investment professionals. Investors will have no control with respect to the day-to-day operations of the Funds and must rely on the Investment Committee's ability to identify and consummate investments suitable for the Funds, properly guide and manage the portfolio companies in which the Funds has invested and determine the appropriate time and terms upon which to exit the investments. There can be no assurance that the Investment Committee will continue to be associated with the Pegasus, the General Partners or its affiliates, as the Investment Committee is under no contractual obligation to remain with Pegasus. The loss of the services of one or more of the Investment Committee could have an adverse impact on the ability of the Funds' to realize its investment objectives.

Material, Non-Public Information. By reason of their responsibilities in connection with other activities of Pegasus, certain employees of the General Partners and their affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Funds will not be free to act upon any such information. Due to these restrictions, the Funds may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Provision of Managerial Assistance. The Funds may obtain rights to participate in and to influence the conduct of the management of its portfolio companies. The Funds may designate directors to serve on the boards of directors of its portfolio companies, and the designation of directors and exercise of other management rights could expose the assets of the Funds to claims by a company, its security holders or its creditors. The exercise of control over a company imposes additional risks of liability for environment damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability. If these liabilities were to occur, the Funds could suffer significant losses in its investments. While the General Partners intends to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Reliance on Portfolio Company Management. Each of the portfolio company's day-to-day operations will be the responsibility of such company's management team. Although the General Partners' will be responsible for monitoring the performance of each investment and generally intends to invest in companies operated by strong management, there can be no assurance that the existing management teams, or any successor, will be able to successfully operate the portfolio company in accordance with the Funds' plans.

Risks in Effecting Operating Improvements. In some cases, the success of the Funds' investment strategy will depend, in part, on its ability to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that the Funds will be able to successfully identify and implement such restructuring programs and improvements.

Disciplinary Information

Pegasus and/or its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's or an Investor's evaluation of Pegasus or its personnel. In connection with litigation filed against portfolio companies, certain principals of Pegasus may be named as co-defendants in their capacity as directors of such portfolio companies. Pegasus believes that when and if such suits occur, they are not material to the company or the Investors.

Other Financial Industry Activities and Affiliations

Pegasus is affiliated with other companies that provide investment management services (collectively the "Related Advisers"); however these companies are not registered as investment advisers with the United States Securities and Exchange Commission ("SEC"). Pegasus or Related Advisers will be responsible for all decisions regarding portfolio transactions of the Funds and has full discretion over the management of the Funds' investments and trading activities. While Related Advisers are not registered as investment advisers, all investment advisory activities are subject to the Investment Advisers Act of 1940, as amended (the "Advisers Act") and the rules there under. In addition, employees and persons acting on behalf of the Related Advisers are subject to the supervision and control of Pegasus. Thus, the Related Advisers, and all the persons acting on their behalf would be "persons associated with" the registered investment adviser so that the SEC can enforce the requirements of the Advisers Act against the Related Advisers.

Potential conflicts of interest that may arise would likely relate to the allocation of investment opportunities between investment vehicles and/or the allocation of management's time to investment or administrative activities. The Governing Fund Documents for each of the Funds will provide a framework for avoiding and/or resolving these types of conflicts and provide the guidelines for establishing an advisory board, which consists of a certain number of Limited Partners for each of the Funds (the "Advisory Board"), which is chaired by a Pegasus managing partner in a non-voting capacity. The functions of the Advisory Boards are outlined in each of the Funds Governing Fund Documents. There are procedures in place at the General Partner level so that conflicts are resolved among individual General Partners in an equitable manner. Pegasus' framework for resolving those conflicts is described in "*Performance Fees and Side by Side Management*" above.

Pegasus has offered a number of co-investments to Limited Partners. The primary rationale for offering these co-investment opportunities has been to complete transactions that have a need for capital greater than the Funds could provide. However, certain potential co-investors are also able to provide strategic value through expert knowledge of a particular sector or ancillary services they can provide. These co-investment opportunities have been offered as interests in a limited partnership or other similar entity formed for each such investment (a "Co-Investment Entity"). The General Partners will allocate the available investment among the Funds, the Co-Investment Entity and any third parties in its sole discretion.

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

Pegasus has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act that is predicated on the principal that Pegasus owes a fiduciary duty to its clients. The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, members, partners, employees or Operating Partners of Pegasus, each employee's spouse, minor children and other family members living in his or her household, as well as each other individuals designated in writing by the Chief Compliance Officer as being subject to all or a portion of the compliance procedures or policies adopted by Pegasus.

Generally, Pegasus prohibits personal trading on certain securities or instruments; requires pre-clearance before purchasing an IPO or limited offering (i.e., private placement); requires periodic reporting of employees' personal securities transactions and all holdings; and requires prompt internal reporting of Code violations. Pegasus endeavors to maintain current and accurate records of all personal securities accounts of its employees in an effort to monitor all such activity. Pegasus' Code of Ethics is available for review and will be provided to any client upon request.

Pegasus, its employees or a related entity will have an investment in each Fund. Therefore, Pegasus may be considered to participate indirectly in transactions effected for the Funds. The foregoing relationships, fees and any other actual or potential conflicts of interest arising there from are disclosed in the respective Funds' Governing Documents.

Brokerage Practices

Pegasus primarily focuses on making investments in private securities. The vast majority of our positions are not acquired or disposed of through the public markets making use of brokers. Pegasus' obligation to seek best execution extends to the implementation of private investments, acquisitions and disposition of portfolio companies. Pegasus attempts to ensure that the Funds pays no more than the perceived fair value for portfolio companies or other investments as well as reasonable fees for services necessary to complete the transactions.

Pegasus recognizes that the analysis of execution and implementation quality involves a number of factors, both qualitative and quantitative. In implementing transactions for the Funds, Pegasus may take into account the full range of applicable factors when hiring third party service providers or other intermediaries for the purpose of completing those transactions. Factors include general expertise and background, the type and size of the transaction involved, the stability or solvency of the service provider or counterparty, settlement capabilities, time required to complete the role sought, research services or any arrangements relating to overall performance in the best interest of the Funds.

To the limited extent Pegasus instructs trades for Funds in public securities, it intends to select brokers based upon the broker's ability to provide best execution for the Funds. Pegasus is generally authorized to make the following determinations, subject to each Fund's investment objectives and restrictions, without obtaining prior consent from the relevant Funds or any of their Investors: (1) which securities or other instruments to buy or sell; (2) the total amount of securities

or other instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

Pegasus does not utilize any soft dollar relationships with any broker.

Pegasus does not permit Investors to stipulate the direction of brokerage practices.

Review of Accounts

Pegasus focuses on making and advising on private equity investments. All investments are carefully reviewed and approved by Pegasus' Investment Committee. The progress of all portfolio companies is carefully monitored on a regular basis (at least monthly) and is subject to the constant supervision and review by Pegasus investment professionals.

Pegasus provides quarterly and annual reports, along with more detailed annual meeting presentations, to all Investors in accordance with the terms of the Governing Fund Documents. The quarterly package includes a summary review of financial information relating to Funds' activities; a summary review of investment activity of the Funds and a summary review of activities and developments with respect to each portfolio company, subject in all cases to applicable confidentiality and securities law restrictions. Pegasus also provides audited financial statements on an annual basis for each of the Funds to its Investors. Finally, Pegasus provides supplementary data or schedules to Investors that request such information in the context of financial, tax or governance issues that relate to their interests in the Funds.

Client Referrals and Other Compensation

Pegasus may charge portfolio companies and/or Investors origination fees, breakup fees, consulting fees, monitoring fees and other similar fees. Pursuant to each of the Funds Governing Fund Documents a percentage or all of certain fees that are received or paid by Pegasus may reduce the Management Fee otherwise payable by Investors to reduce potential conflicts of interest.

Custody

All client assets are held in custody by unaffiliated broker/dealers or banks, however Pegasus has access to client accounts since it or an affiliate serves as the General Partner of each Fund. Investors (or limited partners or members or owners) will not receive statements from the custodian. Instead, the Funds are subject to an annual audit, and the audited financial statements are and will be distributed to each Investor (or limited partner or member or owner). The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Funds' fiscal year end. Investors should carefully review these statements, and should compare these statements to any account information provided by Pegasus.

Investment Discretion

In accordance with the terms and conditions of the Governing Fund Documents and subject to the direction and control of the General Partner of each of the Funds, Pegasus generally has discretionary authority to perform the day-to-day investment operations of the Funds.

Voting Client Securities

As an investment manager to the Funds that invest primarily in private companies that they control, Pegasus is rarely, if ever, required to vote the proxies of public or private corporations or other such entities. Most of the portfolio companies held by the Funds are private companies, which typically do not issue proxy statements. However, in the event proxies have to be voted, Pegasus has adopted and implemented written policies and procedures governing the voting activities on behalf of its Funds in accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act. Its proxy voting activities are conducted in a manner consistent, under all circumstances, with the best interest of the Funds' Investors and consistent with the decisions made at the board of the company or any committees of the board. All proxies that Pegasus receives will be treated in accordance with these policies and procedures; and a copy of Pegasus' written proxy voting policies and procedures, as well as specific information about how Pegasus has voted in the past, will be provided to Fund Investors upon written request to Pegasus. As a general matter, Pegasus does not share information concerning how proxies are voted with Investors, unless the matter to which the proxy relates involves a contest or other extraordinary corporate matter.

Financial Information

Pegasus has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.