

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 Anne Frank-Shapiro at 212 710 2529 or afrank-shapiro@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.

Pegasus Capital Advisors, L.P. is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Recipients of this brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser’s skill or expertise. Further, registration does not imply or guarantee that a registered adviser has achieved a certain level of skill, competency, sophistication, expertise or training in providing advisory services to its clients.

Item 2. Material Changes

There have been no material changes to the information in our Brochure since our last annual amendment filed in March of 2014.

Item 3. Table of Contents

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Item 4. Advisory Business

Pegasus Capital Advisors, L.P. is an independent private equity manager founded by Craig Cogut in 1996 and organized under the laws of the State of Delaware as a limited partnership. Pegasus Capital Advisors GP, LLC is the general partner of Pegasus. Pegasus is led by Mr. Cogut together with Mr. Eric Gribetz, Mr. Richard Davis and Mr. Alec Machiels (collectively the “Investment Committee”), who collectively bring a wealth of investment, operational and financial expertise and experience to Pegasus Capital Advisors, L.P. 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, 2014, Pegasus managed approximately \$1.8 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 Advisors”). Operating Advisors are independent contractors who are industry experts in the various operating sectors in which Pegasus invests on behalf its clients. Operating Advisors may suggest opportunities in certain sectors to Pegasus and may be called upon to generate, evaluate, execute and manage activities of the operating companies. Operating Advisors do not make any investment decisions.

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 U.S. Investment Company Act of 1940, as amended. 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 Capital Advisors, L.P. 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 memorandum, individual limited partnership or operating agreement and other governing documents applicable to each Fund (the “Governing Fund Documents”).

In supporting the portfolio companies of the Funds, Pegasus simultaneously promotes from time to time portfolio companies held in different Funds to the extent they are complimentary. Pegasus may also include in its marketing efforts companies in which the Funds have no interest, some of which may be affiliates of persons associated Pegasus. Pegasus generally will involve such companies in its promotional efforts to the extent they, as part of a package of solutions, make the Funds’ portfolio companies more attractive.

Item 5. Fees and Compensation

Pegasus receives 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. Clients are billed by Pegasus for fees incurred.

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

Pegasus contracts with Operating Advisors and negotiates to pay them a set fee. In the course of the performance of their services, Operating Advisors may contract directly with a portfolio company to provide consulting services, the fees for which generally offset the fees Pegasus is obligated to pay such Operating Advisors. Operating Advisors also bill consulting fees as expenses to the Funds, which are used to reimburse Pegasus for the related fees it paid directly to the Operating Advisor in respect of such work. Similar to other consultants, fees paid to Operating Advisors from portfolio companies for providing services may reduce the profitability of the investment to the extent that the services performed are unsuccessful.

Carried Interest Allocations

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

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 on an investment-by-investment basis in accordance with the specific provisions outlined in each Fund's Governing Fund Documents.

Profit Interest to Operating Advisors

Pegasus' Operating Advisors 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 Advisor in addition to the General Partner's carried interest, which reduces the returns to Investors. Such profit interests reduce the amount of profit payable to the applicable Fund upon exiting its investment in the portfolio company in which such profits interests were generated.

Other Expenses

Pegasus pays all of its own ordinary administrative and overhead expenses in managing the Funds, including salaries, benefits and rent. The Funds and their portfolio companies 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 Advisors; 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.

Item 6. 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 each Fund's 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.

The existence of this carried interest may create an incentive for Pegasus to make riskier or more speculative investments on behalf of the Funds than they might otherwise make in the absence of

such performance-based compensation. In addition, the terms applicable to carried interest distributions could incentivize Pegasus to make decisions regarding the timing and structure of realizations of portfolio companies that may not be in the best interests of the Funds. For example, carried interest distributions become payable earlier if profitable investments are liquidated before unprofitable investments because such a waterfall does not permit any distributions of carried interest until after the cumulative amount of distributions has covered any prior losses associated with unprofitable investments.

Co-Investment

Pegasus may, from time to time, seek co-investors in connection with the consummation of an investment. Where appropriate, and where obligated pursuant to side letter provisions, Pegasus will provide co-investment opportunities to certain Investors. In addition, Pegasus may seek third party co-investors who have industry sector experience or other attributes that Pegasus believes, in its sole discretion, will enhance the investment. 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 may (or may not) in its discretion: (i) charge carried interest, Management Fees or other similar fees to co-investors and Pegasus may make an investment, or otherwise participate, in any vehicle formed to structure a co-investment to facilitate, among other things, receipt of such carried interest, Management Fees or other similar fees; and (ii) collect customary fees in connection with actual or contemplated portfolio investments that are the subject of such co-investment arrangements. Subject to provisions contained in side letters entered into with Investors at the time of their commitment to a Fund, 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.

Item 7. 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 each Fund 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. 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 (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.

Item 8. 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 are intended 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 Advisors 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 may 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 Pegasus 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 their respective 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, strategic purchasers, 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. In light of the economic downturn and the overall weakening of the financial services industry which followed the financial crisis of 2008, the Funds and their respective 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 their respective investments will depend upon the ultimate size of the Funds relative to the size of the available investment opportunities. Although the Governing Fund Documents generally limit a Fund's 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 have and expect to make multiple investments in diverse industries, but unforeseen circumstances may cause them to limit the number of their respective investments. In such case, poor performance by one or more of its investments could severely adversely affect a Fund's 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. They 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 Partners expect that certain of their rights will be limited as compared to rights granted to controlling stockholders. Therefore, the Funds' ability to protect their respective positions 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 Partners 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 Partners will be able to do so successfully or cost effectively, and the General Partners may decide not to hedge against such risks or to do so 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 Partners 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 Partners 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) 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 be paid down when the Funds issue a call notice to their 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 have invested and determine the appropriate time and terms upon which to exit the investments. There can be no assurance that the members of the Investment Committee will continue to be associated with Pegasus as the members of the Investment Committee are under no contractual obligation to remain with Pegasus. The loss of the services of one or more of the Investment Committee members could have an adverse impact on the ability of the Funds' to realize their 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 they otherwise might have initiated and may not be able to sell an investment that they 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 their respective portfolio companies. The Funds may designate directors to serve on the boards of directors of their respective 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 their investments. While the General Partners intend 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 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 successors, will be able to successfully operate portfolio companies in accordance with the Funds' plans.

Risks in Effecting Operating Improvements. In some cases, the success of a Fund's 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.

Litigation. The transactional nature of the business of Pegasus and the Funds exposes the Funds, the General Partners, Pegasus and its affiliates generally to risks of third party litigation. Pegasus and its affiliates and related persons have been and are subject to such litigation. Under the Governing Fund Documents, the Funds generally will be responsible for indemnifying the General Partners, Pegasus and its affiliates and related persons for costs they may incur with respect to such litigation to the extent not covered by insurance.

Item 9. Disciplinary Information

There are no legal or disciplinary events required to be disclosed pursuant to this Item 9.

Item 10. 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 have 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, administrative or other 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”) and is chaired by a Pegasus managing partner in a non-voting capacity. The functions of the Advisory Boards are outlined in each of the Fund’s Governing Fund Documents. There are procedures in place at the General Partner level so that conflicts are resolved in an equitable manner.

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 their sole discretion.

Operating Advisors provide consulting services to a Fund and its portfolio companies, including, without limitation, industry or company specific research and advice, serving as directors and/or officers of Fund portfolio companies, and strategic and operational advice. Operating Advisors are compensated by the Fund or the relevant Fund portfolio company. Such compensation generally takes the form of cash fees and equity grants relating to investments in Fund portfolio companies.

Item 11. 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 Advisors 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 generally does not buy securities from or sell securities to its Funds. However, Pegasus may engage in these transactions in certain limited circumstances. These types of transactions are known as "principal transactions." This could potentially create a conflict of interest between Pegasus and its Funds. Pegasus and its employees are strictly forbidden from implementing any principal transaction without obtaining the Chief Compliance Officer's written pre-approval. In addition, the consent of the Funds' relevant Advisory Board is required before proceeding with a principal transaction.

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. In addition, Pegasus and its employees may, on rare occasions and in accordance with the requirements of the associated Governing Fund Documents, purchase an investment intended to be transferred to a Fund upon its formation, acting in the capacity similar to bridge financing. In addition, co-investment opportunities may be offered to Pegasus employees and Operating Advisors.

The foregoing relationships, fees and any other actual or potential conflicts of interest arising therefrom are disclosed in the respective Governing Fund Documents.

Item 12. 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 seeks to extend its best execution policy to the implementation of private investments, acquisitions and disposition of portfolio companies. Pegasus attempts to ensure that the Funds pay 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.

Item 13. 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.

Item 14. 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 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.

Item 15. 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 each Fund's fiscal year end. Investors should carefully review these statements, and should compare these statements to any account information provided by Pegasus.

Item 16. 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.

Item 17. 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.

Item 18. 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.