

## **Part 2A of Form ADV: *Firm Brochure***

### **Zarvona Energy LLC**

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This brochure provides information about the qualifications and business practices of Zarvona Energy LLC. If you have any questions about the contents of this brochure, please contact Robert MacAskie, Vice President and Chief Compliance Officer, at 713-600-0603 or [rmacaskie@zarvonaenergy.com](mailto:rmacaskie@zarvonaenergy.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Although Zarvona Energy LLC has filed to be a registered investment adviser, registration itself does not require and should not be interpreted to imply any particular level of skill or training.

Additional information about Zarvona Energy LLC will be available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) after SEC registration goes into effect. You can search this site by a unique identifying number, known as a CRD number. Zarvona Energy LLC’s CRD number is 288820.

## **Item 2    Material Changes**

This Item 2 is used to provide our clients with a summary of new and/or updated information. Consistent with SEC rules, Zarvona Energy LLC seeks to ensure that our clients receive a summary of any material changes to this and subsequent brochures within 90 days after the end of our fiscal year. Furthermore, we will provide interim disclosure regarding material changes as required by applicable regulation.

This brochure is dated March 2019, and it is part of the annual updating amendment to the Form ADV. The brochure has been updated to reflect assets under management at year-end 2018.

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## Item 4 Advisory Business

Zarvona Energy LLC (“Zarvona Energy” or the “Firm”) is registering with the SEC as a related adviser under rule 203A-2(b) that controls an investment adviser that is registered with the SEC, and its principal office and place of business is the same as the registered adviser. The name of the registered investment adviser is The Salient Zarvona Energy Fund GP, L.P. Its CRD number is 162712, and its SEC number is 801-100449. The Salient Zarvona Energy Fund GP, L.P. is owned primarily by Zarvona Energy, Salient Partners, L.P. (“Salient Partners”), and The Salient Zarvona Energy, GP LLC.

Zarvona Energy is a privately-held, independent oil & gas production and acquisition company founded in 2010 and principally owned by Kathryn S. MacAskie. Zarvona Energy and its affiliates currently own interests in operated oil and gas fields in Texas, Oklahoma, and Louisiana and non-operated fields in New Mexico.

### Investment Management Services

Zarvona Energy sponsors and serves as a discretionary fund manager to certain private equity funds (“Fund” or “Funds” or “Client” or “Clients”). Through the Funds, the Firm provides fund management and investment advisory services relating to the acquisition, development, ownership, operation, and sale of oil and gas interests. The Funds are private, closed-end investment funds. Generally, a Fund has a “hard-cap” on the aggregate amount of money that the Firm can raise for that particular Fund (the “Capital Commitment Ceiling”). The Funds receive unfunded capital commitments (“Capital Commitments”) from the Firm and Limited Partners (“LPs” or “Investors”) during one or more initial fundraising stages, after which the Funds are generally closed to new investors.

Each Fund is structured as a limited partnership, with a wholly-owned subsidiary of the Firm serving as the general partner of the Funds. During the life of a Fund, the general partner will, from time to time, call on the Investors to make capital contributions (each a “Capital Contribution”, and collectively, “Capital Contributions”) in proportion to their respective Capital Commitments in order to satisfy one or more capital calls for acquisitions, expenses, fees, or project investments (each a “Call for Capital”).

The primary business of the Funds is to invest directly in U.S. onshore oil and gas assets. The Firm provides fund management and investment advisory services to the following Funds:

- Zarvona III-A, L.P. (“Fund III-A”)
- Zarvona III-B, L.P. (“Fund III-B”)

*The general partners through which the Firm manages Fund III-A and Fund III-B file a single Form ADV with the Firm in reliance on the position expressed by the SEC staff in the no-action letter issued to the American Bar Association, Business Law Section, on January 12, 2012. References to the Firm below include these three subsidiaries. The Funds are not required to register under the Securities Act of 1933 or the Investment Company Act of 1940 in reliance upon certain available exemptions.*

### Assets under Management

The Firm manages each Fund on a discretionary basis in accordance with the applicable Fund’s offering

and organizational documents (*in each case, the “Fund’s Organizational Documents”*). Discretionary assets under the Firm’s management were \$333.4 million at year-end 2018. The Firm does not manage any assets on a non-discretionary basis.

### Important Additional Considerations

The information provided herein merely summarizes the detailed information provided in each Fund’s Organizational Documents. Current and prospective Limited Partners (each a “Limited Partner” or “LP”) in any Fund launched by the Firm should be aware of the risks associated with Fund investments as well as the terms applicable to such investment. This and other detailed information is provided in each respective Fund’s Organizational Documents.

## **Item 5 Fees and Compensation**

### Management Fee

The Firm or the applicable general partner charges management fees (“Management Fees”) to each Fund for fund management and investment advisory services. Management Fees are payable quarterly in advance.

Management Fees for both Funds are the lesser of (i) 1.00% of Capital Commitments plus 1.00% of Capital Contributions invested and (ii) 2.00% of Capital Commitments. After the investment period, Management Fees are 2.00% of Capital Contributions invested.

### Acquisition Fee

There are no acquisition fees paid to the Firm.

Limited Partners should refer to the appropriate Fund’s Organizational Documents for detailed information regarding all matters concerning a Fund, including but not limited to fees and fee offsets. Any new Fund sponsored by the Firm may have similar or materially different terms than those described herein.

### Expenses

Generally, pursuant to a Fund’s Organizational Documents, each Fund is responsible for expenses relating to its operations, including fees, costs, and expenses of the Fund incurred thereby together with certain overhead allocations of the general partner, in connection with potential investments and the evaluation, acquisition, ownership, sale, or financing of any potential investment; taxes, engineering, accounting, and auditors’ fees; reporting and investor servicing; legal counsel, insurance (including errors and omissions and directors and officers insurance), travel, litigation, and indemnification expenses; administrative expenses; and any other extraordinary expense. Each Fund will also be responsible for the organizational expenses incurred by its general partner, up to a maximum amount further set forth in a Fund’s Organizational Documents.

### Additional Compensation and Conflicts of Interest

The Firm receives the performance-based fees described in Item 6 below. No supervised persons of the Firm may accept direct compensation for the sale of securities or other investment products.

### Investments in Funds

Prospective Limited Partners in any Funds sponsored by the Firm should refer to the respective Fund's Organizational Documents for all information regarding that Fund, including but not limited to Management Fees, expenses, any minimum investment thresholds, and any additional qualifications required for investment in that Fund. Generally, the Firm or its affiliates, as applicable, has required a minimum investment threshold for Limited Partners in each Fund of \$1,000,000. However, any such minimum investment threshold may be waived or modified by the Firm for any Limited Partner.

In addition to the Limited Partners, the Firm makes Capital Contributions (the "Firm Capital") to the Funds side-by-side with the Limited Partners. Like the Limited Partners, the Firm is subject to Calls for Capital. Generally, the capital investment of the Firm equates to a minimum of two percent (2%) of the total Fund Capital Commitment.

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

In addition to the fees disclosed in Item 5 of this brochure, the Firm will receive a carried interest in the profits of each of the Funds' project investments, or a form of performance-based compensation ("Carried Interest").

Generally, Carried Interest is calculated in total for each Fund, subject to the Fund first having achieved a preferred return on Capital Contributions ("Preferred Return") and a return of the Limited Partners' Capital Contributions, as set forth in the applicable Fund's Organizational Documents. The Preferred Return for all Funds is 8% and represents a compounded annual rate of return on each Investor's Capital Contributions. After each Investor has received a return of 100% of their Capital Contributions plus the Preferred Return, the Firm will receive Carried Interest profit distributions in the amount of 20% of the total profits distributed by each Fund.

Limited Partners should note that the terms of the Funds' Organizational Documents, including but not limited to the amount of Firm Capital, the percentage of any Carried Interest, and the timing of payment of any Carried Interest, are negotiated items, and as such, through the negotiations, the Investors' interests become aligned, as deemed appropriate amongst the parties, thereby mitigating seemingly inherent risks, including incentive for the Firm to make project investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Additionally, the contributions of Firm Capital and the deferment of payment of the Carried Interest until after the return of Contributed Capital and the Preferred Return, respectively, further mitigate such risk because the Firm has at-risk capital in the Funds, and Carried Interest is calculated based on realized, and not unrealized, gains, leading the Firm to scrutinize investment and property fundamentals when considering project investments for the Funds. Performance-based compensation will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations.

At this time, the Firm does not offer investment management services to clients other than the Funds.

Subject to the Organizational Documents for the respective Fund, generally neither the Firm nor any affiliate of the Firm may sponsor or close a new fund managed by the Firm to make investments similar in size and scope to any of the Funds, until a specific percentage threshold of the aggregate capital commitments of the relevant Fund has been invested.

The Firm takes the following steps to mitigate risk and potential conflicts:

1. the Firm discloses to Limited Partners the existence of known and potential material conflicts of interest;
2. the Firm discusses with its employees the responsibilities of a fiduciary, including the equitable treatment of its Clients and Limited Partners;
3. the Firm's Investment Committee (the "Investment Committee"), which is comprised of senior executives of Zarvona Energy, makes major decisions for the Funds and reviews and approves all investments priced at or above \$10 million;
4. the Limited Partner Committee ("LP Committee"), which is comprised of at least three individuals from the Funds at all times, each representing their respective Limited Partner, serves an advisory role to these Funds and advises on such matters as conflicts of interest. This Committee is required to approve certain investment decisions outlined in the Funds' Organizational Documents.

## **Item 7    Types of Clients**

The Firm provides fund management and investment advisory services to the two Funds as disclosed in Item 4 of this brochure.

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

### Methods of Analysis

The Firm considers a number of factors when identifying potential oil and gas investments and opportunities, including: the strengths and weaknesses of any third-party operating company; the overall condition of the property; the cost of development; the cost of entitlements; oil production; the efficiency with which a property has been operated and the efficiency with which a property could be operated in the future; the comparative value of the cost of funds (debt and equity); the timing of equity contributions and loan proceed distributions; and the authenticity and validity of a property's trailing and forecasted income and expense assumptions.

### Investment Strategies

The Firm seeks to identify and acquire, on behalf of its managed Funds, oil and gas investments in accordance with the parameters established by each Fund's Organizational Documents. The investments acquired by the respective Fund(s) may include fee interests in investment assets (including "need-based" development projects) and equity investments in operating companies with third-party sponsors (which

operating companies, in turn, hold fee interests in oil and gas assets either directly, or indirectly, through subsidiaries).

The Firm's investment process is intended to maximize a Fund's return potential through direct investment in oil and gas production, while simultaneously seeking to mitigate risk of loss. The Firm seeks investments that meet the specified investment criteria and restrictions set forth in the Funds' Organizational Documents.

#### Material, Significant, or Unusual Risks Relating to Investment Strategies & Particular Types of Investments

*Investing in securities involves risk of loss that Investors should be prepared to bear.* An investment in a Fund entails a high degree of risk and is suitable only for sophisticated institutions and individuals for whom such an investment is not a complete investment program. As such, any person contemplating an investment in either Fund should carefully read and understand such Fund's Organizational Documents to best appreciate the potential risks and rewards of the Fund. Such an investment is only appropriate for persons who fully understand and are capable of and willing to bear the risks of any such investment. Generally, risk factors include, but are not limited to, the following:

General Risks of Oil and Gas Ventures. Investments in oil and gas and related interests are subject to various risks, including, for example, adverse changes in national and international economic and geopolitical conditions and local labor market conditions; increases in the supply of energy relative to demand; changes in availability of financing; increases in interest rates, real estate tax rates, and other operating expenses; changes in environmental laws and regulations, zoning laws, and other governmental rules and policies; risks due to dependence on cash flow; risks and operating problems arising out of the presence of certain industry materials (e.g., blowouts, explosions, fires, and environmental risks); as well as acts of God, uninsurable losses, and other factors which are beyond the control of the Firm. In addition, oil and gas is subject to long-term cyclical trends that give rise to volatility in energy values.

Additionally, a Fund may, in certain instances, be responsible for construction, structural repairs, improvements, and general maintenance of real property. The expenditure of any sums in connection therewith beyond those budgeted will reduce the cash available for distribution and may require the Funds to fund deficits resulting from the operation of an investment. No assurance can be given that a Fund will have funds available to make such project overruns, repairs, or improvements. These factors and any others that would impede a Fund's ability to respond to adverse changes in the performance of its assets could significantly affect a Fund's financial condition and operating results.

Long-Term Investment Horizon. As set forth in further detail in the respective Fund's Organizational Documents, an investment in one of the Funds is generally an illiquid investment given that Limited Partners will not, except in very limited circumstances, be permitted to withdraw profits, gains, or capital prior to disposition of assets, and a transfer of a Limited Partner's interest in a Fund generally may not be directly or indirectly assigned, pledged, hypothecated, or otherwise transferred in whole or part without consent of the Firm.

While the investments of a Fund are intended to generate current cash flow, it is likely that a significant portion of the cash received by a Fund for further distribution to Investors will occur only after



refinancing or sale of a Fund's investments, which may occur two to seven years after the acquisition of an investment. Further, amongst other issues, it is possible that (a) there is limited or no liquid market for a Fund's interests or its investment assets at such time, thereby extending the holding period or resulting in an undesirable sales price; (b) the Funds may not be able to obtain favorable financing, refinancing, or sale terms for an investment, thereby reducing or eliminating any return of capital to the Investors; (c) given the potential long-term hold period and depletion generally associated with oil and gas assets, an investment may decline sharply in value before the Firm makes the decision to sell; and (d) the Firm, its competitors, or the oil and gas industry in which the Firm operates may behave in ways which were not, and in some cases could not have been, predicted, leading to significant losses and/or a lack of any attractive exit option for a particular investment.

Variable Rate Financing. Certain investments may be subject to financing that provides for adjustments in the interest rate at various monthly, annual, or other intervals. An increase in such interest rates may adversely impact a Fund resulting in less income to Investors, negative amortization, or the sale of an investment prematurely or on less favorable terms than may otherwise be obtained. The Funds may elect to pursue hedging strategies, including engaging in interest rate caps and floors to potentially mitigate such risks.

Failure to Make Capital Contributions. Generally, if an Investor fails to make Capital Contributions in an amount equal to its Capital Commitments pursuant to a proper Call for Capital, and the contributions made by non-defaulting Investors to the Fund are inadequate to cover the defaulted Capital Contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to penalties that could materially adversely affect the returns to the Fund, and in turn, to the Investors (including non-defaulting Investors).

Lack of Diversification. Generally, the Firm will seek to limit the impact on financial performance of poorly performing investments by investing in a number of investments with varying degrees of risk, subject in all respects to a Fund's investment criteria and restrictions, as set forth in a Fund's Organizational Documents. However, there can be no assurance that such diversification will be available on acceptable terms. To the extent the investments for a particular Fund are concentrated in a limited number of properties, a particular asset type or class, or a geographic area, such Fund and its Investors will be subject to certain concentration-related risks. The Firm may make a relatively limited number of investments on behalf of a Fund, so adverse events affecting a particular investment could have a significant negative impact on the financial condition and results of operations of such Fund.

Risks of Potential Leveraging. Subject to investment restrictions set forth in the respective Fund's Organizational Documents, the Firm may cause the Funds to use leverage at the Fund level and at an investment level to increase the potential returns on equity of an investment. While the use of leverage may enhance returns to Investors and increase the number of investments a Fund can make, it also substantially increases the risk of loss to a Fund.

If the Firm utilizes leverage, the third-party lender likely would be entitled to cash flows generated by such investment for application to any such debt service prior to a disbursement of capital to the Fund, and in turn, Investors. If a Fund defaults on secured indebtedness, the lender may foreclose on the real property securing any such indebtedness and, in such a case, the Fund could lose its entire investment in the real property asset.

Hedging. To achieve more predictable cash flows and to reduce exposure to fluctuations in the price of oil and gas, the Firm may cause one or more of the Funds to enter into hedging arrangements for a significant portion of its oil and gas production (including any production attributable to a net profits interest). The prices at which production can be hedged at any given time may be higher or lower than current oil and gas prices, and the Funds may not be able to hedge future production at prices they deem attractive. Hedging arrangements will also expose the Funds to the risk of financial loss in some circumstances, including when production is less than expected or production is materially interrupted or there is a change in the expected differential between the underlying price in the hedging agreement and actual prices received. Further, hedging will prevent the Funds from receiving the full advantage of increases in oil or gas prices above the fixed amount or range specified in the hedge.

Counterparty Risk. It is expected that virtually all investment purchases and dispositions made on behalf of a Fund will transpire in private investment marketplaces. Customary to these markets is the risk that a counterparty (e.g., purchaser or seller) will not complete or settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (irrespective of whether bona fide) or because of a credit or liquidity problem, thus causing a Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where Fund transactions have been concentrated with a particular counterparty or group of counterparties. Generally, a Fund’s Organizational Documents restrict a Fund from dealing with certain affiliate counterparties on terms less than third-party arm’s length or from concentrating a Fund’s transactions with one counterparty in an amount greater than certain stated percentage interest thresholds.

Despite the prospect that a Fund’s risk management process may incorporate an assessment of counterparty risk, there can be no assurance that such assessment may be accurate. In addition, although a Fund expects to transact with well-capitalized, credit-worthy counterparties in its purchase and sale transactions, there can be no assurance that such will be the case in every transaction (or that the counterparties will perform their obligations).

Litigation at Property Level. The acquisition, ownership, and disposition of real properties carry certain specific litigation risks, which could result in losses to a Fund. Generally, during property investment due diligence and underwriting, prior to making an investment, if a property retains any such risks, a Fund will clarify, quantify, and make price adjustments, as appropriate under the circumstance, to attempt to quell any such risks.

## **Item 9     Disciplinary Information**

The Firm is required to disclose any legal or disciplinary events that are material to Limited Partners or prospective Limited Partners’ evaluation of the Firm’s advisory business or the integrity of its management. The Firm has no reportable disciplinary events to disclose.

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

### Other Financial Industry Activities

Certain direct and indirect partners, members, officers, and employees of the Firm may serve as directors

or hold executive positions with entities which invest in or alongside any one particular Fund. This may result in conflicts of interest. The Funds' Organizational Documents provide for certain methods of mitigating conflicts of interest, including in certain circumstances submitting matters to the LPs or the LP Committee.

#### FlairTex Resources Inc. ("FlairTex")

FlairTex is a Texas S Corporation established in 1990 by Donald G. MacAskie and Kathryn S. MacAskie to purchase primarily producing oil and gas assets and acreage with future productive development potential. Donald, the spouse of Kathryn, is the President, Vice-President, Secretary-Treasurer, and Sole Director of FlairTex, which is jointly owned by Donald and Kathryn MacAskie. Kathryn is a member of the Investment Committee of the Firm and the President and CEO of Zarvona Energy. The size of acquisitions pursued by FlairTex are typically well below the scale considered appropriate for investment by one of the Funds; however, it is possible that FlairTex could directly or indirectly compete with one or more of the Funds for a potential acquisition and that one of the Funds or FlairTex could knowingly or unknowingly purchase interest in a well or lease in which FlairTex or one of the Funds owns an interest.

#### Zarvona Energy LLC

Zarvona Energy is the affiliated operating company for each of the Funds. In this role, Zarvona Energy may perform various tasks related to the day-to-day management of the oil and gas assets in which the Funds own an interest including, but not limited to, direct field oversight, project management and supervision, lease accounting, royalty owner communications, working interest owner communications, disbursement of royalty and working interest revenues, tax payments, regulatory reporting and compliance, invoicing and collection of payments from working interest owners, and title verification. To cover the costs of performing these activities, Zarvona Energy may charge direct expenses and operating overhead to the leases or wells that it operates, which may in part be owned by one or more of the Funds, in accordance with the approved Joint Operating Agreement or general operating procedure for each lease, well, or group of leases or wells.

#### Zarvona III-B PLP, L.P. ("III-B PLP")

The III-B PLP is a Delaware limited partnership that is owned by the Firm and whose general partner is a subsidiary of the Firm. The III-B PLP was formed for the purpose of purchasing preferred equity in the net profits interest owned by Fund III-B. The III-B PLP generates an operating profit for its limited partners that equals the difference between the preferred equity coupon payments received from Fund III-B and the interest payments due to its lenders on debt used to fund all or a portion of the purchase of a preferred equity interest.

#### Material Relationships and Arrangements

The Firm will only conduct advisory activities that have been approved by Zarvona Energy. As described in Item 4 above, wholly-owned subsidiaries of the Firm serve as the general partners of certain Funds.

Through the Firm and the limited partnership structure, affiliates and supervised persons of the GP have direct beneficial interest in the assets owned by each of the Funds and share in profits and losses generated

by Fund investments.

#### Cross-Fund Activity

In the event of a material purchase or lease of an entity in which another Zarvona Energy-affiliated fund owns an interest, or a material purchase or sale of a security from one Zarvona Energy-affiliated fund to another, the Firm will obtain a written determination by a qualified independent petroleum consultant determining such purchase, lease, or sale to be fair based on industry practice. In the case of Fund III-A and Fund III-B (together “Fund III”), a majority vote by the Fund III LP Committee approving the transaction is also required.

#### Co-Investment Opportunities

The Funds’ Organizational Documents generally provide that the respective Fund’s general partner has sole discretion to offer co-investment opportunities in a potential investment. When making decisions to offer co-investments, the Firm will consider, among other factors, the specific provisions of the Fund’s Organizational Documents, the remaining investment capacity of the Fund, and the characteristics of the investment.

#### Conflicts with Portfolio Investments

Officers, employees, and other affiliates of the Firm may serve as directors (or in a similar capacity) of certain companies and, in that capacity, will be required to make decisions that they consider to be in the best interest of such companies and their stakeholders. In certain circumstances, actions that may be in the best interest of the company may not be in the best interests of a Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual’s duties as an officer, employee, or affiliate of the Firm and such individual’s duties as a director (or equivalent position) of the company.

#### Side Letters

The Firm has entered into arrangements with certain Limited Partners in connection with the LP’s admission into a Fund. The arrangements generally include rights or terms necessary to address specific legal, regulatory, investment, or public policy restrictions of the Limited Partner. The Firm may also enter into side letter agreements with Limited Partners that may establish rights under, or alter or supplement the terms of, a Fund’s Organizational Documents in a manner that may be more favorable to such LP than others.

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

#### Code of Ethics

The Firm has adopted a Code of Ethics which sets forth the ethical standards of business conduct for its supervised persons, including personal trading. The Code of Ethics provides for oversight, enforcement, and recordkeeping. A copy of the Code of Ethics is available to existing and prospective investors, upon request to the Chief Compliance Officer, at the Firm’s principal address set forth on the cover page of this brochure.

The Firm has established the following restrictions and guidelines in order to address potential conflicts of interest that could arise if the Firm or its related persons were to hold a material financial interest in an investment of a Fund:

1. No officer or employee of the Firm and its affiliates may knowingly:
  - a. compete for or acquire a direct or indirect interest in an investment that may be appropriate for a Fund without first presenting the opportunity to the Firm on behalf of the Fund;
  - b. own a direct interest in any investment owned by a Fund, provided that if any such interest was acquired by a related person before becoming affiliated with the Firm and the nature and extent of such interest is entirely disclosed to the Firm at the commencement of affiliation, such related person may retain such interest, and transactions in respect of such interest generally require the prior approval of the Chief Compliance Officer; or
  - c. prefer his or her own interest to that of an Investor.
2. All of the Firm's principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
3. Any individual not in observance of the above may be subject to disciplinary action, up to and including termination.
4. Any potential material conflict of interest not previously identified in a Fund's Organizational Documents will be disclosed to the Fund's Limited Partners or LP Committee as required. The Firm has the option to request a vote by the Fund's Limited Partners or LP Committee to accept or reject the activity creating a potential material conflict of interest.

### Security

Zarvona Energy, which owns the computer servers that store electronic information, has mechanisms in place in order to control access to its data through management of user credentials, authentication, and authorization methods. The Firm also has a firewall for a perimeter defense and is implementing a next-generation intrusion prevention system (NGIPS), which provides advanced malware protection. Zarvona Energy currently uses a hybrid cloud computing environment. The data which resides in public cloud services is completely encrypted in order to protect any sensitive information. In addition, the Firm has a multi-layered backup strategy implemented in order to further mitigate any potential loss of data.

### **Item 12 Brokerage Practices**

The Firm does not purchase publicly-traded securities; as a result, it does not contract with broker-dealers and does not engage in soft dollar practices, directed brokerage, or trade aggregation. The Firm does purchase commodity price hedges for the Funds to provide a level of protection to near-term revenues against potential drops in prices. The Funds typically purchase collars or swaps for periods of one to three

years at the time of an acquisition. The total hedging portfolio of each Fund is actively managed by the Firm and additional hedges are added as production increases or existing contracts expire.

### **Item 13    Review of Accounts**

Generally, the Investment Committee is responsible for (i) the initial evaluation of whether an investment is suitable for the Funds, (ii) the continuous monitoring of the investments held by the Funds, and (iii) any material changes to the business plan applicable to the investments. The Investment Committee reviews investments on a regular basis. The Investment Committee meets at least semi-annually (via phone and/or in person) to assess and discuss potential investments and modify (as necessary) the asset management strategy for the Funds' investments. As previously noted in this brochure, the Investment Committee does not vote on any investments under \$10 million.

The following employees of Zarvona Energy are members of the Firm's Investment Committee:

<b>Committee Member</b>	<b>Title</b>
Kathryn S. MacAskie	Investment Committee Chair
Robert M. MacAskie	Investment Committee Member
Matthew S. Jurgens	Investment Committee Member
David A. Love	Investment Committee Member

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

The Firm does not receive any additional compensation from third parties for providing investment advice to its Clients. The Firm may engage broker-dealers from time to time to act as a placement agent with respect to its Funds' private placement offerings. Generally, such broker-dealers' compensation is based on a percentage of Capital Commitments secured by any such placement agent for the Fund. Any such placement agent hired by the Firm in connection with such offerings will be required to be registered with the SEC as a broker-dealer and will be required to be a member of the Financial Industry Regulatory Authority (FINRA).

### **Item 15    Custody**

As the Firm is the sole member of the general partner of the Funds managed by the Firm, the Firm is deemed to have custody of the Funds. The Funds are required to be audited by an independent, PCAOB accountant, and the audited financial statements will be distributed to all of the Funds' Investors within 120 days after the Funds' fiscal year end. Quarterly statements for the Funds are compiled and delivered to Investors by the Firm.

### **Item 16    Investment Discretion**

Generally, the Firm has discretion to make all investment decisions for the Funds, subject to any applicable investment criteria or other restrictions and limitations set forth in a Fund's Organizational Documents.

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

The Funds invest in oil and gas assets directly, and the Firm manages those assets on behalf of the Funds. The Firm does not vote Client securities, as the Firm does not currently invest in publicly-traded securities on behalf of its Clients.

#### **Item 18 Financial Information**

The Firm does not require or solicit payment of fees in excess of \$1,200 per Client more than six months in advance of services rendered. Therefore, the Firm is not required to include a financial statement.

As a fund management and investment advisory firm that has custody of Client funds, the Firm is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual obligations to its Clients or the Limited Partners. The Firm is not aware of any financial condition that would impair its ability to meet contractual obligations to its Clients or the Limited Partners. The Firm has not been the subject of a bankruptcy petition at any time during the past 10 years.