

Form ADV Part 2A

Item 1 – Cover Page

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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 (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 of an Investment Adviser does not imply any level of skill or training.

Additional information about Pavilion also is 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

We updated Item 14 to more accurately reflect a relationship we have with respect to referrals.

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Item 4 – Advisory Business

Pavilion Advisory Group Inc. has been providing investment and advisory services since our founding in 1982. Pavilion Advisory Group Inc. is a wholly-owned subsidiary of Pavilion Financial Corporation.

Pavilion is an experienced and objective adviser that 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, and corporations (operating assets and other taxable funds). Our approach is strategic and we strive to provide investment advice that potentially enhances returns and controls risk.

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.

Pavilion Advisory Group has approximately \$60 billion in assets under advisement as of January 31, 2015, which represents non-discretionary assets which we advise and make recommendations on, but may not have authority to execute or facilitate trades on behalf of the client. Pavilion's assets under management totaled \$620,581,451 as of January 31, 2015, which represents assets that Pavilion manages on a discretionary basis on behalf of clients.

Below is a summary of Pavilion's investment consulting and advisory services.

Pavilion is staffed by an experienced team of consultants and researchers. Our investment professionals have a background that includes banking, investment management, securities trading, brokerage, and 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 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 a thorough evaluation to identify each client's key risk tolerance and risk preference issues, including appropriate asset classes and maximum and minimum allocations. Pavilion defines 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. We have found that this analysis has also shown to be very helpful in predicting when non-compliance with bond covenants may occur.
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 mutual funds who have a high probability of outperforming their peers. Pavilion develops a list of selection criteria, prepares RFP questions, provides detailed written profiles, and makes specific vendor recommendations. Pavilion will also assist in fee negotiation, transition management, and contract review.

An important step in the selection process is Pavilion's qualitative and quantitative analysis using our extensive database of manager information. This step involves evaluating the history and characteristics of each investment manager.

Pavilion confirms that the objectives of the selection process are being achieved. We never receive compensation in any form from the managers we recommend to our clients, and as such we believe that any conflicts are minimized.

5. Alternative Asset Classes: Pavilion researches, advises on, 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 can often identify problems before they are evident in performance. Pavilion's specific recommendations, applied experience and assistance with implementation help clients optimize manager performance while minimizing turnover costs and benchmark risks.
7. Performance Measurement and Evaluation: Pavilion provides comprehensive performance reports that are customized to the needs of each client. The reports are detailed, yet easy-to-understand, with many graphical presentations. They are fully customizable and clients can select from more than 500 index benchmarks and 60 peer groups. Pavilion maintains electronic links with many custodians to ensure that the reports are timely and accurate. Our primary goal is to help clients make informed decisions about their investment portfolios.

Our performance measurement process can start with a client's monthly custodial statements and includes a full reconciliation of the assets. The reports include a complete set of modern portfolio theory (MPT) statistics and a thorough analysis of manager style. These reports are prepared entirely in-house so that clients receive a report that is customized to their particular needs.

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. Defined Contribution and Deferred Compensation Plans Investment Structure Review: Pavilion assists clients in the evaluation of the investment options offered to participants in defined contribution and deferred compensation plans.

Pavilion evaluates the number of options and the investment styles and asset classes offered in the plan to determine the most appropriate investment structure for participants. Pavilion also assists in the evaluation and design of life cycle funds.

12. Employee Investment Communications: Pavilion helps clients meet the requirements of ERISA Section 404(c) by assisting in the development of an effective employee communication and education program. Pavilion's primary role is as an experienced voice in, 1) editing the description of investment options, 2) drafting announcements of investment changes, 3) evaluating general asset allocation guidelines for participants, 4) editing participant newsletters, 5) drafting special participant notices, and 6) preparing slide presentations for group meetings.

13. Defined Contribution Fee Evaluation: Pavilion performs comprehensive cost analysis of defined contribution plans, with a focus on disclosed and undisclosed fees, broker/dealer commissions, zero-cost arrangements, and third-party revenue sharing to determine the true cost of administering the plan. Pavilion will examine each component of these costs, whether paid by the company or by their participants, and then Pavilion will leverage our extensive experience in these arrangements to directly negotiate expense reductions. Recovered amounts can then be used to offset internal costs or increase existing investment income.

14. Proxy Voting Analysis: Pavilion assists clients in the development of proxy voting policies, the analysis of policy voting records by investment managers, and the evaluation of mutual fund SEC-mandated proxy voting policies.

15. 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.

16. 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:

- communications consulting
- custom target date and or creation
- fee benchmarking, analysis and vendor negotiation
- defined benefit portfolio optimization
- defined benefit strategy consulting
- defined benefit terminations
- employee education strategy
- expert witness support in ERISA litigation
- fee analysis and benchmarking
- fiduciary training
- income replacement solutions
- IRS Voluntary Correction Program (VCP) assistance
- merger & Acquisition (M&A) due diligence and project management
- operational compliance review
- plan design benchmarking, analysis and recommendations
- vendor search
- stable value manager search, analysis and recommendations
- vendor 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.

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. Pavilion does not charge performance based fees.

Investment consulting client agreements typically may be canceled, by either Pavilion or the client, for any reason upon receipt of 60 days written notice subject to negotiated contract terms. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Consulting fees are billed directly to clients as part of a project or retainer agreement for consulting services.

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

Pavilion does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

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, and corporations (operating assets and other taxable funds).

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

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

Pavilion recommends the hiring of independent investment managers for security selection. The implementation of investment strategy through asset allocation and manager selection is the primary focus of the investment process.

Pavilion utilizes a wide array of models that are used in 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 executed in accordance with the client's written investment policy statement.

Pavilion's investment advice includes such matters as the allocation of assets among different asset classes, managing portfolio risk and other general economic and financial topics. Pavilion will identify professionally managed investment products that are compatible with the client's investment objectives. Pavilion consults with clients on a wide range of financial and real asset classes including publicly traded equities, fixed income securities and 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, including mutual funds, present the risk of loss of principal – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities. Even when 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.

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 no legal or disciplinary proceedings pending.

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 Advisory Group Inc. is affiliated via common ownership and control with the following entities:

1. Pavilion Global Markets Ltd., a FINRA and IIROC (Canada) regulated agency-only broker dealer and options/futures dealer registered with the SEC and the securities commissions of various Canadian provinces.
2. Pavilion Advisory Group Ltd. – an investment adviser that is registered with the securities commissions of various Canadian provinces.
3. LP Capital Advisors, LLC – an investment adviser registered with the SEC and the securities commissions of certain states.

At times, Pavilion Advisory Group Inc. may introduce to its clients investments and other services managed or performed by its affiliates, including, for example transition management. Pavilion Global Markets Ltd. and Pavilion Advisory Group Ltd. operate independently from Pavilion Advisory Group Inc., with each having policies and procedures which seek to ensure the confidentiality of information across all affiliates, and as such we do not feel that there is any conflict of interest.

Some Pavilion officers and employees are shareholders in the parent company of Pavilion and may therefore benefit indirectly from revenues received by Pavilion's affiliates.

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

Clients of Pavilion receive experienced consulting and advisory services. Pursuant to regulations under the Investment Advisers Act of 1940, Pavilion has adopted policies and procedures, including a Code of Ethics, designed to prevent insider trading and conflicts of interest. Individuals associated with Pavilion may buy or sell securities for their personal accounts identical to those recommended to clients. In addition, an associated person may have an interest or position in certain securities which may also be recommended to a client. 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 Douglas J. Simsovic at (514) 315-5039. 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, Pavilion Global Markets Ltd. (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 owns its own securities and as such will not conduct principal transactions with any client securities.

With respect to "Soft Dollar", 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.

The aggregation of transactions is permissible, provided that no client account is favoured over another client and if it is consistent with our Code of Ethics. Given our current areas of business, aggregation is not an issue.

Pavilion has a Best Execution Policy. We select the broker, to the extent that our business requires this, that we believe is among those best able to carry out our execution objectives: we consider the full range of brokerage services applicable when ranking our selection. Lowest price is not always determinative.

Item 13 – Review of Accounts

Pavilion reviews all client accounts quarterly, annually and 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 currently has one arrangement with a search firm that conducts RFP's for institutional investors whereby we pay a fee to the search firm if our proposal is accepted by the client and Pavilion is hired. As an integrated company, employees of Pavilion Advisory Group Inc. are encouraged to introduce clients to services offered by affiliates of Pavilion when appropriate. Employees receive no direct compensation for this activity, though success in growing firm revenue is one component that influences bonus payments.

Item 15 – Custody

Pavilion does not maintain custody of any client funds, securities or assets. 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 account statements that we may provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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 Douglas J. Simsovic at (514) 315-5039.

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.