

Pegasus Partners Ltd.

Part 2A of Form ADV Brochure

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December 31, 2017

This Brochure provides information about the qualifications and business practices of Pegasus Partners Ltd. (the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (262) 478-9009 or by email at jkennedy@pegpartnersltd.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.

The Adviser is a registered investment adviser. The registration of an investment adviser does not imply any level of skill or training.

Additional information about the Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 — Material Changes

This Firm Brochure, dated December 31, 2017, provides you with a summary of the Advisor's advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

Item 3 — Table of Contents

Cover Page	i
Item 2 — Material Changes	ii
Item 3 — Table of Contents	iii
Item 4 — Advisory Business	1
Firm Description	1
Principal Owner	1
Types of Advisory Services	1
Client Reporting on Private Investments	3
Client Assets	3
Item 5 — Fees and Compensation	3
Item 6 — Performance-Based Fees and Side-By-Side Management	4
Item 7 — Types of Clients	4
Description	4
Account Minimums	5
Item 8 — Methods of Analysis, Investment Strategies and Risk of Loss	5
Principal Risk Factors	7
Item 9 — Disciplinary Information	9
Item 10 — Other Financial Industry Activities and Affiliations	9
Item 11 — Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	9
Item 12 — Brokerage Practices	10
Item 13 — Review of Accounts	13
Periodic Reviews	13
Reports	13
Item 14 — Client Referrals and Other Compensation	13
Item 15 — Custody	13
Account Statements	13

Item 16 — Investment Discretion	14
Item 17 — Voting Client Proxies	14
Class Action Lawsuits	15
Item 18 — Financial Information	15

Item 4 — Advisory Business

Firm Description

The Adviser provides comprehensive wealth management services to a broad range of clients, including individuals, high net worth clients, pension, profit sharing and 401(k) plans, corporations, business entities, trusts, estates, foundations and charitable organizations. The Adviser provides continuous investment advice and management based upon the individual needs and objectives of each client. The Adviser also provides bill pay services for select clients whereby the Adviser will have the ability to authorize payments from client checking accounts. The Adviser was founded in February 2015 and commenced operations in April 2015.

Principal Owner

The Adviser is privately held and its employees own substantially all the outstanding stock of the firm. The principal owner of the Adviser is Todd Krieg.

Types of Advisory Services

Our core expertise is providing comprehensive wealth and investment management services. We offer custom asset allocation strategies where a client's portfolio will be allocated among separately managed third-party advised portfolios, mutual funds, exchange traded funds ("ETFs"), alternative investments (which may include public or private securities) and other investments as part of an overall asset allocation strategy. Clients enter into written agreements, including an Investment Management Agreement ("IMA") and Investment Policy Statement ("IPS"), with the Adviser setting forth the relevant terms and conditions of the advisory relationship. Investments and third-party investment advisers used in the custom allocation strategy are selected based upon several factors, including an evaluation of performance history, management, total assets, expense ratio, volatility, turnover ratio, duration of track record, dividend yield and any other fees.

For clients who grant the Adviser complete discretionary authority, the Adviser determines which securities are to be bought or sold. These decisions are guided by the general guidelines which are set up at the inception of the Adviser-client relationship in cooperation with the client via the IMA and IPS agreements. These general guidelines cover such things as the relative proportion of debt securities and equity securities, the degree of risk which the client wishes to assume and the types and amounts of securities to constitute the portfolio, including any restrictions imposed by the client. The Adviser endeavors to manage the portfolio in accordance with these guidelines.

The Adviser also offers financial planning services to clients. Financial planning services may include financial position planning, retirement planning, income tax estimates, business planning, charitable giving, trust and estate planning, benefit plan advice, manager due diligence and

preparation of a financial plan. All financial planning advice is provided on a non-discretionary basis and clients are responsible for deciding what advice to act upon. Clients are advised that it remains their responsibility to promptly notify the Adviser of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Adviser's recommendations and/or services. There is no additional fee to clients for financial planning services.

In addition to the foregoing, the Adviser provides relationship management services to a single client of Reinhart Partners, Inc. ("Reinhart"), a registered investment adviser with which the Adviser was previously affiliated. The Adviser is compensated for these services from the fees the client pays to Reinhart.

Pension Consulting

We also provide several advisory services separately or in combination. While the primary clients for these services will be pension, profit sharing and 401(k) plans, we offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Pension Consulting Services are comprised of four distinct services. Clients may choose to use any or all of these services.

IPS Preparation:

We will meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

Selection of Investment Vehicles:

We assist plan sponsors in constructing appropriate asset allocation models. We will then review various mutual funds (both index and managed) to determine which investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the IPS.

Monitoring of Investment Performance:

We monitor client investments continually, based on the procedures and timing intervals delineated in the Investment Policy Statement. Although our firm is not involved in any way in the purchase or sale of these investments, we supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

Employee Communications:

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we also provide quarterly educational support and investment workshops designed for the plan participants when the plan sponsor engages our firm to provide these services. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

Client Reporting on Private Investments

On client reports, the Adviser may show private investments held or controlled by a client or by a third party on behalf of the client. These assets are reported for client recordkeeping purposes only. The Adviser does not have actual custody or control of these assets. With the exception of most marketable securities, the description of the asset and its price (or value) may have been provided to the Adviser by the client and should not be relied upon for any purpose by a third party.

Client Assets

As of December 31, 2017, total assets under management were approximately \$1,380 million. Client assets managed on a discretionary basis totaled approximately \$1,288 million; client assets managed on a non-discretionary basis totaled approximately \$92 million.

Item 5 — Fees and Compensation

Fees for investment management services rendered are based on a percentage of assets under management and are payable quarterly in advance, unless otherwise agreed to by the parties in writing. The annual rates provided below are applied to the market value of investment capital, including cash or its equivalent held for investment, as appraised by the Adviser. Where client assets are invested in mutual funds, ETFs, or other investment vehicles, the client will incur both a direct management fee payable to the Adviser and an indirect management fee payable through the third party investment vehicle. The same is generally true if client assets are invested in a strategy offered by a third-party investment adviser – that is, the client will incur both a management fee payable to the Adviser and a management fee payable to the third-party investment adviser, unless otherwise agreed to by the parties in writing. Where the Adviser provides before fee and after fee performance, the before fee performance will not include Adviser or Sub-Adviser fees incurred by the client but the after fee performance will. Certain Trustee, Custodian, Accounting, Legal, etc. fees debited directly from client accounts will be

treated as a withdrawal for performance computations. No fee increase will take effect without at least sixty days' advance written notice to clients.

The contractual relationship between the Adviser and its clients shall remain in force until canceled by either party upon 30-days' prior written notice. Unless a client specifically instructs the Adviser to liquidate the client's assets, the Adviser will not liquidate assets when notice of termination is received from a client. In the event of termination by either party, any unearned fees will be prorated back to the client.

Fee Schedule*

Total assets up to \$1,999,999	1.00%
Total assets from \$2 million to \$4,999,999	0.85%
Total assets from \$5 million to \$9,999,999	0.75%
Total assets from \$10 million to \$14,999,999	0.70%
Total assets of \$15 million and over	Negotiated

*Minimum Fee of \$10,000. All portfolio fees are subject to negotiation depending upon a number of factors, including total value of assets managed, asset type, and servicing requirements.

Unless the Adviser has permission from the client to debit automatically the client's custodial, banking or brokerage account(s), as the case may be, the Adviser will invoice each client for services rendered.

Pegasus may use independent sub-advisers to create customized individual stock and/or bond portfolios. When such services are used, clients will be charged a separate fee ranging from 0.15% - 0.85% of the assets being managed by the sub-adviser(s), depending upon the sub-adviser and the strategy utilized. While Pegasus may help to facilitate the payment of fees to sub-adviser(s), Pegasus does not receive any portion of such fee and the fee may change from time-to-time.

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

The Adviser does not intend to enter into performance fee arrangements with clients; therefore, the Adviser does not expect to expose its clients to the potential conflicts of interests associated with side-by-side management.

Item 7 — Types of Clients

Description

As described in Advisory Business above, the Adviser provides investment advisory services to a broad range of clients, including individuals, high net worth clients, pension, profit sharing and

401(k) plans, corporations, business entities, trusts, estates, foundations, endowments, charitable organizations and other separate accounts.

Account Minimums

The Adviser has a standard minimum relationship size of \$2,000,000 for all accounts. Smaller accounts may be accepted based upon a number of factors, including geographic considerations, related account relationships, the number of clients with individual firms and support services provided by other firms.

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

Primary Investment Strategies and Analysis Methods

In managing a client's assets, the Adviser formulates an overall investment strategy which considers the client's individual financial and investment objectives, income requirements, spending, life style needs, risk profile, acceptable risk tolerances, tax bracket and status, time horizon and any other relevant factors. To assist in setting the strategy, Adviser typically offers to review a client's tax situation, estate plan, and insurance programs. Specifically, Adviser provides the following investment services to its clients as appropriate in their individual circumstances:

Asset Allocation and Portfolio Design. Adviser works with each client to establish and adopt an asset allocation strategy which works in conjunction with the client's overall wealth management plan. The strategy and IPS consider the client's risk tolerance and return objectives to design a portfolio that combines lower return, lower risk investment classes, such as high-quality bonds, with higher return seeking asset classes such as public and private equity investments. Most of the portfolio is typically invested with Outside Investment Managers (as defined below), and if the client has authorized Adviser and is qualified, may contain Private Investments (as defined below).

Outside and Private Investment Manager Review and Selection. Adviser is responsible for sourcing, conducting due diligence, approving and monitoring all client investments covered by their IMA. Any new client investment must be on the Adviser's approved investment list, and legacy client positions covered by the IMA may be approved to hold by the Adviser. Adviser's initial diligence utilizes commercially available and proprietary databases to track the universe of investment managers in both traditional third-party investment management (e.g., mutual funds, ETFs, separately managed account managers referred to herein as "Outside Investment Managers") and private investment management (e.g., private illiquid investments such as private real estate, private debt, private equity, and other private investments or funds referred to herein as "Private Investments"). Adviser conducts significant diligence on Outside Investment

Managers and Private Investments which have demonstrated a high degree of expertise at implementing a particular investment strategy or strategies. Adviser selects Outside Investment Managers which specialize in the major asset classes, including cash management, fixed income, large, medium and small capitalization stocks and international securities via separately managed accounts, ETFs or mutual funds. If authorized and directed in client's IMA, Adviser will also present Private Investments opportunities to client provided they meet the specific requirements to invest (Accredited Investor and/or Qualified Purchaser qualification, as defined by the U.S. Securities and Exchange Commission, are typically required.)

To identify particular Outside Investment Managers to manage portions of client assets either directly or through investments in public or private funds, Adviser utilizes a rigorous screening process, evaluating a range of quantitative factors based upon the Outside Investment Manager's (i) historical performance, (ii) risk-return profile, (iii) consistency of returns, (iv) downside risk, (v) use of leverage, and (vi) market/peer group correlation. Adviser also considers qualitative factors, which may include (i) the experience and integrity of the manager's management team, (ii) the soundness and capacity of the investment strategy employed by the manager, (iii) the manager's risk management strategies, and (iv) the quality of the manager's infrastructure. Adviser will meet with Outside Investment Manager during the diligence stage and Adviser's investment committee will conduct a vote to approve the Outside Investment Manager for client investment. A similar rigorous screening process, including many of the same quantitative and qualitative factors, is also conducted for Private Investments prior to Adviser presenting to qualified clients.

The Adviser monitors the approved Outside Investment Managers and Private Investments on an ongoing basis to ensure that they continue to adhere to Adviser's high standards of quality, consistency, risk control, and performance. If Adviser identifies any material change, or sustained underperformance versus relevant benchmark, a review is initiated on the specific Outside Investment Manager or Private Investment.

Asset Allocation Execution and Monitoring. Adviser's standard IMA enters into discretionary agreements with clients to select, engage and replace, if necessary, Outside Investment Managers. The client's IMA can authorize Adviser to present Private Investments to the client, which require a signed alternative investment acknowledgement prior to each investment in Private Investments. The Advisor does not have discretion to invest in Private Investments on behalf of client.

As part of its asset allocation strategy, the Adviser will periodically review client portfolios to determine whether the portfolio is appropriately diversified and whether the risk profile of the account matches the client's risk tolerance and the parameters of the client IPS. The Adviser will rebalance accounts as necessary to achieve the client's desired investment objectives. As a result,

a mix of both long-term purchases and short-term purchases will be experienced in client accounts due to market conditions, tax implications, and client exposure to various asset classes.

Principal Risk Factors

Investing in securities involves risk of loss that clients should be prepared to bear. The Adviser does not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products. Investments are subject to market risk, which may cause the value of the client's account to be worth more or less than the client's initial investment. The market value of a client's account is expected to fluctuate. Further, the securities selected may decline in value or not increase in value when the market in general is rising.

Investments selected directly by Adviser and/or Outside Investment Managers selected by Adviser may decline in value for any number of reasons, including changes in the overall market for equity and/or debt securities, and factors pertaining to particular portfolio securities, such as management, the market for the issuer's products or services, sources of supply, technological changes within the issuer's industry, the availability of additional capital and labor, general economic conditions, political conditions and other similar conditions.

Risks Associated with Asset Allocation. The overall success of Adviser's strategies depends on, among other things, (i) the ability to develop a successful asset allocation strategy, (ii) the ability to select Outside Investment Managers and to allocate the assets amongst them, and (iii) the ability of the Outside Investment Managers to be successful in their strategies. The past performance of such strategies is not necessarily indicative of their future profitability. No assurance can be given that the strategy or strategies utilized will be successful under all or any future market conditions.

Small and Mid-Cap Risks. While securities of small or mid-cap issuers may offer the potential for greater capital appreciation than investments in securities of large-cap issuers, securities of small and mid-cap issuers also present greater risks. For example, (i) some small and mid-cap issuers often have limited product lines, markets, or financial resources, (ii) they may be dependent for management on one or a few key persons, (iii) can be more susceptible to losses and risks of bankruptcy, and (iv) their securities may be thinly traded and may be more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers.

Non-U.S. Investments. Investing in securities of non-U.S. companies and foreign countries and in non-U.S. currencies involves certain considerations not usually associated with investing in U.S. securities, including political and economic considerations, the possibility of imposition of withholding or other taxes on dividends, interest, capital gain or other income; the small size of

the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict investment opportunities. There is also less regulation, generally, of the securities markets in foreign countries than there is in the United States. The risks of investing in non-U.S. investments described herein apply to an even greater extent to investments in emerging markets.

Exchange Traded Funds (“ETFs”). Equity-based ETFs are subject to risks similar to those of stocks; fixed income-based ETFs are subject to risks similar to those of bonds. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Foreign investments have unique and greater risks than domestic investments.

Private Investments. Investments in Private Investments, such as private debt, real estate, private equity, and other private investments or funds often are: (i) highly speculative and invest in complex instruments and structures including derivatives and structured products; (ii) illiquid with limited withdrawal or redemption rights; (iii) leveraged; (iv) subject to significant volatility; (v) subject to long holding periods; (vi) less transparent than public investments; (vii) subject to significant restrictions on transfers; (viii) affected by complex tax considerations; (ix) carry no guarantee that investors will receive a distribution; (x) subject to economic factors affecting the general economy, including interest rates, availability of financing, growth of GDP, cost of insurance, natural disasters, and inflation, and (xi) in some cases, affected by capital call default risk. In addition to the above, investors in these strategies will be subject to complex and variable fees and expenses which will reduce profits or increase losses. These vehicles are not registered as investment companies and as a result, there is an absence of regulation. There are numerous other risks in investing in these securities. *Clients should consult each Private Investments’ private placement memorandum and/or other documents explaining such risks prior to investing.*

Private Investments Leverage. Certain of the Private Investments may borrow funds from brokerage firms and banks. Adviser will have no control over the amount of leverage used. In addition, the Private Investments may indirectly leverage their portfolios by investing in instruments with embedded “leverage” features such as options, swaps, forwards, contracts for differences and other derivative instruments. While leverage presents opportunities for increasing total return, it has the effect of potentially increasing losses as well. The cumulative effect of the use of leverage by Private Investments in a market that moves adversely to the investments of the entity employing the leverage will result in a loss that would be greater than if leverage were not employed.

Item 9 — Disciplinary Information

The Adviser and its employees have not been involved in any legal or disciplinary events that would be material to a client's evaluation of the firm or its personnel.

Item 10 — Other Financial Industry Activities and Affiliations

The Adviser and its employees do not have any relationships or arrangements with other financial services companies or professional service companies that pose material conflicts of interest.

Prior to April 1, 2015, the Adviser was affiliated with Reinhart, as a division of Reinhart. Currently, the Adviser provides certain investment management and relationship management services to a single client of Reinhart.

Adviser utilizes some of Reinhart's investment management products for Adviser clients. The services provided, and the fees payable by clients with respect thereto, are disclosed to clients at the time the client enters into a client agreement with the Adviser and/or Reinhart.

The Principal owner of the Adviser, Todd Krieg, has a less than 5% ownership interest in Reinhart. The Principal owner of Reinhart, James Reinhart, has a less than 5% ownership interest in the Adviser. Due to lack of common control between the Advisor and Reinhart, this relationship is not disclosed under ADV Part 1 Item 7.A.

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

The Adviser has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons of the Adviser must acknowledge the terms of the Code of Ethics annually, or as amended.

The Adviser anticipates that, in appropriate circumstances and consistent with clients' investment objectives, it will recommend to investment advisory clients the purchase or sale of securities in which the Adviser, its affiliates and/or clients, directly or indirectly, have a position of interest. The Adviser's employees are required to follow the Adviser's Code of Ethics. Subject to satisfying this policy and applicable laws, employees of the Adviser may trade for their own accounts in securities which are recommended to and/or purchased for the Adviser's clients. The

Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of the Adviser will not interfere with (i) making decisions in the best interest of advisory clients, and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of the Adviser's clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored by the firm's compliance personnel to ensure compliance with the Code of Ethics, and to reasonably prevent conflicts of interest between the Adviser and its clients.

The Adviser's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the firm's Chief Compliance Officer at (262) 478-9009.

Item 12 — Brokerage Practices

For clients who grant the Adviser complete discretionary authority, the Adviser determines the broker or dealer through which the securities are to be bought or sold and the commission rates at which transactions are effected. In making these decisions, the Adviser considers a variety of factors, including best price and execution and the quality of the brokerage and research services provided by the broker. The Adviser may pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage or research services provided by the broker. Such services are used in servicing all of the Adviser's accounts and are not used solely by the Adviser in connection with the accounts which paid a commission to the broker providing such services.

When a client desires that a particular broker is to be used, the client is required to specifically direct the Adviser in writing, typically in the form of an IMA signed by the client, to do so. Where the client directs the Adviser to use a specified broker, the client should understand that (i) the Adviser will not negotiate commissions on the client's behalf and that, as a result, the client may pay materially different commissions than paid by other clients of the Adviser depending on the client's commission arrangement with such broker and upon other factors, such as the number of shares, round and odd lots, and the market for security purchased or sold; (ii) the client's securities trades will not be included in the Adviser's "batched" orders (i.e., orders for the purchase or sale of the same security for more than one account of The Adviser) executed through such broker and, therefore, the client may pay a different brokerage commission than other clients of the Adviser participating in such "batched" orders; (iii) the client may pay more

in commissions than if the Adviser was not directed to use such broker; (iv) the Adviser has a potential conflict between client's interest in obtaining best execution and the Adviser's interest in receiving future referrals from such broker/dealer and; (v) for the foregoing reasons, the Adviser may not obtain best execution in certain transactions in the client's account.

The Adviser does not have any formal or informal soft-dollar arrangements and does not receive any soft-dollar benefits, which are research or other products or services (other than execution) from a broker-dealer or third party in connection with client securities transactions.

From time to time it will be desirable to acquire or dispose of the same securities for more than one client at the same time. In this circumstance, it may not be possible to acquire or dispose a sufficiently larger portion of the security, or the client may have to accept a less favorable price. The Adviser's trade allocation/aggregation procedures have been designed to ensure that all clients are treated fairly and equitably with no particular group or client(s) being favored or disfavored over any other clients, but also to allow for flexible use of appropriate allocation methodologies. In circumstances where combined orders can be effected, orders for the same security executed on the same day for more than one client are treated as a combined order and the price averaged for participating clients and transaction costs are shared equally and on a pro rata basis.

Trades will not be combined where a client has directed transactions to a particular broker-dealer or when the Adviser determines combined orders would not be efficient or practical. Where a client pays a per-trade, rather than a per-share brokerage commission, clients may experience relatively high brokerage costs per equity share when the Adviser executes small share trading lots on the client's behalf.

To prevent personal security transactions for the Adviser employees from being included in any client-blocked trades, the firm has a Personal Trade Preauthorization process in place that limits employee ability to trade securities on days in which the trades would be included in client-blocked trades. An exception to this practice exists if Adviser employees have accounts that are being managed on a discretionary basis as part of an Adviser or Sub-Adviser portfolio. In these situation, Adviser employee trades will be included with client-blocked trades.

With respect to limited-supply investment opportunities, the Adviser allocates investment opportunities among clients on an objective basis. The Adviser generally allocates investment opportunities among client accounts pro rata based on the initial quantity demanded for each account. The factors considered in allocating investment opportunities, including opportunities of limited supply, generally include the following:

- investment objectives,
- investment strategies,

- investment parameters and restrictions,
- tax considerations,
- liquidity considerations,
- hedging considerations,
- legal and/or regulatory considerations,
- asset levels,
- timing and size of investor capital contributions and redemptions,
- cash flow considerations,
- market conditions,
- existing exposures to an investee company or security, and
- other criteria deemed relevant by the Adviser (the nature and extent of the differences will vary from client to client).

Based on such factors and the fact that different portfolio management personnel will manage the Adviser's various client accounts, there are, or are expected to be, differences between and among the clients with respect to portfolio holdings and the timing of transactions. As such, the Adviser may not always allocate investment opportunities on a pro rata basis. There will be circumstances where:

- only some of clients participate in investment transactions (e.g., to avoid odd lot positions or de minimis positions),
- the level of participation between and among clients in investment transactions is not on a pro rata basis, and
- investment transactions among clients vary in other respects.

Such non-pro rata investment transactions among clients will be made in the discretion of the Adviser when deemed:

- appropriate given the differences between the clients involved,
- appropriate because the target holdings of the particular investment that the Adviser has established with respect to the clients involved differ from client to client, and/or
- otherwise to be in the best interests of the clients involved.

It is the Adviser's general policy that no client will receive inappropriate preferential treatment or otherwise be treated unfairly, and the Adviser will seek to uphold this policy when making decisions regarding investment allocations.

It is the Adviser's policy for clients to be made whole following a trade error. Trades are allocated to client accounts the day of the trade between 3:00 and 4:00 PM central time (the "Daily Allocation Process.") An error detected before the Daily Allocation Process generally will be run through the Adviser's error account and the security position will be sold or covered in the market. An error detected and corrected before the Daily Allocation Process that was run through the Adviser's error account will be handled as follows: (i) any gain accrues to the benefit of the Adviser; and (ii) any loss will be to the detriment of the Adviser, including any commission

expenses. An error detected and corrected after the Daily Allocation Process will be handled as follows: (i) any gain after correction accrues to the benefit of the client account; and (ii) any loss after correction will be reimbursed to the client's account by the Adviser, including any commission expenses.

Item 13 — Review of Accounts

Periodic Reviews

The Adviser conducts periodic portfolio reviews on client accounts that receive investment supervisory services. Each account will be reviewed at least quarterly by Adviser, but more frequent reviews may be triggered by changes the client makes the Adviser aware of concerning the client's personal, tax or financial status. Major factors considered in all reviews include the market activity of individual securities and industries, the asset allocation mix within the portfolio and the investment strategy in terms of the income, risk and growth objectives of the client. Adviser will also implement investment portfolio changes recommended by the Adviser that result from evaluation of changing economic and market conditions.

Reports

Clients receive periodic letters and commentaries discussing the Adviser's outlook for the markets and clients' portfolios. Clients may also receive other periodic newsletters, telephone calls and personal consultations. Portfolio summaries, portfolio appraisals, purchase and sale reports, reports detailing realized gains and losses, and income and expenses will be provided upon request. Customized reports are also available upon request.

Item 14 — Client Referrals and Other Compensation

The Adviser does not intend to enter into referral fee arrangements.

See "Brokerage Practices" above for a discussion of research services utilized by the Adviser.

Item 15 — Custody

Account Statements

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but the Adviser can access many client funds through its ability to debit advisory fees, through its authority to authorize payments from certain clients' checking accounts for bill paying services, and through trustee services provided to certain clients. For this reason, the Adviser is considered to have "custody" of client assets. For those assets for which the Adviser is deemed to have custody because of bill paying, trustee services, or certain client accounts with standing letter of authorization to third parties, the Adviser is subject to an annual surprise verification conducted

by an independent public accountant. Clients receive statements from their respective custodians on at least a quarterly basis. To the extent the Adviser sends account statements, you are encouraged to compare the information included within the account statements to the information reflected in the statements you receive directly from your custodian. The Adviser's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 — Investment Discretion

Generally, the Adviser exercises investment discretion over client accounts. As such, the Adviser will normally have the authority to supervise and direct the investments of and for the client's account without prior consultation with the client. When selecting securities and determining amounts, the Adviser observes the investment policies, limitations and restrictions of the clients for which it advises.

Certain clients impose investment restrictions and limit the Adviser's authority to trade or select brokers. These restrictions and limitations must be set forth in the client's respective agreement with the Adviser.

Item 17 — Voting Client Proxies

The Adviser has adopted policies and procedures to ensure that it votes client proxies in the best interest of those clients who have delegated their proxy voting responsibility to the Adviser. Unless a client directs otherwise in writing, Pegasus, in conjunction with the proxy voting and due diligence services provided by Broadridge Financial Solutions, Inc., or its successors or assigns, shall be responsible for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted. Pegasus and/or the client shall correspondingly instruct each custodian of the assets to forward to Pegasus copies of all proxies and shareholder communications relating to the assets. Pegasus, in conjunction with the services provided by Broadridge Financial Solutions, Inc., shall monitor corporate actions of individual issuers and investment companies consistent with Pegasus' fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, Pegasus may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), Pegasus may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. Pegasus shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206 (4)-6 and 204-2(c)(2) are available upon written request. In

addition, information pertaining to how Pegasus voted on any specific proxy issue is also available upon written request.

Alternatively, clients may, at their written election, choose to receive proxies related to their own accounts, in which case Pegasus may consult with clients as they may request. With respect to ERISA accounts, Pegasus will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct Pegasus to vote a proxy in a particular manner, clients should contact the firm's Chief Compliance Officer at 262-478-9009.

Pegasus will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by Pegasus that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If Pegasus has a conflict of interest in voting a particular action, it will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients can obtain a copy of our complete proxy voting policies and procedures by contacting the firm's Chief Compliance Officer at 262-478-9009. Clients can request, in writing, information on how proxies for his or her shares were voted. If any client requests a copy of the Firm's complete proxy policies and procedures or how it voted proxies for his or her accounts, Pegasus will promptly provide such information to the client.

Class Action Lawsuits

The Adviser generally does not elect to participate in legal actions such as class action lawsuits on behalf of its clients. Rather, such decisions remain with the client or an entity designated by the client. At the client's request, the Adviser may assist the client in reaching this decision by forwarding claims to the client or by providing supporting documentation and information. However, the final determination as to whether to participate, and the completion and tracking of any such related documentation, rests with the client. The Adviser does not make claims on behalf of its clients.

Item 18 — Financial Information

The Adviser 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.

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