

Form ADV Part 2A

Pavilion Advisory Group Inc.

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This Brochure provides information about the qualifications and business practices of Pavilion Advisory Group Inc. (“Pavilion”). If you have any questions about the contents of this Brochure, please contact us at uscompliance@pavilioncorp.com or (312) 798-3200. 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.

Pavilion is a registered investment adviser. Registration as an Investment Adviser does not imply any level of skill or training.

Additional information about Pavilion is also available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for Pavilion is 137901.

Item 2 – Material Changes

There are no material changes since our last annual filing dated March 29, 2016.

We have made certain non-material changes to the following Items of this Brochure: Advisory Business; Fees and Compensation; Methods of Analysis, Investment Strategies and Risk of Loss; Brokerage Practices; Client Referrals and Other Compensation; and Custody.

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Item 4 – Advisory Business

Pavilion Advisory Group Inc. (“Pavilion”, “we” or “us”) has been providing investment and advisory services since 1982. Pavilion Advisory Group Inc. is a wholly-owned subsidiary of Pavilion Financial Corporation (PFC).

Pavilion provides a full range of investment consulting and advisory services to healthcare organizations, endowments and foundations, defined benefit and defined contribution plans, Taft-Hartley pension and welfare funds, public plans and operating assets and other taxable funds. A description of these services is described in detail below.

Pavilion provides investment consulting and advisory services on both a non-discretionary and discretionary basis. Under a non-discretionary consulting approach, Pavilion makes investment recommendations to the client, but does not have authority to implement such recommendations. Under a discretionary consulting approach, Pavilion has the authority to implement certain investment decisions. The extent of this authority is determined by the client. Clients also have the ability to impose investment restrictions on investing in certain securities or types of securities both in a non-discretionary relationship and discretionary relationship. As of December 31, 2016 Pavilion had approximately \$226,260,139,914 in non-discretionary assets on which we advised and made recommendations. Pavilion’s assets under management totaled \$2,297,310,640 as of December 31, 2016, which represents assets that Pavilion manages on a discretionary basis on behalf of clients.

Pavilion is staffed by an experienced team of consultants and researchers with backgrounds including: banking; investment management; securities trading; brokerage; and experience working for plan sponsors. It is this combination of consulting experience and practical investment insight that we believe gives strength to our client relationships.

Pavilion provides customized services to meet the particular needs of each client. Clients may impose restrictions on investing in certain securities or types of securities. Pavilion offers a broad spectrum of investment consulting and advisory services including:

1. Investment Strategy and Policy: Pavilion assists clients in formulating customized investment strategies that consider investment objectives, risk tolerances, and cash flow needs. Pavilion analyzes each client’s existing investment program to identify inconsistencies between the client’s objectives and their current investment structure. Using various optimization techniques, Pavilion will determine an asset allocation strategy that meets a client’s specific investment objectives and liabilities.

Pavilion also assists clients in developing appropriate investment manager structures within the parameters of fund size, administrative cost, and operational efficiencies. As part of this process, Pavilion will help develop a written Statement of Investment Policy that establishes specific objectives and controls. This document delineates the client’s asset allocation policy, investment restrictions, and target performance characteristics.

2. Asset Allocation and Liability Analysis: Pavilion begins this process with an evaluation to identify each client’s key risk tolerance and risk preference issues, including appropriate asset classes and maximum and minimum allocations. Pavilion helps define the client’s primary goals, such as: maximizing absolute returns, matching cash-flow characteristics, targeting specific rates of return, or minimizing volatility of a specific metric.

Pavilion pays particular attention to the development of the asset allocation model input variables. Our consultants analyze each portfolio using asset-liability models to confirm that the investment portfolios fully reflect a client's risk tolerances, spending policies, and liability structure. This process can also be used to evaluate the objectives and strategy for certain defined contribution investment options, such as targeted maturity and lifecycle funds.

3. Healthcare Capital Allocation Analysis for Healthcare Operating Funds: Pavilion applies a strategic modeling process for the asset allocation decision as it applies to the healthcare operating assets. This analysis integrates projected income and balance sheet data into traditional asset/liability management, using both stochastic and deterministic models. This analysis is a powerful tool in assisting healthcare systems with the allocation of capital resources.
4. Investment Manager Evaluation and Selection: Pavilion performs searches on behalf of our clients for investment managers and mutual funds. Pavilion conducts ongoing research to identify a universe of investment managers and/or mutual funds seeking to outperform their peers. Pavilion develops a list of selection criteria utilizing qualitative and quantitative analysis from our database of investment managers, prepares RFP questions, provides detailed written profiles, and makes specific recommendations. Pavilion will assist in fee negotiation, transition management, and investment contract review, if requested.
5. Alternative Asset Classes: Pavilion researches, advises, and conducts searches for alternative investments. In addition, Pavilion performs ongoing due diligence of alternative managers. Our capabilities include but are not limited to the following alternative investment classes: Real Estate, Hedge Funds, Hedge Fund-of-Funds, Private Equity Funds, Private Equity Fund-of-Funds, Infrastructure and Commodities.
6. Manager Monitoring: Onsite due diligence and frequent communications with managers may often identify problems before they are evident in performance. Pavilion's recommendations, applied experience and assistance with implementation can help minimize turnover costs and benchmark risks.
7. Performance Measurement and Evaluation: Pavilion provides customized performance reports to meet the needs of each client. Pavilion also maintains electronic links with many custodians to ensure receipt of clients' monthly custodial statements and a full reconciliation of the assets.
8. Custodian and Record-keeper Evaluation and Selection: Pavilion conducts custodian and other vendor searches using a process similar to that for investment managers. Client specific requirements are incorporated in the selection process. In addition to a review of capabilities, emphasis is placed on each vendor's ability to meet the client service needs of the organization. Fee negotiation is an important element of our search and selection process as are onsite evaluations.
9. Socially Responsible Portfolio Construction: Pavilion assists clients in developing customized socially responsible and economically targeted investment programs. Pavilion assists in establishing the appropriate structure and procedures for these investment portfolios, along with appropriate benchmark(s) to measure the success of the program.

Pavilion helps clients to balance their fiduciary responsibilities and investment objectives with broader goals reflecting particular economic or social objectives. Pavilion remains active in socially responsible investment networks and can integrate socially responsible objectives into the services described in the other sections of this Brochure.

10. Transition Management: Pavilion analyzes portfolio and manager transitions to determine the most efficient and cost effective method to implement these transitions. This may include the use of third-

party transition managers and the in-kind transfer of securities from one manager to another. Pavilion will also periodically review client commission costs to determine if commissions are competitive. Additionally, Pavilion may assist clients in establishing arrangements with commission recapture brokers in order to reduce commission costs.

11. Educational Workshops: Pavilion develops and conducts customized educational workshops that keep clients up-to-date on investment strategies, investment opportunities and capital market developments. New committee member workshops are effective in ensuring continuity in an investment program.
12. Defined Contribution Services: Pavilion takes a holistic approach by providing a wide range of inter-related services for retirement plans to assist plan fiduciaries in fulfilling their responsibilities. Services specific to this division include, custom target date or creation, defined benefit plan terminations, fee benchmarking and plan design analysis, employee education strategy, expert witness support in ERISA litigation, fiduciary training, IRS Voluntary Correction Program assistance, merger and acquisition due diligence and project management, operational compliance review and vendor search, negotiation and management.

Item 5 – Fees and Compensation

Pavilion negotiates individual fee arrangements for each client based on the scope of services provided, the complexity of a client's investment objectives, and the degree of discretion the client has given Pavilion. Therefore, Pavilion does not maintain a standard fee schedule.

Fees may be charged as a percentage of client assets, as a fixed fee or an hourly basis. In general, fee and payment options are negotiable. Under certain limited circumstances, clients may be charged for travel and related expenses incurred in providing investment consulting services pursuant to the terms of the client agreement.

Fees charged as a percentage of assets, hourly fees or flat fee may be billed quarterly in advance or arrears through an invoice to the client. For fees charged as a percentage of assets under advisement, the fee is calculated based on a percentage of the total market value of investments under advisement as of the last business day of the end of the quarter. Flat fees charged in advance are invoiced to the client in the first month of the quarter and asset based fees are invoiced in the second month of the quarter.

Investment consulting client agreements may be canceled, by either Pavilion or the client, for any reason upon receipt of prior written notice subject to negotiated contract terms. Upon termination of any account, any prepaid, unearned fees will be prorated and promptly refunded, and any earned, unpaid fees will be due and payable.

The fees and expenses you pay for any investments recommended by Pavilion are separate from the fees you pay to Pavilion for investment consulting services. Pavilion's fees do not include trustee fees, custody fees, sub-advisory fees, brokerage commissions or other transaction costs and mutual fund fees and expenses. Generally, when recommending mutual funds, Pavilion will recommend the lowest cost share class available. Please see Item 12 of this Brochure for information about Pavilion's brokerage practices.

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

Pavilion does not charge performance-based fees.

Item 7 – Types of Clients

Pavilion provides a wide array of investment consulting and advisory services to institutional investors. Pavilion works with healthcare organizations, endowments and foundations, defined benefit and defined contribution plans, Taft-Hartley pension and welfare funds, public plans and operating assets and other taxable funds.

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

Pavilion bases its investment advice on internal and external research, numerous publicly available information sources, third-party analysis, and both internal, proprietary and external quantitative investment tools.

Pavilion provides asset allocation advice, investment strategy recommendations, investment manager recommendations, as well as general education on investment topics related to our recommendations. Advice is tailored to each client, taking into account their objectives, constraints and risk tolerance.

Pavilion utilizes a wide array of models for its consulting and advisory activities. Pavilion will routinely create quantitative models that integrate various market factors to develop the specific strategy for each client. Where the client authorizes limited discretion, the investment process will be followed in accordance with the client's written investment policy statement.

Pavilion consults with clients on a wide range of financial, asset classes and market segments including publicly traded equities, fixed income securities and a variety of alternative investments.

Alternative investments include: timberland, natural resource funds, commodities, commodity trading advisors (CTAs), commodity futures, real estate investment trusts (REITs), private real estate, hedge funds (all types), hedge fund-of-funds, private equity funds (all types), and private equity fund-of-funds.

Risk of Loss:

Investing in securities involves risk of loss that clients should be prepared to bear. All investments, both publicly traded and private funds, present the risk of principal loss – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities. Even if the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

Investing in alternative investments involves significant risk factors. These investments are suitable for experienced and sophisticated clients and investors who can bear the economic risk of the loss of their entire investment and who have limited need for liquidity in their investment. Pavilion cannot give any guarantee that clients will achieve their investment objectives or that any client will receive a return of its investment.

Pavilion may rely on information that turns out to be wrong. Pavilion selects investments based, in part, on information provided by issuers to regulators or made directly available to Pavilion by the issuers or

other sources. Pavilion is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and may result in losses.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Pavilion or the integrity of Pavilion's management. Pavilion has not been involved in any legal or disciplinary events that would be material to your evaluation of Pavilion or its management persons.

Item 10 – Other Financial Industry Activities and Affiliations

Neither Pavilion Advisory Group Inc. nor any of its management persons are currently engaged in any other financial industry activities for compensation. Pavilion Advisory Group Inc. is a wholly-owned subsidiary of Pavilion Financial Corporation through a holding company, Pavilion Financial Corporation Holdings Inc. Pavilion is affiliated via common ownership and control with the following entities and referred to as our affiliates:

1. Pavilion Global Markets Ltd. - a FINRA and IIROC (Canada) regulated agency-only broker dealer and options/futures dealer registered with the U.S. Securities Exchange Commission (SEC) and the securities commissions of various Canadian provinces. Pavilion Global Markets Ltd. offers agency-only securities trading, transition management and global macro research.
2. Pavilion Global Markets Inc. – an SEC registered investment adviser offering transition management services.
3. Pavilion Advisory Group Ltd. – a Canadian investment adviser and investment fund manager that is registered with the securities commissions of various Canadian provinces.
4. Pavilion Alternatives Group, LLC – an SEC registered investment adviser, formerly known as LP Capital Advisors, provides discretionary and non-discretionary investment consulting services across alternative asset classes including private equity, private credit, real assets and hedge funds.
5. Pavilion Alternatives Group Limited – a Financial Conduct Authority (FCA) and SEC registered investment adviser provides discretionary and non-discretionary investment consulting services across alternative asset classes including private equity, private credit, real assets and hedge funds.
6. Pavilion Alternatives Group (Singapore) Pte. Ltd. – regulated by the Monetary Authority of Singapore provides investment consulting services and research.

At times, Pavilion may introduce to its clients other services managed or performed by our affiliates, including, for example transition management. If a client elects to work with one of our affiliates, they will do so through a separate agreement directly with the applicable affiliate and subject to the affiliate's fee or commission schedule or other compensation arrangement.

Each of those affiliates maintain separate policies and procedures which allow us to, among other things, segregate information so as to manage or avoid conflicts of interests. Those affiliates that are SEC registered investment advisers maintain a separate Code of Ethics. Some of our officers and employees are shareholders in the parent company of Pavilion and as a result may benefit indirectly from revenues

received by Pavilion's affiliates. Pavilion manages these conflicts of interest through transparency of disclosures and ensuring the client is informed about their ability to implement any recommendation provided regarding services through a non-affiliate.

We leverage the research capabilities of our affiliates in providing our consulting services to clients. Administrative and other expenses are allocated internally among the affiliates as compensation for the services.

Pavilion has an arrangement with a principal of an investment manager for purposes of providing certain consulting services only to a limited number of specific Pavilion clients in conjunction with Pavilion. There is no affiliation between Pavilion and the investment manager or the principal. These clients are aware of the arrangement.

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

Pavilion has adopted policies and procedures, including a Code of Ethics, designed to monitor the personal securities transactions of our associates, to ensure that covered associates are not taking inappropriate advantage of their position with the firm and to identify and manage actual or potential conflicts of interest. Individuals associated with Pavilion may buy, hold or sell securities for their personal accounts identical to those which may have been recommended to clients. However, it is the expressed policy of Pavilion that no person employed by Pavilion may purchase or sell any security prior to a transaction(s) being implemented for a client, therefore, preventing such employees from benefiting from transactions placed on behalf of client accounts. As these situations represent a conflict of interest, Pavilion has established the following restrictions in order to fulfill its fiduciary responsibilities:

- 1) A Director, officer or employee of Pavilion shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of Pavilion shall prefer his or her own interest to that of a client.
- 2) Pavilion maintains a list of all publicly traded clients. All Pavilion associates are prohibited from buying or selling the securities of such clients. This list is reviewed on a regular basis by Pavilion's Chief Compliance Officer.
- 3) Pavilion emphasizes the unrestricted right of the client to decline to implement any advice rendered.
- 4) Pavilion requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 5) Any individual not in observance of the above may be subject to termination.

A copy of Pavilion's Code of Ethics is available upon request by contacting uscompliance@pavilioncorp.com and/or 312 798 3200. Pavilion also has policies in place to protect against the conflicts of interest which may arise due to the receiving and giving of gifts and entertainment.

Item 12 – Brokerage Practices

For some clients, Pavilion Advisory Group Inc. performs searches for independent custodians and brokers. In certain cases, recommended custodians may also be brokers. Pavilion's review of brokers and custodians will include firm governance, ethics, operational capacity, portfolio risk controls, fees, client service and other factors. In making recommendations, Pavilion considers both qualitative and quantitative factors. While low cost is an important consideration, service and operational factors may warrant inclusion of a broker or custodian that does not offer the lowest available cost. Pavilion Advisory Group Inc. may introduce clients to Pavilion Global Markets Ltd. (PGM), an affiliated broker-dealer, for transition management services when appropriate. Clients are not required to use PGM for transition management services.

Investment managers included in searches performed by Pavilion may be trading clients of our affiliated broker-dealer, PGM. Pavilion Advisory Group Inc. employees have no knowledge of trading activity that may be carried out by PGM for recommended investment managers and trading activity at PGM has no influence on whether or not a manager is included in a search or is recommended to a client.

In certain instances involving endowments to charitable institutions, Pavilion may recommend brokers to facilitate the sale of donor's stock. The charitable institutions are not required to use the recommended brokers. Pavilion does not receive any compensation from the brokers for our recommendation.

Neither Pavilion nor any affiliates own its own securities and as such will not conduct principal transactions with any client securities.

With respect to soft dollars, Pavilion does not engage in any formal or informal arrangements or commitments to utilize research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

Pavilion's business of recommending mutual fund investments and investment managers does not involve trade aggregation as Pavilion is not executing transactions on behalf of clients.

Item 13 – Review of Accounts

Pavilion reviews all client accounts quarterly, annually and/or semi-annually depending on the client, and the size and complexity of the plan. The review includes investment strategy, portfolio structure, performance evaluation, asset allocation, investment policy compliance and portfolio rebalancing. The client reviews are conducted by each client's assigned Pavilion consultants.

A review of investment policy and strategic asset allocation objectives is typically conducted annually.

Regular reports that we provide our clients include the performance evaluation report. These written reports contain, for example, information on total fund, portfolio segment and investment manager performance, investment policy compliance, asset allocation and portfolio rebalancing. Pavilion may produce several versions of the performance evaluation report, depending on the audience. A detailed version of the report may go to internal management while an executive summary version may go to investment committee members.

Item 14 – Client Referrals and Other Compensation

Pavilion does not provide or receive compensation for client referrals.

Item 15 – Custody

It is Pavilion's general policy to not maintain custody of any client funds, securities or assets. In limited instances, Pavilion may be deemed to have custody based on authority granted by certain clients to make certain payments from their accounts; such payments are done only with authorization from the client with the ability to revoke the authorization at any time. In these instances, client funds and securities are maintained with a qualified custodian. Clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Pavilion urges our clients to carefully review such statements and compare such official custodial records to the monthly and quarterly reports that we may provide. The reports Pavilion provides to clients may vary from custodial statements provided by their custodian based on, among other things, accounting procedures, reporting dates, or valuation methodologies of certain securities from investment managers.

Item 16 – Investment Discretion

Pavilion provides investment consulting and advisory services on both a non-discretionary and discretionary basis. Under a non-discretionary consulting approach, Pavilion makes investment recommendations to the client, but does not have authority to implement such recommendations. Under a discretionary consulting approach, Pavilion has the authority to implement certain investment decisions. The extent of this authority is determined by the client.

Item 17 – Voting Client Securities

Pavilion does not vote proxies for our non-discretionary clients. The Investment Consulting Agreement between Pavilion and its non-discretionary clients specifically states that Pavilion is prohibited from voting proxies for such clients. In certain situations, however, Pavilion may give consulting clients advice or assistance but in these situations will not vote their proxies.

Pavilion may vote proxies for its discretionary clients, depending on the level of discretion granted Pavilion by the client. Pavilion has adopted and implemented policies and procedures that it believes best serve the interests of its clients for whom it votes proxies. These policies and procedures are designed to ensure that proxies are voted in the best interest of clients, in accordance with Pavilion's fiduciary duties as an investment adviser, and the SEC's Rule 206(4)-6 under the Investment Advisers Act of 1940. In addition to SEC requirements governing advisers, Pavilion's proxy voting policies reflect the long-standing fiduciary standards and responsibilities for ERISA accounts set out in Department of Labor Bulletin 94-2, 29 C.F.R. 2509.94-2 (July 29, 1994), which states that an investment adviser's primary responsibility as a fiduciary is to vote proxies in the best interest of its clients, which in some cases may be the underlying fund beneficiaries.

In those cases where Pavilion has the authority to vote client proxies, Pavilion's authority is established by its advisory contracts. Pavilion's proxy voting guidelines have been tailored to reflect these specific contractual obligations.

As an investment adviser, Pavilion is primarily concerned with maximizing the value of its clients' investment portfolios. Pavilion normally votes in support of company management, but votes against proposals that Pavilion believes would negatively impact the long-term value of its clients' investments. In those instances in which Pavilion has been given full discretion with regard to proxies, Pavilion has voted and will continue to vote based on its principle of maximizing shareholder value. A copy of Pavilion's proxy voting policy can be obtained by contacting uscompliance@pavilioncorp.com and/or 312 798 3200.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Pavilion's financial condition. Pavilion has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.