

**JVL Advisors, LLC**  
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**Part 2A of Form ADV: Firm Brochure**  
**March 30, 2016**

This brochure provides information about the qualifications and business practices of JVL Advisors, L.L.C. and its relying advisers. Information provided herein is provided in response to instructions and guidance issued in connection with Form ADV Part 2A. You should refer to those materials, including defined terms used therein, in reviewing this brochure. If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, by phone at (713) 579-2617 or via electronic mail at [info@jvladvisors.com](mailto:info@jvladvisors.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.

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

JVL Advisers, LLC and its relying advisers are registered investment advisers. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information with which you may determine to hire or retain advisory services.

## ITEM 2 MATERIAL CHANGES

We have made no material changes since we filed our last Brochure on March 31, 2015. However, we did add additional risk disclosure concerning our long-biased investment strategy in Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.

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## ITEM 4 ADVISORY BUSINESS

JVL Advisors, LLC began its operations in 2003 and together with its relying advisers, which are the general partners (“General Partners”) (and collectively “JVL”, “we”, “our” or “us”) provide discretionary investment advisory services to certain private investment partnerships (the “Funds”, “Clients” or “Partnerships”) that form our clients. The principal owner of JVL is John V. Lovoi, an individual residing in Houston, Texas.

Our clients invest in securities or interests tied to the oil and gas industry. Under certain circumstances, we will accommodate certain investors by establishing and managing private investment partnerships for a single beneficial owner (“SO Fund”). The advisory services that we provide to these clients are limited to investments related to the oil and gas industry or to securities used to hedge certain risks related to our oil and gas investments.

We do not tailor our advisory services to the individual needs of our partnerships or their underlying investors. Our clients that are invested in pooled investment vehicles may not impose restrictions on investing in certain securities or types of securities. While our SO Funds invest in the same oil and gas industry sector and pursue the same or similar strategy, we may agree to certain restrictions and or limits on investments held by these SO Fund clients.

As of December 31, 2015, JVL managed discretionary client assets of \$535,100,000. We do not manage any client assets on a non-discretionary basis.

## ITEM 5 FEES AND COMPENSATION

Each General Partner, in accordance with each Client’s governing documents, generally earns an annual management fee for its advisory services and receives an annual performance allocation. The maximum management fee charged by JVL is at an annual rate of 2% of each investor’s partnership interest. The management fee is usually calculated and paid quarterly in advance

(at a rate of 25% of the annual rate) of each investor's partnership interest as of the first day of each quarter. To the extent that an investor is permitted to withdraw all or a portion of their investment prior to the end of a quarter, the investor's account will be credited back any remaining prepaid management fee not earned by JVL. In addition, each General Partner generally receives an annual performance allocation (although the period may be shorter than a year if an investor withdrew all or a portion of their interest in a Partnership or the termination of a Partnership) in an amount ranging from 20% to 25% of the increase in each investor's partnership interest due to investment performance, which includes unrealized gains for marketable securities and subject to any loss carryforward (taking into account the payment of the quarterly management fee described above).

JVL, in its sole discretion, may enter into agreements ("Side Letters") with certain large or strategic investors including investors in the SO Funds where JVL may waive or reduce management and performance fees and/or otherwise grant more favorable terms which are not extended to other investors in Partnerships managed by JVL.

All Partnerships incur expenses in connection with custodial or brokerage services as discussed in Item 12. In addition, subject to limitations in a specific Client's governing documents, Clients bear their respective share of certain permissible JVL charges and operating costs and expenses relating to their organization and operations, which may include, but is not limited to: technology expenses, research expenses including those incurred in identifying, assessing, acquiring, negotiating, structuring, and disposing of investment opportunities, including any financing, legal, accounting, management and consulting fees which will be incurred whether or not a client actually invests in the specific investment opportunity; administrative and reporting expenses associated with an annual audit, financial and tax returns and tax reporting to a Client's investors; governmental, regulatory, licensing or registration fees and other investment costs; interest and fees associated with any permitted borrowings; costs of any litigation, D&O insurance and other types of insurance, indemnification or extraordinary expense or liability; meetings of Client

investors; fees and disbursements to attorneys, consultants, accountants, fund administrators, service providers and any other professionals relating to Client matters.

As more fully described in Item 10, Other Financial Industry Activities and Affiliations, JVL has and may continue to allocate a portion of client assets to investments in certain private limited oil and gas partnerships that an affiliate of JVL manage. However, the JVL affiliate waives its management and performance related fees so that Clients do not bear the additional management and performance related fees charged by the JVL affiliate. We do not charge our clients a commission-based fee on trades or sales of securities.

## ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As discussed in Item 5, Fees and Compensation, each General Partner can receive an annual performance allocation. The performance allocation may create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of such performance allocation. Also, the fact that certain Clients may pay higher performance fees may create an incentive for us to allocate more favorable investment opportunities to those Clients. To address these conflicts of interest, JVL has adopted written compliance policies and procedures that requires Client investments be made in accordance with each Clients' investment objectives and investment opportunities be allocated between Clients according to JVL's investment allocation policy so that investment opportunities are allocated among Clients in a fair and equitable manner, although such investment opportunities may not always be allocated pro-rata across all Clients.

## ITEM 7 TYPES OF CLIENTS

Our clients are private investment partnerships that primarily invest in securities tied to the oil and gas industry. For further detail on our clients, please refer to Item 4.

We generally require investors in the partnerships we advise to invest a minimum initial subscription of \$1,000,000 although investments for a lesser amount may be accepted at our discretion.

## ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### Investment Strategy

Our investment strategy is concentrated in the oil and gas sector, is long-biased, and is mostly focused on small and mid-capitalized public securities and certain private oil and gas investments. The overall investment philosophy of the firm can best be described as directional, opportunistic and hybrid. We focus on fundamental research, stock selection and investments in proprietary private opportunities. We use little, if any, leverage and will carry significant excess cash when we believe it is in the best interest of our clients. We invest in opportunities where we believe we can recognize future gains as the valuation of our investments increase.

### Methods of Analysis

A significant amount of our work is based on our estimation of the current and future value of our oil and gas investments. We utilize a variety of different methodologies to determine a valuation of our oil and gas investments. While discounted cash flow method is generally used for valuing oil and gas properties, discounted at an appropriate discount factor based on market conditions and comparable market transactions as of the time of the valuation the key inputs include, without limitation, estimated reserves, the dollar value per barrel of oil and natural gas reserves and dollar value per barrel of oil and natural gas produced per day.

### Investment Risks

INVESTING IN SECURITIES INVOLVES RISK OF LOSS THAT CLIENTS SHOULD BE PREPARED TO BEAR.

Investors and prospective investors should consider the following risk factors and other important factors when investing in our partnership/clients:

*Uncertainty of Predictions.* The profitability of a significant portion of each partnership's investment program depends to a great extent upon correctly assessing the future course of the price movements of oil and natural gas and certain related securities. There can be no assurance that we will be able to predict accurately these price movements. Past performance of each partnership is not indicative of future performance.

*Illiquid Investments/Distributions in Kind.* Certain partnerships will invest in illiquid private securities such as interests in private oil and gas limited partnerships where there is not a recognized market. As such, an opportunity to sell these private investments at a gain may not occur or may take several years. For example, in the case of an interest in private oil and gas limited partnerships, an opportunity to sell the investment may not occur until such time as the underlying oil and gas properties are developed, which may take several years from the date of the initial investment. As a result of these illiquid investments being held in certain partnerships, investors redeeming their interests as of the end of any calendar quarter may receive distributions in kind of securities in lieu of or in addition to cash. In the event we make distributions in kind, such securities or interests may be illiquid or subject to legal, contractual and other restrictions on transfer that will be binding on the investor.

*Reliance On & Non-Exclusive Service of Key Personnel.* The success of JVL Clients depends upon the skill and expertise of key personnel of JVL to successfully manage portfolio investments. The loss of their services could have material adverse effects on JVL and its Clients. In addition, key personnel are not obligated to devote any specific amount of time to the affairs of the Clients



and may serve as investment advisers or investment managers to other Client accounts and conduct investment activities for their own accounts. Such other entities or accounts may have investment objectives and strategies similar to those of the Clients. In addition, key personnel may provide advice to other entities or accounts that differs from the advice given with respect to a Client. (See the dual fiduciary duty risk discussed in the risk *Control Positions, Participation on Committees and Boards of Directors and Active Day-to-Day Involvement in Certain Portfolio Companies*).

*Interests in JVL Advised Partnerships are Illiquid.* An investment in a Client account is an illiquid investment due to restrictions on withdrawals and transfers of partnership interests. Investors are urged to read the partnership agreement governing the partnership(s) in which they may invest in their entirety prior to subscribing for interests and becoming subject to the partnership agreement as a limited partner. Each partnership agreement will govern the rights of investors as limited partners in the applicable partnership.

*Certain Market Risks.* Substantial risks exist when trading in securities, options, and in making the other investments permitted by each partnership. Trading may in some circumstances be speculative, prices may be volatile, and market movements are difficult to predict. In addition, government activities, especially those of the Federal Reserve Board, have a profound effect on interest rates, which, in turn, can affect securities and other asset prices in the area of each partnership's planned activities. Politics, inflation, war and other unforeseen events can also have significant effects. Each partnership will have a "non-diversified" portfolio, as such term is defined under the Investment Company Act of 1940, as amended. Each partnership is expected to be concentrated in a limited number of positions and this lack of investment diversification increases the risk of loss.

*Government Regulation and Proprietary Rights of Energy Companies.* The operation of energy companies and oil service companies are generally subject to extensive regulation by federal, state and local governmental agencies. Companies in which each Client invests may need to

obtain licenses and approvals from government regulators to operate or sell their products or technologies. Licenses granted may be revoked and applications for new licenses are subject to delays for substantial periods of time. Government regulation can include rate regulation as well as limiting available services and products, ownership, and geographic territories served. Such regulation can result in limited returns, increased costs, and decreased economic incentive to develop new products. Government regulation may be unpredictable and is subject to political, economic, social and market developments. There can be no assurance as to the level or effect on companies in the energy and oil and gas sector of government regulation in the future.

Environmental laws, regulations and regulatory initiatives play a significant role in the energy industry and can have a substantial impact on investments in this industry. The energy industry will likely continue to face considerable oversight from environmental regulatory authorities and the costs associated with environmental compliance can significantly reduce investment returns. Failure to comply with environmental requirements could have a material adverse effect on an investment and there can be no assurance that an underlying investment will at all times comply with all applicable environmental laws, regulations and permit requirements.

*Energy Exposure.* A significant portion of each Client's capital will be invested in equities and other interests of energy companies. As a result, each Client will have significant exposure to the risks associated with energy commodity prices which can be impacted by a number of various factors including worldwide and domestic supplies of oil and natural gas, political instability or armed conflict in oil and natural gas producing regions, worldwide economic conditions, the price of foreign imports, the level of consumer demand, and the price, availability and acceptance of alternative fuels. As a result, such commodity interest prices are highly volatile and the value of energy related investments is usually highly correlated to the current market price of oil and natural gas. No assurance can be given that our investment strategy will result in profitable trades or that Clients will not incur substantial losses.

*Long Bias.* JVL predominantly employs a long bias investment strategy and although the Partnerships, may at times, have short positions, portfolios will generally not be significantly hedged against adverse market or specific security price declines. As such, in broad, cyclical down markets or specifically when oil related commodity prices or other energy related securities decline, the Partnerships may suffer significant negative returns. Although JVL may believe that oil prices and other energy related securities prices may increase, there can be no assurance of such and oil related commodity and other energy related securities prices could remain low for many years.

*Short Sales.* Each Partnership will at times take short positions. A partnership may incur a loss as a result of a short sale if the price of the asset increases between the date of the short sale and the date on which the partnership replaces the borrowed security. Possible losses from short sales differ from losses that could be incurred from a purchase of an asset, because losses from short sales involve unlimited loss potential since the market price of securities sold short may continuously increase. A partnership may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, a partnership might have difficulty purchasing securities to meet its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

*Derivative Instruments.* "Derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market

exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose an investor to the possibility of a loss exceeding the original amount invested.

Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party, known as a counterparty, with whom one of our partnership-clients contract for the purpose of making derivative investments. In the event of a counterparty's default, our partnership will only rank as an unsecured creditor and risks the loss of all or a portion of the amounts it is contractually entitled to receive.

*Foreign Securities.* Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of each partnership are maintained) and the various foreign currencies in which each partnership's portfolio securities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; (iv) potential uncertainty of tax laws and imposition of withholding taxes; and (v) the extension of credit, especially in the case of sovereign debt.

*Use of Leverage.* Subject to applicable margin and other limitations, each partnership may borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of each partnership's portfolio would be amplified. Interest on borrowings will be a portfolio expense of each partnership and will affect the operating results of each partnership. Also, each partnership

could potentially create leverage via the use of instruments such as options and other derivative instruments.

*Options Investing.* Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value.

*Control Positions, Participation on Committees and Boards of Directors and Active Day-to-Day Involvement in Certain Portfolio Companies.* Certain employees of JVL and its affiliates are in a position to control or exercise significant influence over the management and strategic direction in certain companies in which JVL invests.

In the case of certain portfolio companies involved in oil and gas exploration and development, certain employees have personal interests in and are actively involved in the day-to-day operations of these portfolio companies. The exercise of control over a portfolio company imposes additional risks on JVL Clients, including liability for environmental damage, product defects, failure to supervise management, labor disputes and other types of liability associated with a portfolio company's operations and other claims by security holders and creditors of the portfolio companies. There is also the risk that JVL clients will be restricted from transacting in or redeeming its investment in the portfolio company as a result of, among other things, legal restrictions on transactions by company directors, large shareholders or affiliates.

There also exists a potential conflict of interest associated with having dual fiduciary responsibilities to both JVL Clients and the portfolio company. For example, an investment opportunity suitable for JVL's Clients may also be suitable for the portfolio company directly. In such cases, a conflict of interest would exist. JVL has compliance policies and procedures in place that require JVL to monitor conflicts of interest and require JVL and its employees to normally act in the best interest of its Clients. To the extent the existence of dual fiduciary duties creates a conflict of interest between the employee's duties to JVL and the portfolio companies, the employees are obligated to adhere to JVL policies and procedures, which requires the employees to do their utmost to fulfill their fiduciary duty to JVL Clients. For example, any investment opportunity would be required to be presented to and considered by JVL for potential investment by Clients before it would be passed on to a portfolio company.

Another potential conflict of interest exists where such portfolio companies are privately held, and the Clients' investments are therefore illiquid. JVL and its affiliates, including their employees, are involved in determining the valuation of these investments, which can be complicated and often dependent upon numerous variables, many of which are estimated. Thus a conflict of interest is created since part of JVL's compensation is determined based on the valuation of these investments and JVL has an incentive to increase the value of these investments, although JVL normally does not recognize a performance based allocation on these private investments until gains are realized. To address this conflict, JVL has adopted valuation procedures designed to determine the fair value of these investments, which includes using valuation methodologies consistently. In addition, all Clients are subject to annual audits. In addition, in certain cases, there are additional fees being paid to affiliates of JVL attributable to certain of these investments, which is discussed in more detail in Item 5, Fees and Compensation.

JVL has adopted a general policy that employees who serve as directors or as members of committee of portfolio companies will not receive any form of compensation for these services.

In certain circumstances, fees that would normally be paid to directors will instead be paid, pro-rata, to the respective Clients for which the directors are affiliated.

## ITEM 9 DISCIPLINARY INFORMATION

This disclosure item is not applicable to our firm or any management person associated with our firm.

## ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

John V. Lovoi is also a managing member of Peninsula-JVL Capital Advisors, LLC, which is the general partner of, and investment adviser to, its sole client, Belridge Energy Advisors, LP ("Belridge"). Belridge is a private investment partnership that also invests primarily in securities in the oil and gas sector, which are similar, and sometimes identical to, the securities that JVL's clients invest in. Belridge is currently not making new investments and it distributes proceeds of investments as it disposes of them.

As discussed in Item 8, Methods of Analysis, Investment Strategies and Risk of Loss, there are certain risks associated with JVL employees serving as directors and officers of and in certain instances being involved in the day-to-day operations of specific portfolio companies involved in oil and gas exploration and development. Please refer to Item 8 for a detailed discussion of these affiliations.

## ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

JVL and its relying advisers have adopted a code of ethics (the “Code”) that establishes a standard of business conduct that must be followed by members, officers, and employees of JVL (collectively “Supervised Persons”). The Code incorporates the following general principles, which all Supervised Persons are expected to uphold: act in the best interests of clients; conduct personal securities transactions in a manner consistent with the Code, which seeks to address certain conflicts of interest in this regard; avoid taking any inappropriate advantage of one’s position at JVL; maintain confidentiality of information concerning JVL’s investment recommendations, portfolio holdings and transactions; and provide accurate disclosure in reports required by auditors, regulators, or government bodies.

JVL believes that these general principles not only help JVL fulfill its obligations as an investment adviser, but also protect JVL's reputation and instill in employees JVL's commitment to honesty, integrity, and professionalism.

The Code also provides guidelines for Supervised Persons regarding adherence to securities laws generally, transactions in personal accounts involving public and private securities and commodities. For example, the Code requires that all Supervised Persons report all transactions in their personal accounts. In addition, the Code requires that all Supervised Persons report Code violations. JVL’s Chief Compliance Officer is responsible for various aspects of the Code’s administration, including without limitation the monitoring and review of personal securities and commodities transactions of Supervised Persons, and is available for any questions Supervised Persons have regarding the Code. JVL will provide a copy of the Code to any client or prospective client upon request by contacting the Chief Compliance Officer, by phone at (713) 579-2617 or via electronic mail at [info@jvladvisors.com](mailto:info@jvladvisors.com)

JVL permits its Supervised Persons to trade for their own accounts, which may include investing personally in private investments, some of which may be sponsored by affiliates of JVL, at terms preferential to JVL’s clients, including waived fees. In addition, Supervised Persons may personally invest in certain investments and securities previously purchased by clients and may own securities that are subsequently purchased by clients. These persons or entities may also



buy or sell specific investments and securities for their own accounts based on personal investment considerations, which JVL may or may not deem appropriate for Clients.

JVL has no obligation, other than fulfilling its fiduciary duty to manage Client accounts in accordance with their investment mandates, to recommend for purchase or sale by clients any investments that JVL, its Supervised Persons or affiliates may purchase for themselves or for any other client.

The Supervised Persons of JVL and the General Partners, as well as the personnel of other affiliates, are not permitted to engage in trades directly with clients except in certain instances where JVL Supervised Persons are deemed principals, based on SEC staff guidance, due to the fact that JVL's related persons own greater than 25% of the JVL or affiliate client's assets. To the extent that JVL and/or its related persons engage (or are deemed to engage) in principal securities transactions, any such transactions will comply with applicable laws.

To the extent permitted by applicable law and the applicable governing documents, JVL may effect "cross transactions" between Client accounts. JVL would only recommend Clients enter into such transactions if the transactions were consistent with the best interests of the Clients involved and at prices that JVL and/or its related persons believe constitutes a fair valuation for the Clients involved.

When we engage in a transaction or security trade for more than one Client, we strive to be equitable to all Clients. In such cases, we will generally aggregate orders for all Client accounts simultaneously and allocate executed trades to Client accounts at the same average price. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, we will allocate the trade among the different accounts on a basis that we consider equitable. Differences in investment holdings and returns may occur between Clients for various reasons including regulatory requirements or contractual restrictions that may limit JVL's ability to effect and/or recommend transactions for certain Clients and due to timing differences in the establishment of Client accounts or contribution activity.

Although JVL, its employees and its affiliates expect to devote a certain amount of time and effort to the business and affairs of each Client, it may also devote a substantial amount of time and effort to other business interests.

A number of the activities discussed in this section present potential conflict of interest where JVL and its Supervised Persons may have incentives to put their interests ahead of JVL Clients. These activities may include for example, allocating investment opportunities between Client accounts, sponsoring other investment vehicles (including those with investment objectives similar to or overlapping with those of current Clients), making investments for their own accounts, or engaging in other lines of business. JVL believes it has adequate policies and procedures in place to monitor these conflicts of interest and ensure that JVL and its Supervised Persons adhere to the Code and the Securities Laws.

## ITEM 12      BROKERAGE PRACTICES

We select brokers for our direct securities transactions based on a number of factors, including the following: the ability to effect prompt and reliable executions at favorable prices (including applicable dealer spread or commission, if any); the operational efficiency with which the 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 and other services considered by us to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria.

Research services may include both services generated internally by a broker's own research staff and services obtained by the broker from a third party research firm. Research may include reports and analyses concerning specific issuers, industries or sectors; market, financial and economic forecasts and other data; and statistics and pricing services. It may also include

hardware, software, databases, equipment and facilities (such as quotation equipment) that we use for research purposes.

In addition to research services, we may be offered other monetary or non-monetary benefits by brokers that we may engage to execute direct securities transactions on behalf of our Clients. These benefits may take the form of special execution, clearance and settlement capabilities, as well as payment of all or a portion of our or our affiliates' operational costs and expenses, such as meals and entertainment, news wire and data processing charges, quotation services, periodical subscription fees and all other trading related expenses.

When engaging in direct securities transactions, we may pay broker commissions that are higher than another broker might have charged for the same transaction, in recognition of our assessment of the value of the research and other services provided to us by the broker. However, we believe that commission costs borne by client accounts are reasonable in relation to the overall services provided. The Client account that bears the cost of such commission for a particular trade will not necessarily be the sole beneficiary of such research.

Prior to 2011, we had been party to certain "soft dollar" arrangements with various brokerage firms, pursuant to which the cost of certain research and other services and products we and our affiliates use were paid for with commissions generated by direct securities transactions for Client accounts. We had used soft dollar credits generated by a client account to pay for services and products we or our affiliates used for unrelated accounts from which the soft dollars were generated. We had also entered into arrangements with brokers to have soft dollar credits rebated to the client accounts or to have commissions recaptured by the client accounts from which the credits or commissions were generated, or use soft dollars to pay expenses otherwise payable by client accounts. Either of such uses of soft dollars would have the effect of enhancing the returns associated with such Client accounts from the returns that would exist absent such uses.

During 2011, we terminated all soft dollar arrangements. Permitted research expenses, such as quote services (including Bloomberg and/or Thomson Reuters), as well as associated exchange fees and certain oil and gas research services, are borne by JVL.

The firm may engage in cross transactions between Client accounts if JVL believes doing so is in the best interest of the Clients. JVL or its affiliates never earn a commission or any other form of compensation as a result of engaging in a cross trade. In addition cross trades are generally done for rebalancing purposes.

The firm may aggregate Client sale and purchase orders with similar orders being made contemporaneously for other accounts. In such event, the average price of all securities purchased or sold in such transactions may be determined and a client may be charged or credited, as the case may be, the average transaction price. As a result, the price may be less favorable to the client than it would be if similar transactions were not being executed concurrently for other accounts.

Conflicts regarding the allocation of trade opportunities are addressed on an investment-by-investment basis, and, in most instances, the conflict is resolved via JVL's trade allocation policy which considers each Client's particular investment objectives, among other factors. In general, when JVL determines that it would be appropriate for more than one Client to participate in an investment opportunity, JVL seeks to allocate such investments pro rata based on such Client's respective net asset values; provided however, that investments may be allocated in a different manner based upon the following considerations:

- Investment objectives or strategies of a Client
- Tax considerations applicable to a Client
- Timing of capital contributions and withdrawals
- Available capital
- Tolerance for volatility/risk

- Liquidity needs of the Client
- Characteristics of the security (including type of security and restricted access)
- Other relevant factors

Also, when a Client is in its initial investment or ramp-up phase or it has received a capital infusion or withdrawal request (including Client accounts with substantial investments by JVL or its affiliates), preference may be given to that Client so that it reaches its desired position level quickly. JVL strives to provide all Clients with meaningful investment allocations over time, although each and every Client will not receive an allocation of each and every profitable investment.

Sometimes, following an investment by a Client, JVL has the opportunity to make an additional or follow-on investment in the same entity or a related entity. Occasionally, rather than allocate these additional or follow-on investment opportunities to the Client(s) that made the original investment, JVL may allocate the opportunity among other Clients (including Clients that may be wholly or principally owned by JVL) and one or more strategic investors, other investors or unaffiliated third parties. Typically, JVL makes these allocations in circumstances where the additional investment opportunity or follow-on investment could not, because of the reasons previously enumerated (i.e., available capital, risk limits, etc.), be allocated in the same manner as the original investment. Additional investment opportunities and follow-on investments may be more or less profitable than the original investment to which they relate.

From time to time, a Client account may make firm commitments to provide capital for investments at a certain date in the future. At the time any such investment requires funding, we may allocate the investment opportunity among such Client, other Clients eligible to participate in the investment (including other Clients that may be wholly or principally owned by JVL), one or more strategic investors, other investors or unaffiliated third parties. Accordingly, Clients may be disadvantaged if we allocate profitable opportunities away from them or if we allocate unprofitable opportunities to them.

## ITEM 13      REVIEW OF ACCOUNTS

Each account is reviewed and valued on a daily basis. Mr. Lovoi, the portfolio manager for each account, reviews each account in a manner consistent with the investment goals of each account and the compliance policies set forth in our Compliance Manual.

Performance data and account balances are supplied at least quarterly to Clients. Audited financial statements are provided to Clients annually.

## ITEM 14      CLIENT REFERRALS AND OTHER COMPENSATION

Please refer to the disclosures in Items 11 and 12 above.

While we have been party to solicitation agreements in the past, there are no existing agreements and we are not paying any third party for client referrals. We do not accept any direct or indirect compensation for client referrals.

## ITEM 15      CUSTODY

We have established third party custody arrangements with qualified custodians, BNP Paribas, BNY Mellon and JP Morgan (the “custodians”), which hold each Client’s funds and securities. We have certain authority to direct the transfer or withdrawal of such funds and securities held by the custodians for the partnerships. Each partnership receives monthly account statements from the custodians, which statements should be reviewed carefully. JVL satisfies its custody obligations by ensuring that all Clients are audited as required by the rule and that investors in the Clients receive the financial statements resulting from such audits.

## ITEM 16 INVESTMENT DISCRETION

Each Client grants JVL and its affiliates the discretionary authority to manage a Client's account through a limited partnership agreement.

## ITEM 17 VOTING CLIENT SECURITIES

JVL has proxy voting policies and procedures which we believe are reasonably designed to ensure that proxies are voted in the best interest of its clients and in accordance with our fiduciary duties.

JVL's policies and procedures include the following:

- Keep a record of each proxy received.
- All proxies received by JVL will be sent to the Chief Compliance Officer or her designee.
- Determine which accounts managed by JVL hold the security to which the proxy relates.
- Forward the proxy to the person who makes the voting decision ("proxy voter").
- Provide the proxy voter with a list of accounts that hold the security, together with the number of votes each account controls (reconciling any duplications), and the date by which JVL must vote the proxy in order to allow enough time for the completed proxy to be returned to the issuer prior to the vote taking place.
- Absent material conflicts of interest, the proxy voter will either (i) vote proxies in accordance with the instructions of the client or (ii) in the absence of specific instructions from the client, vote the proxy in accordance with JVL's guidelines.
- Where JVL may have, or is perceived to have, a conflict of interest when voting proxies and to the extent possible, control or mitigate the conflict of interest when voting the proxy.

In the absence of specific voting guidelines or instructions from the client, JVL will vote proxies in the best interests of the client, which may result in different voting results for proxies for the

same issuer. JVL believes that voting proxies in accordance with the following guidelines generally is in the best interests of its clients:

- Generally, JVL votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock.
- Generally, JVL will vote against proposals that make it more difficult to replace members of the issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting.

Clients or investors may obtain information from us regarding how JVL voted client proxies and may also request a copy of our proxy voting policies and procedures by contacting our Chief Compliance Officer, by phone at (713) 579-2617 or via electronic mail at [info@jvladvisors.com](mailto:info@jvladvisors.com).

## ITEM 18 FINANCIAL INFORMATION

A registered investment adviser is required to provide clients with certain financial information or disclosures about its financial condition. JVL has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.