

# Form ADV, Part 2

## The Brochure

### **J.S. OLIVER CAPITAL MANAGEMENT, L.P.**

7960 Entrada Lazanja  
San Diego, CA 92127  
Phone: 858-756-8370  
Fax: 858-756-6731  
[www.jsoliver.com](http://www.jsoliver.com)

Updated: March 2011

This brochure provides information about the qualifications and business practices of J.S. Oliver Capital Management, L.P. If you have any questions about the contents of this brochure, please contact us at 858-756-8370. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about J.S. Oliver Capital Management, L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

J.S. Oliver Capital Management, L.P. is a registered investment adviser. Registration does not imply a certain level of skill or training.

**Item 2 - Material Changes**

JS Oliver Capital Management, L.P. (the “Firm” or “we”) prepared the most recent update to Part 2 of Form ADV in March 2010. The Firm’s business activities have not changed materially since the time of that update. However, on July 28, 2010, the SEC published “Amendments to Form ADV” which required significant changes to the content and format of Part 2 of Form ADV. This Brochure was prepared according to the SEC’s new rules. As such, this document is materially different from our previous brochures.

## Item 3 - Table of Contents

<b><u>Item Number</u></b>	<b><u>Item</u></b>	<b><u>Page</u></b>
Item 2 - Material Changes.....		2
Item 3 - Table of Contents .....		3
Item 4 - Advisory Business.....		4
Item 5 - Fees and Compensation.....		4
Item 6 - Performance-Based Fees and Side-By-Side Management.....		5
Item 7 - Types of Clients .....		5
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....		5
Item 9 - Disciplinary Information .....		7
Item 10 - Other Financial Industry Activities and Affiliations.....		7
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..		8
Item 12 - Brokerage Practices.....		8
Item 13 - Review of Accounts .....		12
Item 14 - Client Referrals and Other Compensation .....		12
Item 15 - Custody.....		12
Item 16 - Investment Discretion .....		13
Item 17 - Voting Client Securities .....		13
Item 18 - Financial Information.....		14

## Item 4 - Advisory Business

J.S. Oliver Capital Management, L.P. (the “Firm” or “we”) provides specialized discretionary advisory services to a variety of advisory clients. The Firm is the investment manager of three U.S. investment limited partnerships, and two non-U.S. pooled investment vehicles (collectively, the “Funds”). We also act as investment manager to separately managed accounts (“Accounts”) (collectively, the Funds and the Accounts will be referred to herein as “Clients”). The Firm may form additional or other collective investment vehicles in the future. An affiliate of the Firm (J.S. Oliver Partners, LLC, referred to as “JSO Partners”) is the general partner of the U.S. and non-U.S. investment partnerships the Firm manages. The Firm employs various strategies, and engages in various investment and trading activities, which may include special situation investing and trading (both long and short), various market-driven short term trading tactics, and investment based on technical and fundamental analysis. The firm has been in business since 2004. The principal owners are Ian Mausner and Stuart Feldman.

J.S. Oliver Capital Management offers investment management advisory services including equity and fixed income investment management, outside manager evaluation and monitoring, and general financial advice.

The Firm manages the Accounts in accordance with the investment objectives provided by the client. Separate Account clients may impose restrictions on investing in certain securities as well as other investment limitations. The Firm invests the Funds’ assets in accordance with the relevant Funds’ investment objectives, however the partnership agreements of the Funds do not impose limits or restrictions on the types of securities or instruments in which the Funds may invest or the types of positions they may take.

The Firm does not participate in any wrap fee programs.

The Firm managed \$127,797,780.00 assets on a discretionary basis as of March 15, 2011.

## Item 5 - Fees and Compensation

Each fund pays the Firm a management fee generally calculated at a rate of 1% per annum of the value of each investor’s investment in that Fund. The management fees are paid quarterly in advance based on the net asset values as of the beginning of the relevant calendar quarter. The Firm may vary the management fee as to particular investors by separate agreement.

As general partner, JSO Partners receives a performance based special profit allocation from the Funds that are organized as partnerships, including the investment vehicle for the offshore Fund. This special allocation is generally based on a percentage of net profits (realized and unrealized) in the relevant partnership. The special profit allocation is subject to a “high water mark” procedure (paid only after losses, if any, have been recovered). The special profit allocation is generally calculated and paid annually and upon an investor’s withdrawal or redemption from a Fund, but only on the amount withdrawn or redeemed.

For managing the Accounts, the Firm generally receives a management fee similar to the fee discussed above and/or a performance based fee, generally calculated at a rate of 20%. The

performance fee is assessed annually based on the realized and unrealized net appreciation in the Account. The fees payable to the Firm by an Account are negotiated on a client-by-client basis.

The Firm deducts the fees directly from discretionary managed Accounts on a quarterly basis. Advisory clients are billed on a negotiated schedule based on the advisory project's size and duration. We urge clients to carefully review and compare statements they receive from the Firm with statements that their custodian sends.

A Client may own mutual funds, Exchange Traded Funds (ETFs), or other managed investments that have an internal management fee. Clients will incur brokerage and other transaction costs. As described in Item 12 Brokerage Practices.

The Funds pay a prorated management fee for capital contributed to a Fund on a date other than the first day of a calendar quarter. Because the fees are paid by the Funds if an investor were permitted to withdraw capital on a date other than the end of a calendar quarter, he or she or it would not receive a refund of any management fee the Fund paid as to the remaining portion of that quarter.

The Firm does not accept compensation for the sale of securities or other investment products.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

The Firm manages accounts that pay a performance based fee and accounts that only pay an asset based fee. As a result, the Firm may face a conflict of interest because it may have an incentive to favor the Clients for which its receives a special profit allocation.

The Firm has procedures designed to ensure that all Clients are treated fairly, and to prevent this potential conflict from influencing the allocation of investment opportunities among clients.

## **Item 7 - Types of Clients**

The Firm's current clients are the Fund and the Accounts. See "Advisory Business" above.

Potential Fund investors may read the eligibility criteria and minimum investment requirements specific to each Fund in the relevant Funds' confidential offering memorandum and subscription application. The Firm negotiates the requirements for opening a separate Account on a case by case basis. However, Accounts generally require a minimum of \$5,000,000 under management.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

**Strategy.** The Firm's core investment strategy is a fundamental US equity "long-short" strategy. The investment objective is to maximize after-tax risk-adjusted returns and to consistently outperform the S&P 500 through long-term capital appreciation on both a risk adjusted and absolute return basis. The Firm also manages a variation of the same strategy which takes concentrated positions in relatively few companies with intermediate to long-term investment horizons.

The Firm also intends to use risk management and tax efficiency as elements of its strategy. The Firm generally uses a bottom-up approach in selecting portfolio holdings, and an opportunistic, directional, macroeconomic top-down analysis to determine cash and short weightings as well as the over or under weightings of industry sectors.

*Sector Selection:* Using a top-down macroeconomic analysis, the Firm attempts to develop an overall outlook on the economy, interest rates, and large demographic trends. From this, the Firm tries to derive those sectors that will most likely have the economic and demographic “wind” at their back given the economic, interest rate, tax, geopolitical, and macro environment. This process is ongoing and is constantly updated to assist the Firm in determining which sectors to overweight and which to underweight or avoid entirely. The Firm uses a similar macro analysis to determine the Account’s overall cash level and overall short weighting levels.

*Stock Selection:* The Firm has developed what it believes is a unique process of combining quantitative and other analytical techniques to assist it in screening for attractive investment opportunities. Once potential names make it through the initial screen, the Firm generally begins a very in-depth research process that may incorporate, among other things, detailed analysis of the company’s financial and business model, site visits of the company’s facilities, regular and ongoing face-to-face meetings with all levels of management, and a detailed discussion of the company’s prospects and outlook with the Firm’s extensive network of executives, investors, colleagues and other industry contacts. The Firm has regular access to many of the world’s leading executives, venture capitalists, and entrepreneurs, who provide the Firm with invaluable industry and company specific insight.

*Portfolio Characteristics:* The portfolio will typically hold intermediate- to long-term core positions, which are generally spread out among the sectors that are identified through the macro top-down analysis. In addition, the portfolio may have short-term trading positions. The long-term core holdings are generally built gradually and opportunistically as the market creates entry opportunities whereas the trading positions are usually bought to take advantage of some specific near term catalyst and typically have a much shorter holding period. The Firm attempts to manage the portfolio with tax efficiency in mind, and over time, the Firm hopes that many of the portfolio’s realized gains will be long term in character.

*Risk Minimization Strategies.* The Firm uses the portfolio’s cash level adjustments and short positions to attempt to limit or reduce the Client’s risk exposure. Based upon its top-down macro outlook, the Firm will actively adjust the portfolio’s cash levels. Generally, if the macro outlook becomes less attractive or if compelling value in individual names becomes harder to find, the Firm will look to ratchet up the cash levels as well as the portfolio’s short exposure.

The Firm actively monitors and evaluates portfolio risk measures (including beta measures and standard deviation analysis) to attempt to regulate the overall portfolio risk as well as the risks of individual holdings. In addition, the Firm will selectively employ option strategies (such as selling covered calls and buying out-of-the money puts) to enhance the Client’s return and to provide downside protection.

**Investment Risks.** All investing and trading activities risk the loss of capital. Clients and Fund investors should be prepared to bear losses in their Accounts or on their Fund investments.

Funds and separate accounts may produce gains and losses due to broader changes in the financial markets; however, gains and losses are also based on the Firm's investment acumen and securities selections, and may be impacted by other factors including market volatility, corporate activity, regulatory oversight, trading volume and money flows. The Funds and Accounts have significant fees and expenses that will reduce returns. The Firm may implement a variety of investment techniques and methodologies, in addition to those described above, and the Funds and Accounts may invest in a wide array of investments, each of which may have diverse associated risks, including counterparty risk, credit risk and liquidity risk. The portfolios may be leveraged, including through the use of derivative instruments, which increases the risk of investment loss, and their performance may be volatile. The Funds are not subject to the same regulatory and reporting requirements as SEC registered funds (e.g., mutual funds).

**The risks described above are not a complete list of risks involved with investing in a Fund – specific risks and conflicts of interest associated with an investment in a Fund are described in detail in the relevant Funds' confidential offering memorandum. Investors and prospective investors in a Fund should carefully review the Funds' confidential offering memorandum for further information.**

## **Item 9 - Disciplinary Information**

The SEC has initiated a formal investigation into whether or not there have been any violations of the federal securities laws in connection with the Firm's activities. The SEC issued subpoenas in December 2010 to the Firm and Mr. Ian Mausner for the production of documents. We have produced and are continuing to produce documents in response to the SEC's subpoenas.

We intend to fully cooperate with the SEC and look forward to improving our compliance regulatory functions. We are conducting a comprehensive internal review of our compliance practices with a view to incorporating the SEC's recommendation. Our goal is to achieve a more robust compliance culture that withstands the demands of the new regulatory landscape.

## **Item 10 - Other Financial Industry Activities and Affiliations**

Neither the Firm nor any of the management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither the Firm nor any of the management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

The Firm does not have any relationships or arrangements with other financial services companies that pose material conflicts of interest to the clients of the Firm.

The Firm occasionally recommends other investment advisers to its clients as part of other services it provides to those clients. The Firm does not receive compensation directly or indirectly from those advisers. We therefore believe there is no material conflict of interest involved in these recommendations.

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

The Firm has adopted a Code of Ethics that describes the standards of business conduct that the Firm requires of employees and establishes procedures intended to prevent the Firm, and its personnel and certain of their relatives, from inappropriately benefiting from the Firm's relationships with clients. The Code provides that (i) the Firm's clients' interests come before employees' interests and, except to the extent otherwise provided in client agreements, before the Firm's interests; (ii) employees must use appropriate efforts to avoid any actual or potential conflicts between their or the firm's interests and the interests of clients; (iii) employees must avoid any abuse of their positions of trust with and responsibility to the firm and its clients; and (iv) the Firm and its employees must comply with all applicable securities laws.

The Code requires employees to report personal securities holdings and transactions on a quarterly basis. It includes restrictions on employee trading intended to prevent employees from benefiting from any price movement that may be caused by client transactions. The Firm monitors all employees' securities transactions, which employees must report to the Chief Compliance Officer. The Code also contains restrictions on and procedures to prevent inappropriate trading while in possession of material nonpublic information (including information about the firm's trading activity for clients).

The Firm will provide a copy of its Code of Ethics to any client or prospective client upon request.

The Firm does not recommend or buy and sell for client accounts any securities in which an employee or related person has a material financial interest.

## Item 12 - Brokerage Practices

**Selection of Broker-Dealers:** The Firm has complete discretion in deciding what brokers, dealers, banks and other financial intermediaries and counterparties with or through which to execute or enter into portfolio transactions (collectively, "*Transacting Parties*") on behalf of Clients. In addition to paying commissions to Transacting Parties in connection with transactions effected on an agency basis, Clients may buy or sell securities directly from or to Transacting Parties acting as principal (such as market-makers for over-the-counter securities) at prices that include markups or markdowns and may enter into derivatives transactions with Transacting Parties on terms that provide other compensation to those Transacting Parties. The Firm has complete discretion in negotiating all these compensation arrangements. The following describes some noteworthy aspects of the Firm's and Clients' use of and relationships with Transacting Parties.

In choosing Transacting Parties, the Firm is not required to consider any particular criteria. For the most part, the Firm seeks "best execution" of Clients' securities transactions. What constitutes "best execution" and determining how to achieve it are inherently uncertain. In evaluating whether a Transacting Party will provide best execution, the Firm considers a range of factors. These include, among others, historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions; the execution, clearance and settlement and error correction capabilities of the Transacting Party generally and in connection with



securities of the type and in the amounts to be bought or sold; the Transacting Party's willingness to commit capital; the Transacting Party's reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; the market for the security; and, as discussed more fully below, the nature, quantity and quality of research and other services and products provided by the Transacting Party. The Firm is not required to select the Transacting Party that charges the lowest transaction cost, even if that Transacting Party can provide execution quality comparable to other Transacting Parties, and a Client expects at times to pay more than the lowest transaction cost available in order to obtain for itself, the Firm and/or its affiliates services and products other than the execution of securities transactions.

***Research and Other Soft Dollar Benefits:*** When a Transacting Party provides the Funds, JSO Partners or the Firm with services or products in addition to transaction execution, or pays for those services or products for the Funds, JSO Partners or the Firm, the Funds or the Firm is said to have acquired those services or products with "soft dollars." This is common in the professional management of securities portfolios. The Firm expects to acquire services or products with the Funds' soft dollars.

A federal statute, Section 28(e) of the Securities Exchange Act of 1934, as amended, recognizes the potential conflict of interest involved in the use by an investment manager (such as the Firm) of soft dollars to pay for various expenses but provides a safe harbor from breach of fiduciary duty claims if certain conditions and requirements are met. Under the safe harbor, soft dollars may be used to acquire "research" and "brokerage" services and products for which the Funds would not otherwise be required to pay. Services or products generally constitute "research" under Section 28(e) if they constitute advice, analyses or reports any of which express reasoning or knowledge as to the value of or investing in or trading securities, or as to issuers, industries, economic factors and trends, portfolio strategy or performance, but only to the extent the Firm uses them for lawful and appropriate assistance in making investment decisions for its clients. "Brokerage" services and products are those used to effect portfolio transactions for the Firm's clients (including the Funds) or for functions that are incidental to effecting those transactions (such as clearance, settlement or short-term custody related to effecting clearing or settling transactions) or regulatory required in connection with transactions. To be protected under Section 28(e), the Firm must, among other things, determine that commissions paid are reasonable in light of the value of the "brokerage" and "research" services and products acquired. In addition, only commission or commission equivalents on transactions in securities are protected by Section 28(e); using markups and markdowns on many principal transactions, commissions paid to futures commission merchants on transactions in futures contracts, and compensation from transactions in swaps or other derivative instruments to pay for research or brokerage is not protected. Section 28(e)'s "safe harbor" protects the use of the Funds' soft dollars even when the Firm uses research and brokerage services and products to benefit clients other than the Funds.

Using soft dollars to pay for services and products other than research and brokerage is not protected by the safe harbor, but does not necessarily constitute a violation of any law or fiduciary duty. Similarly, use of non-commission soft dollars or otherwise failing to satisfy procedural elements of the Section 28(e) safe harbor are not protected but are not necessarily prohibited.

Because many services and products the Firm may receive from Transacting Parties may benefit the Firm and/or its affiliates, including JSO Partners, the Firm's interests in allocating the Funds' securities transactional business may conflict with the Funds'. For example, the Firm may have an incentive to cause the Funds to engage in the following practices to induce Transacting Parties to provide those benefits: (i) pay Transacting Parties higher compensation (including markups and markdowns on principal transactions with market-makers) than the compensation others would charge; (ii) select Transacting Parties that do not provide the best possible price; (iii) use (and pay) Transacting Parties who do not actually provide execution services (including Transacting Parties who are paid commissions on transactions effected on a principal basis with other Transacting Parties acting as market-makers); and (iv) effect more transactions than might otherwise be optimal. The Investment Management Agreement authorizes the Firm to consider, in selecting Transacting Parties, provision to it of a wide range of services and products, including those that benefit the Firm and/or its other clients, and does not limit the receipt of those benefits to circumstances that are protected by the safe harbor of Section 28(e).

The extent of the conflicts of interest arising out of the use of soft dollars depends in large part on the nature and uses of the services and products acquired with soft dollars.

***“Research and Brokerage.”*** The types of “research” the Firm may receive from Transacting Parties include (but are not limited to): reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial and industry publications; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; analytical software; proxy analysis services and systems (to the extent used to assist in making investment decisions), quotation services; and other products or services that may enhance the Firm's investment decision-making. “Brokerage” services and products (beyond typical execution services) include (but are not limited to): computer systems and facilities (including hardware) used for such things as communicating orders and settlement related information electronically to executing Transacting Parties, post-trade matching of trade information, communicating allocation instructions, and other clearance and settlement functions. The Firm may use Fund soft dollars for “mixed use” products and services—products and services that are used in part for research or brokerage purposes and in part for other purposes. Even where the Firm's use of soft dollars to acquire research and brokerage services and products is protected by Section 28(e), the Firm will have a conflict of interest in connection with that use because it might otherwise have to pay cash for those services and products and it may have an incentive to use Transacting Parties who provide those services and products more than it otherwise would.

***Fund Expenses.*** The Funds may use soft dollars to pay its accounting and other ongoing expenses and to meet its obligation to reimburse the Firm and JSO Partners for expenses they have advanced. The Funds could also use brokerage commissions, markups and markdowns, and other transaction-related compensation (as well as interest the Prime Broker receives on the Funds' cash balances, margin borrowings and borrowings of securities to maintain short positions) to pay the Prime Broker for recordkeeping, custodial and related services provided to the Funds. Under the partnership agreements, the Funds, and not JSO Partners or the Firm, would otherwise be obligated to bear all of these expenses. The Firm therefore does not believe it would have a significant conflict of interest in selecting a Transacting Party in recognition of that party's payment of them.

**Other Services and Products.** Non-research or non-brokerage services that a Transacting Party may provide could potentially include some of JSO Partners' and Investment Manager's costs of and equipment used in providing services to the Funds, such as computer and communications equipment the Firm uses in connection with its investment analysis and decision-making, mass-market periodical subscriptions, out-of-pocket expenses involved in soliciting prospective investors (including finders' fees or placement agent fees) and in evaluating potential investment opportunities (including travel, meals and lodging related to such evaluation), the costs of computer software and equipment used for Fund reporting and other administrative activities, and other costs that JSO Partners or the Firm would otherwise bear. They may even include such "overhead" expenses as office rent, salaries, benefits and other compensation of employees or of consultants to the Firm, telephone expenses, legal and accounting expenses of the Firm and office services, equipment and supplies. The Firm may or may not use other clients' soft dollars to pay costs of these types and, if it does, that use may not be directly proportionate to the benefits to the Funds and those other clients. The Firm will have a conflict of interest to the extent these services are paid for by Transacting Parties; it will have all the incentives described above (including to use those Transacting Parties regardless of whether using them would otherwise be in the Funds' best interests, to pay higher compensation and to effect more transactions than otherwise optimal).

**Procedures.** Transacting Parties from which the Firm obtains soft dollar services or products generally establish "credits" based on past transactional business (including markups and markdowns on principal transactions, such as transactions with market-makers for NASDAQ securities), which may be used to pay or reimburse the Firm for specified expenses. In some cases the process is less formal; a Transacting Party simply may suggest a level of future business that would fully compensate the broker or dealer for services or products it provides. The Funds' actual transactional business with a Transacting Party may be less than the suggested level but may exceed that level, and credits established may exceed the amounts used to acquire services and products. This may be in part because the Funds' investment activities generate aggregate commissions in excess of the levels of future business suggested by all Transacting Parties who provide services and products. And it may be in part because those Transacting Parties may also provide superior execution and may therefore be most appropriate for particular transactions. The Firm may ask a Transacting Party who is executing a transaction for several accounts (see the discussion below regarding aggregation of orders) to "step out" of a portion of the transaction in favor of a Transacting Party who has provided or is willing to provide products or services for soft dollars. That is, the executing Transacting Party will allow a portion of the overall commissions or other compensation to be paid to the soft-dollar Transacting Party. This assists the Firm in acquiring products and services with soft dollars while providing the benefits of aggregated transactions described below. It may result in the Funds paying additional commissions or other transaction compensation to the Transacting Party to whom the Funds' portion of an aggregated transaction is "stepped out" and therefore incurring higher transaction costs for that transaction than do other clients of the Firm who are buying or selling the same security at the same time.

These procedures are generally consistent with the requirements of Section 28(e) when the products or services acquired constitute research and/or brokerage. However, Section 28(e)'s safe harbor is not available where transactions are effected on a principal basis, as most transactions with market-makers in over-the-counter securities are, with a markup or markdown

paid to the Transacting Party. The Firm may nonetheless determine to use such markups and markdowns as soft dollars with which to acquire services and products of the kinds described above.

The Firm does not receive client referrals from broker-dealers under which they are obligated to compensate them.

The Firm does not allow client directed brokerage.

In some cases, the Funds and Other Accounts may seek to buy or sell the same security or other financial instrument at the same time. In those cases, the Firm may combine purchase and sale orders on the Funds' behalf with orders for those of Other Accounts. When it does so, the Firm will generally allocate the proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants in the transactions. The Firm believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to the Funds than if the Funds had been the only account effecting the transaction or had completed its transaction before the other participants. Because of the Firm's interest in the Funds, there may be circumstances in which the Funds' transactions may not, under certain laws and regulations, be combined with those of some of the Firm's and its affiliates' other clients, and the Funds may obtain less advantageous execution than those other clients. In addition, the Firm and/or its related persons or funds may buy or sell specific securities for its or their own account that are not deemed appropriate for the Funds at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments for the Funds are made. Where execution opportunities for a particular security are limited, the Firm

The Firm attempts in good faith to allocate such opportunities among clients in a manner that, over time, is equitable to all its clients.

### **Item 13 - Review of Accounts**

All Client accounts are reviewed periodically by Ian Mausner, the Firm's Chief Executive Officer and Senior Portfolio Manager, for overall adherence with the investment philosophy employed by the Firm and any specific requirements of the Client. Clients' holdings are also reviewed at any time changing market conditions warrant. Investors in the Funds receive annual audited financial statements and quarterly or monthly unaudited reports. Account holders generally receive quarterly reports.

### **Item 14 - Client Referrals and Other Compensation**

The Firm directly compensates a person who is not a supervised person for client referrals. The Firm currently has one relationship where the referrer receives 25% of the quarterly management fee for a single client.

### **Item 15 - Custody**

All assets of the Funds (cash, securities and other assets) are held in the custody of unaffiliated broker-dealers or banks, as disclosed in the Funds' current offering memoranda. Separate account assets are custodied by the relevant separate account client's custodian, so the Firm is

not deemed to have custody over any separate account assets. However, JSO Partners, the Firm's affiliate, as the general partner of Funds that are U.S. limited partnerships, is deemed to have custody over the assets of those Funds. That is because the general partner of a partnership has broad authority to take possession of the partnership's assets. A general partner generally also has the ability to instruct the custodian to deduct fees directly from these Funds' accounts, which the SEC also considers to be a form of "custody." The Firm and JSO Partners employ various safeguards to balance these "custodial" powers. For example, a reputable, PCAOB<sup>1</sup>-registered independent accountant performs an annual audit of each Fund's financial statements. In addition, the Funds employ an independent third-party administrator, which calculates management fees and other compensation, and prepares and sends monthly statements to investors.

## **Item 16 - Investment Discretion**

The Firm has full investment discretion over all client accounts. Clients (the Funds and Accounts) grant the Firm that discretion through the execution of an investment management agreement or similar contract. By signing a subscription application, each investor in a Fund that is a U.S. limited partnership also grants JSO Partners discretion through a power of attorney, which delegates investment discretion to the Firm through an investment management agreement.

Separate account clients can place reasonable restrictions on the Firm's investment discretion by establishing guidelines or restrictions in the investment management or other contract between the client and the Firm. Fund investors have no ability to modify a Fund's investment strategy. They must, therefore, carefully read the Fund's confidential offering memorandum to understand the investment strategy and risks involved.

## **Item 17 - Voting Client Securities**

The Firm has adopted policies and procedures that address generally the guidelines it expects to follow in the exercise of its voting authority over Client proxies it receives from time to time. A copy of those policies and procedures will be provided to Clients and Fund investors upon request. In addition, information concerning the Firm's voting record on Client proxy matters will be provided upon request. Requests may either be made by contacting the Firm by phone at (858) 756-8370 or by submitting a written request to J.S. Oliver Capital Management, L.P. at 7960 Entrada Lanza, San Diego, California 92127.

---

<sup>1</sup> PCAOB is the Public Company Accounting Oversight Board, a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. The PCAOB also oversees the audits of broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.

## **Item 18 - Financial Information**

The Firm's balance sheet for fiscal year 2010, prepared in accordance with generally accepted accounting principles and audited by an independent public accountant is attached.

The Firm is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients.

The Firm has not been the subject of a bankruptcy petition at any time.

**J.S. OLIVER CAPITAL MANAGEMENT, L.P.**

**STATEMENT OF FINANCIAL CONDITION  
AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2010**

# J.S. OLIVER CAPITAL MANAGEMENT, L.P.

## CONTENTS

---

<b>Independent Auditors' Report</b>	<b>1</b>
Statement of Financial Condition	2
Notes to Statement of Financial Condition	3



# ACSB Acquavella, Chiarelli, Shuster, Berkower & Co., LLP

517 Route One  
Iselin, New Jersey 08830  
732. 855.9600  
Fax: 732.855.9559  
www.acsbco.com

Certified Public Accountants and Advisors

330 7<sup>th</sup> Avenue  
Suite 202  
New York, NY 10001  
212.867.1319

## INDEPENDENT AUDITORS' REPORT

To the General Partner of  
**J.S. Oliver Capital Management, L.P.**

We have audited the statement of financial condition of **J.S. Oliver Capital Management, L.P. (the "Partnership")**, as of December 31, 2010. The financial statement is the responsibility of the General Partner. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by the General Partner, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of **J.S. Oliver Capital Management, L.P.** as of December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/S/ ACQUAVELLA, CHIARELLI, SHUSTER, BERKOWER & CO., LLP

Iselin, New Jersey  
March 30, 2011

# J.S. OLIVER CAPITAL MANAGEMENT, L.P.

## STATEMENT OF FINANCIAL CONDITION

December 31, 2010

### ASSETS

Current assets	
Cash	\$ 303,056
Current portion of note receivable, limited partner (Note 3)	500,000
Prepaid expenses and other current assets	<u>53,881</u>
Total current assets	<u>856,937</u>
Non-current assets	
Non-current portion of note receivable, limited partner (Note 3)	3,625,000
Fixed assets (net of accumulated depreciation of \$327,383)	425,988
Other assets	<u>55,979</u>
Total non-current assets	<u>4,106,967</u>
Total assets	<u>\$ 4,963,904</u>

### LIABILITIES AND PARTNERS' CAPITAL

Current liabilities	
Accounts payable, accrued expenses and other current liabilities	\$ 197,549
Deferred revenue	26,250
Settlement obligation payable (Note 11)	<u>500,000</u>
Total current liabilities	<u>723,799</u>
Long term liabilities	
Settlement obligation payable (Note 11)	3,625,000
Loan payable, limited partner (Note 7)	<u>433,741</u>
Total long term liabilities	<u>4,058,741</u>
Total liabilities	4,782,540
Contingency (Note 12)	-
Partners' capital	<u>181,364</u>
Total liabilities and partners' capital	<u>\$ 4,963,904</u>

See notes to statement of financial condition.

# J.S. OLIVER CAPITAL MANAGEMENT, L.P.

## NOTES TO STATEMENT OF FINANCIAL CONDITION

---

### 1. Nature of Operations and Summary of Significant Accounting Policies

#### *Nature of Operations*

J.S. Oliver Capital Management, L.P. (the "Partnership") is a Delaware limited partnership formed on March 1, 2004. The objective of the Partnership is to act as the investment manager to certain investment fund structures and certain high net worth individuals, and to engage in any activities directly or indirectly related to managed accounts. The Partnership's principal place of business is San Diego, California. Effective February 20, 2004, the Partnership became registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940. The principals of the Partnership are also partners (general and limited) of the funds for which they provide management services.

#### *Basis of Presentation*

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as detailed in the Financial Accounting Standards Board's Accounting Standards Codification.

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires the Partnership's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

#### *Fixed Assets*

Fixed assets which include property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. Costs of major additions and betterments are capitalized. When property and equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in operations.

#### *Depreciation and Amortization*

Depreciation is provided for on a straight-line basis over the estimated useful lives of the related assets. The cost of leasehold improvements is amortized on a straight-line basis over the lesser of the estimated useful lives of the assets or the term of the related lease.

#### *Income Taxes*

The Partnership does not record a provision for U.S. federal, state or local income taxes because the partners report their share of the Partnership's income or loss on their individual income tax returns.

The Partnership is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority. De-recognition of a tax benefit previously recognized results in the Partnership recording a tax liability that reduces ending partners' capital. Based on its analysis, the Partnership has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 2010. However, the Partnership's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Partnership recognizes interest and penalties accrued related to unrecognized tax benefits in income tax fees payable, if assessed. No interest expense or penalties have been recognized as of December 31, 2010.

# J.S. OLIVER CAPITAL MANAGEMENT, L.P.

## NOTES TO STATEMENT OF FINANCIAL CONDITION

### 2. Concentration of Credit Risk

In the normal course of business, the Partnership maintains its cash balances with one highly rated financial institution, which at times may exceed federally insured limits. The Partnership is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institution and does not anticipate any losses from such counterparty.

### 3. Note Receivable, Limited Partner

In connection with a settlement of a demand against the Partnership, one of the Partnership's limited partners (the "Limited Partner") paid the first installment of \$3,250,000 on behalf of the Partnership. As of December 31, 2010, \$4,125,000 is owed by the Partnership of which increments of \$500,000 are due June 1, 2011 and June 1, 2012, and the remaining amount is due May 26, 2013. The Limited Partner of the Partnership is jointly obligated with the Partnership to remit payment of the remaining balance of the settlement obligation and has executed an unsecured non-interest bearing promissory note in the amount of \$4,125,000 in favor of the Partnership in exchange for a capital contribution. The due dates of portions of the note receivable coincide with the liabilities in connection with the settlement obligation. Under the terms of the note, if the Partnership is unable to meet its payment obligations under the settlement agreement, the Partnership will demand payment from the Limited Partner pursuant to the Limited Partner's joint obligation under the settlement agreement and the promissory note executed by the Limited Partner in favor of the Partnership. The Partnership is economically dependant upon the Limited Partner's ability to make payments under the promissory note obligation.

### 4. Fixed Assets

Fixed assets at December 31, 2010 consist of the following:

	<u>Amount</u>	<u>Estimated Useful Lives</u>
Office equipment	\$ 152,569	3 years
Furniture and fixtures	144,459	7 years
Leasehold improvements	456,343	Term of lease
	<u>753,371</u>	
Less: Accumulated depreciation and amortization	<u>327,383</u>	
	<u>\$ 425,988</u>	

### 5. Soft Dollar Credit Arrangement

Under a commission credits arrangement with Instinet, LLC, the soft dollar securities broker of the Partnership's advisory clients, commission credits are available to pay for eligible expenses. The Partnership received approximately \$803,000 in commission credits during the year ended December 31, 2010 and paid approximately \$785,000 of expenses. As of December 31, 2010, \$172,245 has been recorded as a liability of the Partnership in connection with excess expenses incurred over credits received.

### 6. Deferred Revenue

The Partnership records management fees and incentive fees received in advance as deferred revenue.

# J.S. OLIVER CAPITAL MANAGEMENT, L.P.

## NOTES TO STATEMENT OF FINANCIAL CONDITION

---

### 7. Loan Payable, Limited Partner

As of December 31, 2010, the Partnership has a loan payable to a limited partner with no fixed repayment terms. The loan bears interest at 6% per annum. The limited partner has agreed not to demand any payments of principal for the year ended December 31, 2011.

### 8. Related Party Transactions/Economic Dependency

The Partnership provides investment management services to four entities in which the partners of the Partnership have general and limited partnership interests.

### 9. Defined Contribution Plan

The Partnership administers a 401(k) retirement savings plan (the "Plan") for eligible employees who may elect to make contributions to the Plan. Subject to certain limitations, eligible employees have completed one year of service and are age 21 or older. Plan participants may choose to save up to 100% of their compensation. Beginning January 1, 2010, contributions are limited to \$16,500 or 100% of an eligible employee's compensation, whichever is smaller. Catch up contributions are available to certain eligible employees, as defined in the Plan. Contribution limits are subject to change each year. If the Partnership gives written notice prior to the beginning of each Plan year to all eligible participants, it will contribute 3% of compensation to each participant ("Guaranteed Employer Contributions"). For the year ended December 31, 2010 Guaranteed Employer Contributions aggregated \$6,954. Matching and profit sharing contributions are discretionary. For the year ended December 31, 2010 the Partnership elected not to make matching and discretionary contributions to the Plan. All costs of administering the Plan are paid by the Partnership or from Plan assets.

### 10. Commitments

The Partnership entered into a lease agreement with an affiliate of the General Partner of the Partnership commencing November 2010 and expiring in January 2012. Rent is payable monthly and is subject to certain escalations as defined in the lease agreement.

Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2011	\$ 90,000
2012	7,500
Total	<u>\$ 97,500</u>

### 11. Settlement

During 2010, the Partnership settled a demand against the Partnership in exchange for payment of \$7,375,000 pursuant to a settlement agreement. One of the Partnership's limited partners paid the first installment of \$3,250,000, in 2010 on behalf of the Partnership. As of December 31, 2010, \$4,125,000 is owed by the Partnership of which increments of \$500,000 are due June 1, 2011 and June 1, 2012, and the remaining amount is due May 26, 2013. The Limited Partner of the Partnership is jointly obligated with the Partnership to remit payment of the remaining balance of the settlement obligation.

# **J.S. OLIVER CAPITAL MANAGEMENT, L.P.**

## **NOTES TO STATEMENT OF FINANCIAL CONDITION**

---

### **12. Contingency**

The United States Securities and Exchange Commission ("SEC") has initiated a formal investigation into whether or not there have been violations of the federal securities laws in connection with the Partnership. In connection with the investigation, on December 21, 2010, the SEC issued a subpoena to the Partnership for the production of documents. The Partnership has produced and is continuing to produce documents in response to the SEC's subpoena. The investigation is ongoing and the Partnership can not predict the possible effects, if any, of the results on its financial position.

### **13. Subsequent Events**

The Partnership has evaluated subsequent events for potential recognition and disclosure from December 31, 2010 through March 30, 2011, the date the financial statements were available to be issued, and has not identified any additional subsequent events that required adjustment or disclosure, in these financial statements.