

# J.P. Marvel Investment Advisors, Inc.

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of J.P. Marvel Investment Advisors, Inc. (“J.P. Marvel”). If you have any questions about the contents of this brochure, please contact us at 617-342-5600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about J.P. Marvel is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

Beginning March 1, 2013, J.P. Marvel began offering The Captain Fund I, LLC, a private fund being offered, pursuant to Regulation D of the Securities Act, to accredited investors and qualified clients. J.P. Marvel has made certain amendments to various sections of this document, as it relates to the management of the Fund. Specifically, J.P. Marvel has amended:

- (1) *Fees and Compensation* - to describe the fees charged by the private fund;
- (2) *Performance Based Fees and Side by Side Management* – to describe the incentive allocation that will be charged to its investors, and the procedures and controls in place to ensure the fair and equal treatment of all J.P. Marvel clients;
- (3) *Methods of Analysis, Investment Strategies and Risk of Loss* – to include a description of the Fund’s investment objective; and
- (4) *Custody* – J.P. Marvel is deemed, under the federal securities laws, to have custody of client assets by virtue of its role as sponsor of the private Fund. J.P. Marvel does not have actual physical custody of any client assets or securities invested in the Fund; rather, all such assets are held in the name of the Fund by J.P. Morgan an independent qualified custodian. The Fund is audited annually by an independent Certified Public Accountant, and investors receive annual financial statements, as required by applicable law.

## Advisory Business

J.P. Marvel Investment Advisors, Inc. (“J.P. Marvel” or the “Firm”) generally provides investment management services on a discretionary basis to high net worth individuals, charitable organizations, and family foundations. J.P. Marvel also provides investment management services to a limited liability company.

J.P. Marvel was founded in 2007 and is 100% owned by Joseph F. Patton, Jr. As of February 28, 2013, J.P. Marvel managed \$326,203,174.08 million on a discretionary basis on behalf of approximately 54 clients. Please see “Item 7 – Types of Clients” of this Brochure for more information with respect to J.P. Marvel’s clients.

J.P. Marvel focuses its advice on its belief that stock prices can be linked to earnings growth. J.P. Marvel generally focuses on a growth strategy and generally invests client portfolios in one or more of the following types of companies: (1) high quality companies either performing well now and expected to continue, or similar companies on the rebound after some disappointment; (2) industry leaders and companies with excellent management teams; and (3) equity securities expected to provide long-term gains.

J.P. Marvel’s portfolio managers will offer to assist all clients in completing a Strategic Investment Plan (“SIP”), which details the client’s personal data, investment goals, and risk tolerance. Clients may also impose reasonable restrictions on the management of their accounts. After the initial objectives and any restrictions are identified, Advisor will decide on the appropriate strategies and tactics most likely to achieve these objectives.

## **Fees and Compensation**

All clients are required to sign a written investment management agreement, which can be terminated upon thirty (30) days written notice. All client accounts are generally subject to an investment management fee based on a percentage of assets under management and currently ranging between .30%-2% dependent upon the mix of assets in the client's account and the strategy employed, billed quarterly in arrears. Fees may be negotiated or modified in J.P. Marvel's sole discretion in light of a client's special circumstances, such as asset levels, service requirements or other factors. J.P. Marvel may agree to offer clients a fee schedule that is lower than that of any other comparable clients in the same investment style. Also, there may be historical fee schedules with longstanding clients that differ from those applicable to new client relationships. For comparable services, other investment advisers may charge higher or lower fees than those charged by J.P. Marvel. Clients may authorize the direct deduction of the fees from their account, or may elect to be billed directly; in which case Advisor will send a fee invoice and fees will be due within 30 days of the mailing of the invoice.

### ***Private Fund***

J.P. Marvel sponsors the Captain Fund I, LLC (the "Fund"). This Fund is neither registered under the Securities Act of 1933, nor registered under the Investment Company Act of 1940. Accordingly, interests in this Fund are offered exclusively to investors satisfying the applicable eligibility and suitability requirements. No offer to sell these funds is made by the descriptions in this Brochure, and as noted this Fund is available only to investors that are properly qualified.

The Fund will charge a management fee of one and one half percent (1 ½%) per annum of client assets under management, calculated monthly and payable in arrears on the last day of each quarter. In addition J.P. Marvel will be paid an incentive allocation of twenty percent (20%), calculated in a manner described in the Fund's Private Placement Memorandum ("PPM"). J.P. Marvel may in its sole discretion waive all or a portion of the management fee and the incentive allocation and may waive all or a portion of the management fees payable for partners who are employees of J.P. Marvel.

### ***Additional Fees and Expenses Payable by Clients***

J.P. Marvel's fees do not include fees for brokerage commissions, custodial fees, and clearing costs, nor any additional management fees that may be charged by the underlying investments selected for the client portfolios, e.g. mutual fund advisory and distribution fees. Execution of client transactions typically requires payment of brokerage commissions by clients. "Item 12 – Brokerage Practices" further describes the factors that J.P. Marvel considers in selecting or recommending broker/dealers for the execution of transactions and determining the reasonableness of their compensation (e.g., commissions).

## **Performance Based Fees and Side-by-Side Management**

For certain Qualified Clients, a performance fee may be charged to the account in lieu of, or in addition to, the investment management fee. A performance-based fee is a fee representing an asset manager's compensation for managing an account which is based upon a percentage of the net profits of the account being managed. When calculating net profits, performance-based fees

may be based on absolute or benchmark relative returns. Performance fees will be negotiated in advance on a case by case basis and will be charged in accordance with the Advisers Act rules on performance based compensation. As noted above, the Private Fund will be paid a fixed Performance Fee of twenty percent (20%), calculated in a manner described in the Fund's PPM. Performance fees will generally be based on a percentage of the increase in the value of the equity portfolio during defined periods.

Performance-based fees create certain inherent conflicts of interest with respect to J.P. Marvel's management of assets. Specifically, our entitlement to a performance-based fee in managing one or more accounts may create an incentive for us to take risks in managing those assets that we would not otherwise take in the absence of such arrangements. Additionally, since performance based fees reward us for strong performance in accounts which are subject to such fees, we may have an incentive to favor these accounts over those that have only asset-based fees (i.e., fees based simply on the amount of assets under management in an account) with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities. In no instance will Clients paying performance-based fees receive preferential treatment over Clients not paying performance-based fees. As a fiduciary, J.P. Marvel recognizes its duties to act in good faith and with fairness in all of its dealings with all Clients.

### ***Side-by-Side Management***

Side-by-side management of various types of portfolios and varying fee arrangements raises the possibility of favorable or preferential treatment of a portfolio or a group of portfolios, including those in which J.P. Marvel or its employees have an ownership interest. J.P. Marvel is aware of these conflicts and other potential conflicts that may arise as a result of managing separately managed accounts and a private investment fund, and has implemented policies and procedures in furtherance of its efforts to treat all portfolios fairly and equally over time.

Nonetheless, each account within a strategy will not necessarily be managed the same at all times. In general, investment decisions for each client account will be made independently from those of other client accounts, and will be made with specific reference to the individual needs and objectives of each client account. There is no requirement that J.P. Marvel use the same investment practices consistently across all accounts. In fact, different client guidelines and/or differences within particular investment strategies may lead to the use of different investment practices for accounts within a similar investment strategy. In addition, J.P. Marvel will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible accounts, particularly if different accounts have materially different amounts of capital under management by J.P. Marvel or different amounts of investable cash available. As a result, although J.P. Marvel manages numerous accounts with similar or identical investment objectives, or may manage accounts with different objectives, or risk tolerance, that trade in the same securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, may differ from account to account.

### ***Related Procedures and Controls***

To maintain fair and equitable treatment of all accounts in a particular investment strategy over time, J.P. Marvel has implemented policies, procedures and controls to further its efforts to treat all accounts fairly, regardless of their corresponding fee structure. With respect to trade allocation, J.P. Marvel has adopted a general policy of pro rata allocation per client account based upon order size as determined by the portfolio manager at the time of order entry. The policy does permit, under certain circumstances, allocation on a basis other than pro rata or if it is believed that such allocation is fair and reasonable. Accounts are reviewed by J.P. Marvel's Chief Compliance Officer and/or the President, on a periodic basis, to ensure compliance with these policies. The overriding principle to be followed in applying the following guidelines is to be fair and reasonable to all clients based upon client investment objectives and policies and to avoid even the appearance of favoritism or discrimination among clients.

### **Types of Clients**

J.P. Marvel primarily provides customized investment supervisory services to individuals, trusts, estates, or charitable organizations, pension and profit sharing plans, and corporations or business entities. J.P. Marvel also provides investment management services to a limited liability company that is only available to investors who qualify for the Fund. The Fund's fees and expenses are described in the Fund's confidential offering memorandum.

### ***Conditions for Managing Accounts***

J.P. Marvel requires a minimum account size of \$2,000,000. However, the minimum account size is negotiable and may be waived or modified at the Advisor's discretion. Generally, J.P. Marvel requires each client to execute an investment management agreement that details the nature of the discretionary investment advisory authority given to J.P. Marvel.

As previously noted, the private Fund is only available to certain qualified investors and no public offering of the Fund is being made by this disclosure or otherwise. Investors should review all documents relating to the Fund prior to investing.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

J.P. Marvel spends considerable time analyzing present investments and looking for potential new ideas. J.P. Marvel accomplishes this with several methods. JP Marvel reviews their stock charting services, employs valuation analysis, visits companies, meets with Wall Street analysts and attends industry and investment conferences. J.P. Marvel uses fundamental, bottom-up approach to drive investment decisions, but carefully considers sector, industry, geopolitical, economic, and macro factors when considering each stock. Individual investments are constantly monitored to ensure that the thesis for each investment is still intact. As investments mature, J.P. Marvel may add or subtract from a position to take gains or to maintain an optimal portfolio mix.

J.P. Marvel offers three investment categories to its separately managed account clients:

**Equity:** 70% or more of the portfolio is invested in equities.

**Fixed Income:** 70% or more of the portfolio is invested in fixed income (municipal or treasury bonds).

**Balanced:** Less than 70% of the portfolio is invested in equity and at least 10% of the portfolio is invested in fixed income.

The Fund's objective is to maintain a core portfolio of 25 to 35 equity positions (initially equaling 1% to 3% weighting) making up 60-80% of the portfolio, 10 to 30% of the portfolio will consist of equity positions that are more actively traded, and 10 to 20% of the portfolio will be in cash, options and ETFs used as a hedge. The Fund will only invest in:

- 1) equities that trade on U.S. exchanges;
- 2) issuers in industries that have high barriers to entry;
- 3) issuers that demonstrate strong earnings growth and balance sheets, with excellent management teams;
- 4) issuers that have increasing demand for their products and services; and
- 5) issuers that have a demonstrated ability to control costs.

The description provided above is a brief overview of the investment category and is not intended to be complete. Investing in securities is inherently risky. An investment in individual securities or in a portfolio of securities could lose money. The investments selected by the Advisor should be deemed speculative investments and are not intended as a complete investment program. These types of investments are designed for sophisticated investors who fully understand and are capable of bearing the risk of loss of their entire investment. The Advisor cannot give any guarantee that it will achieve its investment objectives or that any client will receive a return of its investment. All investing involves a risk of loss and the investment strategies offered by J.P. Marvel could lose money over short or even long periods. Performance could be hurt by a number of different market risks including but not limited to:

Market conditions – the prices of, and the income generated by, the securities owned by Clients may decline due to market conditions and other factors, including those directly involving the issuers of securities held by Clients.

Security selection - the identification of securities representing high quality businesses and management teams is a difficult task, and there are no assurances that such opportunities will be successfully recognized over the long term. While such investments offer the opportunities for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses.

Bankruptcy of a Broker or Custodian - could cause excessive cost or loss of investor funds. If a broker with whom the Advisor has an account becomes insolvent or bankrupt, the Advisor may be unable to recover all or even a portion of the assets maintained by clients with that broker. Similarly, if a custodian housing a client's securities or other assets becomes bankrupt or insolvent, the client may be unable to recover all or even a portion of the assets held by the custodian.

The Advisor may rely on information that turns out to be wrong. The Advisor selects investments based, in part, on information provided by issuers to regulators or made directly available to the Advisor by the issuers or other sources. The Advisor is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and may result in losses.

Investments in certain security types include inherent risks such as:

Fixed Income Securities - Risks associated with investing in fixed income securities (i.e. bonds) include:

- The bond issuer's inability to pay interest or repay the bond;
- Changes in market interest rates cause the bond's value to fall;
- Illiquidity in the bond market may make the bond difficult or impossible to sell;
- The bond issuer may repay the bond prior to maturity; or
- Inflation may reduce the effective yield on the bond's interest payments.

Bonds - Call Provisions - Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to "call" all or part of the issue before the bond's maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, clients are exposed to reinvestment rate risk – clients will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

## **Disciplinary Information**

J.P. Marvel and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

J.P. Marvel and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

J.P. Marvel has established a variety of restrictions, procedures and disclosures designed to address conflicts of interest arising between and among client accounts as well as between client accounts and J.P. Marvel and its personnel. All J.P. Marvel personnel must act in accordance with the fiduciary standard.

### ***Code of Ethics***

J.P. Marvel has a fiduciary duty to its clients, and accordingly has adopted a Code of Ethics (the “Code”) that applies to all employees. The Code describes the standard of conduct J.P. Marvel requires of its employees and sets forth restrictions on certain activities, including personal trading in accounts owned, managed or beneficially owned by the employee. The Code’s provisions also include requirements relating to areas such as gifts and business entertainment, confidentiality of information, and certain contributions. By setting forth the regulatory and ethical standards to which J.P. Marvel’s employees must adhere, the Code supports our efforts to promote a high level of professional ethical conduct in furtherance of our fiduciary duty to our clients.

### ***Personal Trading***

Employees of J.P. Marvel may occasionally invest in securities for their personal accounts which are also recommended for the portfolios of clients. To address any conflicts of interest that may arise, J.P. Marvel has instituted a Code of Ethics which requires that Advisor’s employees must have written clearance for all personal securities transactions before completing the transactions. The CCO reserves the right to disapprove any proposed transaction that may have the appearance of improper conduct, and may fail to pre-clear a proposed employee transaction for a number of reasons, including, but not limited to: conflicting sides of a transaction with clients; violation of a confidentiality agreement; the proposed transaction is just prior to an intended client trade program, among others.

### ***Participation or Interest in Client Transactions***

Certain employees of J.P. Marvel may invest their own or the firm’s assets in the private fund managed by J.P. Marvel. The Fund may hold, purchase or sell the same securities in which clients have interests. We may have an incentive to favor the Fund in which our employees invest with respect to trading opportunities, trade allocation and allocation of investment opportunities. As such, J.P. Marvel requires that any orders for the Fund must be executed in the customary trade rotation for a particular order or set of orders.

J.P. Marvel may recommend to its clients the purchase or sale of our private investment fund. J.P. Marvel may earn both a management fee and a performance-based fee on the private investment fund. Therefore, potential conflicts of interest exist. To avoid the duplication of fees and the potential for conflicts of interest, we do not charge a management fee to clients on their assets which are invested in the private investment funds. A portion of J.P. Marvel’s corporate cash may be invested in the private investment fund for which J.P. Marvel serves as investment adviser. Employees may also own interests in the private investment fund. Therefore, potential conflicts of interest exist. We mitigate these conflicts by monitoring all such purchase or sale recommendations, where J.P. Marvel has a financial investment, to ensure that any such investments are made in a manner consistent with our fiduciary duty to our clients.

### ***Gifts and Business Entertainment***

J.P. Marvel’s Code includes policies and procedures regarding giving or receiving gifts and business entertainment between the Firm’s employees and certain third parties to help mitigate



the potential for conflicts of interest surrounding these practices. In general, J.P. Marvel limits the amount of gifts and business entertainment that may be provided by employees to these parties, and requires the pre-approval of certain items by the CCO. J.P. Marvel specifically monitors for any potential conflicts of interest with respect to individual instances of gifts or entertainment, as well as patterns of the same over time, to prevent the interests of J.P. Marvel and its employees from being placed ahead of the interests of our clients.

### ***Political Contributions***

J.P. Marvel prohibits its employees from making political contributions on behalf of the Firm or to be reimbursed for personal political contributions, or from making political contributions for the purpose of securing or retaining business. J.P. Marvel maintains policies and procedures that set forth specific limitations as to whom employees may make contributions and the amounts of such contributions, as well as preclearance requirements for certain political contributions.

### ***Distribution of Code***

We are firmly committed to making our employees and clients (both current and prospective) aware of the requirements within our Code. All of our employees are provided with a copy of our Code at the time of hire and annually thereafter, and each employee must affirm that they have received a copy of the Code, and that they have read and understand its provisions. Additionally, we conduct periodic compliance training that addresses the requirements of the Code and the other policies described in this Item.

A copy of J.P. Marvel's Code is also available to clients or prospective clients upon request, and may be obtained by contacting J.P. Marvel at the contact information listed on the cover sheet.

## **Brokerage Practices**

### ***Soft Dollars and Proprietary Research***

J.P. Marvel accepts only proprietary research from the brokers and does not enter into any soft dollar arrangements whereby it receives research or any other benefit from third parties. Research services received from brokers and dealers are supplemental to J.P. Marvel's own research effort. To the best of J.P. Marvel's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. J.P. Marvel does not separately compensate such broker-dealers for the research and does not believe that it "pays-up" for such broker-dealers' services due to the difficulty associated with the broker-dealers not breaking out the costs for such services. Adviser's acceptance of research from brokers is done in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended.

### ***Trade Aggregation***

J.P. Marvel may aggregate purchase and sale orders of investments held by Client accounts managed by J.P. Marvel with similar orders being made simultaneously for other accounts or entities if, in J.P. Marvel's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to Clients based on an evaluation that they will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale

of investments for Clients will be affected simultaneously with the purchase or sale of like investments for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, at J.P. Marvel's sole discretion, and the Client account may be charged or credited, as the case may be, with the average transaction price.

### ***Directed Brokerage***

The client has the unrestricted right to select brokers and/or qualified custodians to hold the client's account. If the client does not have a preference, then Advisor will generally recommend State Street Bank and Trust Co. to the client.

Clients may also direct trading to a specified broker dealer. For all clients with directed brokerage arrangements, client is solely responsible for the negotiation of all terms of the arrangement, including but not limited to the amount of commissions charged. Clients with directed brokerage arrangements should be aware that directed brokerage may severely limit the ability of J.P. Marvel to obtain best execution of transactions for client. Clients with directed brokerage arrangements are generally unable to participate in aggregated trades, and may pay higher commissions, transaction costs, greater spreads, or receive less favorable net prices on transactions for the account than clients without a directed brokerage arrangement. The Advisor will execute aggregated orders on behalf of the non-directed brokerage accounts antecedent to the transactions of the directed brokerage accounts. Transactions on behalf of the directed brokerage accounts are executed based on the size of the order, largest to smallest for each broker-dealer. Accordingly, clients directing commissions may not generate returns equal to clients that do not direct commissions. Due to these circumstances, there may be a disparity in commission rates charged to a client who directs J.P. Marvel to use a particular broker and client accounts may experience performance and other differences from other similarly managed accounts. Clients who direct brokerage should understand that similar brokerage services may be obtained from other broker/dealers at lower costs and possibly with more favorable execution.

### ***Best Execution***

Where J.P. Marvel is permitted to select the broker for execution of clients' trades, such selection will be consistent with Advisor's Best Execution policies which provide that J.P. Marvel will consider the firm's execution capabilities, reputation, and access to the market for the particular securities being traded, among other things.

There are no restrictions as to the type or amount of securities to be bought or sold on behalf of the clients. J.P. Marvel is responsible for the placement of the portfolio transactions of clients and the negotiation of any commissions paid on such transactions. Portfolio securities normally are purchased through brokers on securities' exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio instruments through brokers involve a commission to the broker. Purchases of portfolio securities from dealers serving as market makers include the spread between the bid and the asked price. J.P. Marvel may utilize the services of one or more introducing brokers who will execute brokerage transactions through the prime broker and custodian who will clear the transactions of clients and the Private Fund.

Securities transactions will be executed through brokers selected by J.P. Marvel in its sole discretion and without the consent of investors. In placing portfolio transactions, J.P. Marvel will seek to obtain the best execution for the clients, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the broker's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying J.P. Marvel's other selection criteria.

J.P. Marvel is authorized to pay higher commissions to such firms if J.P. Marvel determines such prices or commissions are reasonable in relation to the overall services provided. J.P. Marvel is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by J.P. Marvel and J.P. Marvel's allocations and fees are not reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker-dealers used by the clients and the Private Fund may be utilized by J.P. Marvel in connection with their other investment activities. Since commission rates in the United States are negotiable, J.P. Marvel's selection of brokers on the basis of considerations which are not limited to applicable commission rates may at times result in Clients being charged higher transaction costs than it could otherwise obtain.

### ***Cross Trades***

J.P. Marvel does not engage in cross trades in its client accounts.

### ***Initial Public Offerings***

An initial public offering is a company's first offer of stock for sale to the public. Depending on the interest in this initial offering, J.P. Marvel's access to these newly offered shares may be limited in amount at the time of the initial offering.

In the event that J.P. Marvel participates in any initial public offerings and other securities with limited availability (collectively, "IPOs"), J.P. Marvel allocates IPOs among accounts in a fair and equitable manner over time, taking into consideration factors such as account type, client account objectives and preference, investment restrictions, account sizes, cash availability, and current specific needs.

Where the actual allocation of an IPO to J.P. Marvel for its accounts is significantly lower than that originally requested by J.P. Marvel, the original allocation proportions that we determined for our accounts may result in allocations that are not meaningful to certain accounts. In those situations, J.P. Marvel may allocate the securities received to significantly fewer accounts than originally intended. Those accounts chosen to receive the smaller allocations are selected based on a combination of factors, such as size, cash position, sector allocations, number of positions, diversification among similar companies, and minimization of custodian transaction costs to the client. While J.P. Marvel's intention is to allocate similar proportional amounts of IPOs to all

eligible accounts over time, using this methodology, some accounts may not receive small allocations.

J.P. Marvel will periodically monitor the allocations to client accounts and the dispersion of performance for accounts in an effort to ensure that all accounts are treated fairly and equitably over time.

### ***Prime Brokers***

J.P. Marvel's private Fund has one or more prime brokers through which trade clearance and financing is coordinated. Prime brokers may also provide J.P. Marvel with research, reporting and analysis tools as part of their services.

### ***Trade Errors and Trade Error Accounts***

J.P. Marvel has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, J.P. Marvel will use reasonable efforts to correct the error as soon as possible. The goal of error correction is to make the client "whole," regardless of the cost to J.P. Marvel. If J.P. Marvel reallocates or corrects an error from one client's account to another, any loss from the error must be absorbed by J.P. Marvel. J.P. Marvel's CCO will endeavor to maintain a record of each trade error, including information about the trade and how such error was corrected. Any trade errors committed by Advisor resulting in a loss to a client's account will be reimbursed to client by Advisor. Any gain resulting from a trade error is retained by the client.

## **Review of Accounts**

All client accounts are reviewed at least quarterly. Reviews may also be conducted when there is a change in the client's financial status, review of trades during the quarter to review performance of the portfolio, or upon a client's request. Messrs. Patton and Stephenson conduct all client account reviews.

Clients of J.P. Marvel will receive quarterly and annual reports identifying assets in the client account, the purchase date, the cost, the current market value, and performance data for the reporting period. The client will also receive year-end tax reporting from Advisor or Custodian, as applicable.

## **Client Referrals and Other Compensation**

J.P. Marvel does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

## **Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but J.P. Marvel can access many clients' accounts through its ability to debit advisory fees. For this reason J.P. Marvel is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by J.P. Marvel.

J.P. Marvel is also deemed, under the federal securities laws, to have custody of client assets by virtue of its role as sponsor of the private Fund. J.P. Marvel does not have actual physical custody of any client assets or securities invested in the Fund; rather, all such assets are held in the name of the Fund by an independent qualified custodian. The Fund is audited annually by an independent Certified Public Accountant, and investors receive annual financial statements, as required by applicable law.

## **Investment Discretion**

J.P. Marvel is typically granted discretionary authority by a client at the outset of an advisory relationship to determine the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts of securities for purchase or sale, J.P. Marvel observes the investment policies, limitations, and restrictions that are applicable to our clients' accounts, as set forth by our clients. Any investment guidelines and restrictions, including amendments, must be provided to J.P. Marvel by our clients in writing. A client will grant J.P. Marvel discretionary authority by executing an investment management agreement, which includes, among other items, a statement giving J.P. Marvel full authority to invest the assets identified by the client in manner consistent with the investment objectives and limitations delineated by the client, and to engage in transactions on a discretionary basis in the client account.

## **Voting Client Securities**

Under the terms of the investment advisory agreement, Advisor will accept proxy voting authority for any proxies which may arise in client accounts. Advisor has adopted a proxy voting policy and procedures, a copy of which is available upon request. J.P. Marvel intends to vote proxies in accord with the best economic interests of its clients. J.P. Marvel endeavors to resolve any conflicts of interest exclusively in the best economic interests of clients. Clients may also request a record of the proxies voted by Advisor on behalf of client.

J.P. Marvel will ensure that clients either participate in, or opt out of, any class action settlements received. The Advisor will determine if it is in the best interest of clients to recover monies from a class action. J.P. Marvel will determine the action to be taken when receiving class action notices. In the event the Advisor opts out of a class action settlement, the Advisor will endeavor to maintain documentation of any cost/benefit analysis to support its decision.

## **Financial Information**

J.P. Marvel has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.