

# JL SQUARED GROUP, LLC

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## FORM ADV PART 2 BROCHURE

**This brochure provides information about the qualifications and business practices of JL Squared Group, LLC. If you have any questions about the contents of this brochure, please contact Jason Meldrum at 215-609-3443 or [jmeldrum@jlsquaredgroup.com](mailto:jmeldrum@jlsquaredgroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about JL Squared Group, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**JL Squared Group, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

### ***Material Changes***

The firm filed its initial "Disclosure Brochure" with the SEC on June 3, 2011. The firm filed an annual amendment on March 30, 2012 to report the fact that it launched JL Squared Partners, LP, a single strategy global macro fund. This amendment is being filed primarily to reflect, in Item 10, a financial industry affiliation which may present a conflict of interest between the firm and its clients. This conflict of interest is also addressed in Item 11 describing the firm's Code of Ethics. The firm also reports in Item 15 the fact that it has custody of client assets in separately-managed accounts physically held by a qualified custodian due to the fact that it has the authority to directly deduct fees from such accounts. There are no other material changes. A copy may also be downloaded from the Securities and Exchange Commission website, [www.sec.gov](http://www.sec.gov).

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## **Advisory Business**

Form ADV Part 2A, Item 4

### **Description of Firm and Principal Owners**

JL Squared Group, LLC (“JLS” or the “Firm”) is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) specializing in the design and management of alternative investment strategies primarily for hedge funds. The Firm also maintains a number of separately managed accounts with high net worth individuals and their trusts. JLS was founded by Jonathan Lubert and formed on August 22, 2003 as E.X. Capital Partners, LLC. Prior to April 1, 2011, Jonathan Lubert served as the sole Managing Member owning 100% of JLS. E.X. Capital Partners, LLC changed its name to JL Squared Group, LLC on April 20, 2011. The Managing Members of JLS are Jonathan Lubert and Jonathan Liggett. As of January 1, 2012 Lubert holds a 52.5% interest and Liggett holds a 47.5% interest. The final ownership structure will be 50% Lubert and 50% Liggett on January 1, 2013, in accordance with the First Amended and Restated Operating Agreement for E.X. Capital Partners, LLC.

### **Description of Advisory Services**

JLS organizes and manages on a discretionary basis hedge funds investing primarily in other hedge funds or hedge fund of funds (“HFOF”) and to a lesser extent securities. The Firm also manages a global macro fund. Although JLS primarily manages hedge funds, it also holds itself out as an institutional investment manager offering its services in a separate account format. In managing all clients’ accounts, there are no limitations on the types of securities JLS may invest in or types of strategies that can be deployed. For example, JLS may purchase or sell, either directly or indirectly through investing in a hedge fund, on behalf of its clients securities (both U.S. and non U.S.) that include stocks, bonds, derivatives – such as swaps, futures, forwards contracts, options (listed and unlisted), options on physical commodities, or any other security where JLS believes it can achieve its clients’ investment objectives.

### **Tailored Advisory Services**

The principal objective of the Firm is to tailor its advisory services to the specific needs of our clients based on client imposed guidelines and limitations contained in either a private fund offering memorandum or investment management agreement of any separate account.

JLS is not a sponsor of and is not a participant in a wrap fee program to provided bundled services to clients.

### **Assets Under Management**

As of January 31, 2012, JLS has \$300,407,884 in regulatory assets under management.

## ***Fees and Compensation***

Form ADV Part 2A, Item 5

### **Compensation**

JLS provides this brochure to qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, as well as to investors who can meet the “Qualified Client” standard, as described in Rule 205-3, under the Investment Advisers Act of 1940. Qualified Client private fund investors’ accounts are assessed a management fee of up to 2% of assets under management and a performance-based fee of up to 20%. However, some investors in the private funds managed by JLS have negotiated fee arrangements through a side letter with the specific private fund where the fee structure is different than the fees described in the offering memorandum.

In addition to the fees above, JLS may in some cases assess the private fund investors’ accounts an administrative fee of up to 0.07% of assets under management.

As for separate accounts, there is no set or standard fee schedule. All separate account fees are independently negotiated.

### **Deduction of Fees**

#### **Hedge Funds**

Management and performance based fees are generally deducted directly from the capital accounts of the investors in funds managed by JLS. JLS receives monthly management fees in arrears, which represent a fixed percent of net asset value at the beginning of the month, plus any profits attributable to the fund for the month. In addition, JLS receives a Performance Allocation that represents a fixed percent of the “net fund profit” of each investor in the hedge fund as of the end period, generally each calendar quarter. The Performance Allocation is not applicable until the fund achieves a new high water mark.

#### **Separate Accounts**

Advisory fees are calculated and billed quarterly in arrears based on the quarter’s billable balance, the value of which is independently determined by the client’s vendor of choice. The advisory fees are billed directly to the custodian that pays JLS, in accordance with terms of a separate contract between the client and the unaffiliated custodian. JLS does not deduct fees from the separately managed accounts.

### **Other Types of Fees and Expenses**

Client accounts also pay other investment related fees and expenses that JLS does not receive any benefit from, such as custodial charges, brokerage fees, commissions (includes mark up and mark downs of fixed income securities) and related costs, interest expenses, taxes, duties and other governmental charges, transfer and registration fees or similar expenses, costs associated with foreign exchange transactions, other portfolio expenses, and costs, expenses and fees associated with products

or services that may be necessary or incidental to investments or accounts. Investors in hedge funds are typically charged the same level of fees described above (including another layer of management fees and incentive fees) by the hedge fund managers of the underlying hedge fund portfolio holdings in client accounts. All investors in JLS managed hedge funds bear a pro-rata share of all expenses described.

### **Refund of Fees**

There is no refunding of management fees to any private fund investor or separately managed account, as investor withdrawals from JLS managed funds and the closing of separately managed accounts may only occur at month end, prior to the calculation of the management fee and deduction.

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

Form ADV Part 2A, Item 6

Generally, JLS receives performance-based fees that are charged to the underlying investors in JLS managed hedge funds. The charging of performance based fees generally creates a conflict of interest that JLS and its supervised personnel may face when managing client accounts side-by-side with accounts that either do not pay a performance fee or where the fees vary substantially. The conflict arises when an incentive is created to treat the higher paying client or account more favorably than a client or account that pays a lower fee in the form of more favorable investment recommendations and allocation of investment opportunities.

At JLS we address this potential conflict of interest by aligning management's interest with the interests of its clients and underlying hedge fund investors. We do this by investing a material amount of management's own personal and family money in the hedge fund where the entire pool of investor capital (including management's own and family money) receive the same treatment and is exposed to the same level of risk (market or otherwise) as all other underlying hedge fund investors.

In addition, JLS has adopted and implemented a compliance program that consists of policies and procedures to address potential conflicts of interest. Our Aggregation and Allocation Policy and Procedures are designed to address this potential conflict of interest by reasonably ensuring that all accounts with similar investment objectives receive a fair and equitable allocation of all eligible investment opportunities. Our Compliance Department frequently reviews firm trading activity as a means of administering JLS' compliance program. Senior management also participates in frequent reviews of client portfolios.

### ***Types of Clients***

Form ADV Part 2A, Item 7

JLS provides a continuous investment program primarily to privately offered pooled investment vehicles or hedge funds and, to a lesser extent, separately managed accounts. The minimum investment is \$1,000,000 for all investors who are Qualified Clients. JLS has the authority to accept less than the stated minimum. An investment in a hedge fund of funds involves a high degree of risk and should be undertaken only by qualified clients whose financial resources are sufficient to enable them to sustain a total loss of their investment.



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

Form ADV Part 2A, Item 8

### **Methods of Analysis**

We seek to achieve our hedge fund investment objectives by focusing on investing capital in a diversified portfolio. In the case of our private fund of funds, our methods of analysis for this strategy is to concentrate on constructing a portfolio consisting of private funds managed by established managers that have been in the business for more than 3 years and manage more than a billion dollars. In addition, we conduct searches for up-and-coming managers who are more ambitious and flexible than their larger competitors. We believe this strategy will allow us to capture significant upside while protecting our investors' principal.

Separately managed accounts and our single strategy private fund receive the same level and type of investment advice as the direct investment portion of our private fund of fund portfolios, which is to fundamentally construct a diversified portfolio of investments that is based on the investment mandate, liquidity needs, risk tolerance, cash flow and other requirements of and as imposed by each individual client.

Investing in securities involves certain risks including risk of loss that clients should be prepared to bear. We believe by accepting only investors who can meet the "*Qualified Client*" standards under Rule 205-3 of the Investment Advisers Act of 1940, is one way of addressing the risk of JLS potentially putting a client's capital at risk of loss that may not be able to withstand an investment loss.

### **Risk of Loss**

An investment in a hedge fund involves a high degree of risk and should be undertaken only by qualified clients whose financial resources are sufficient to enable them to sustain a total loss of their investment. The following risk factors discuss, among other things, the risks associated with the a hedge fund's direct or indirect exposure (through a fund investment) to Securities and Commodity Interests as well as the risks surrounding the JLS' and the Managing Member's management of the hedge fund's assets in the Securities and Commodity markets. These risk factors (together with other factors described elsewhere in a specific fund's offering memorandum) should be considered carefully but are not meant to be an exhaustive listing of all potential risks associated with an investment in a JLS managed fund.

### **Investment Risks**

The Securities and Commodity markets are speculative, prices are volatile and market movements are difficult to predict. Supply and demand for Securities and Commodity Interests change rapidly and are affected by a variety of factors, including interest rates, merger activities and general trends in the overall economy or particular industrial or other economic sectors. Government actions, especially those of the Federal Reserve Board, have a profound effect on interest rates which, in turn, affect the price of property. In addition, a variety of other factors that are inherently difficult to predict, such as domestic and international political developments, governmental trade and fiscal policies, patterns of

trade and war or other military conflict can also have significant effects on the markets. We may have only limited ability to vary its investment portfolio in response to changing economic, financial and investment conditions. Those risks may be enhanced significantly by potential concentration of the fund's investments and the potential that creates for volatility. No assurance can be given as to when or whether adverse events might occur that could cause significant and immediate loss in value of the any portfolio. Even in the absence of these events, trading Securities and Commodity Interests and investing in other types of property can quickly lead to large losses. These potential trading losses could sharply reduce the net asset value of the fund and, consequently, the value of the underlying investor's interests.

### **Trading is Speculative and Volatile**

Securities and Commodity prices are highly volatile. As we buy and "sell short" securities on margin, the volatility of securities portfolios may be greatly increased, leading to significantly greater risks. Our fund's trades may be made on a purely speculative basis. No assurance can be given that this type of speculative trading will result in profitable trades or substantial losses.

### **Trading is Highly Leveraged; Short Sales**

JLS will trade securities on a leveraged basis (i.e., where the security can be purchased by putting up only a portion of the instrument's face value and borrowing the remainder (margin)). The low margin deposits required by exchange regulations and the Federal Reserve Board in connection with many of our activities relating to our hedge fund currently permit a high degree of leverage. As a result, a relatively small price movement in a security may result in immediate and substantial losses to the investor. In addition, trading on margin will result in interest charges to the client account, which may be substantial. Moreover, in a "short sale," there is no limit to the amount of potential loss. Although the use of leverage and "short sales" can substantially improve the return on invested capital, their use also may increase any adverse impact to a portfolio. Gains and losses on short sales generally are treated as short-term capital gains and losses for tax purposes.

### **Markets Illiquidity**

At various times, the markets for Securities purchased or sold by the Company may be "thin" or illiquid, making purchase or sale of securities at desired prices or in desired quantities difficult or impossible. For example, securities exchanges and the SEC have authority to suspend trading in a particular security without notice. There may be no market for unlisted securities traded by JLS on behalf of its clients – especially considering our investment strategy of investing in other private funds.

### **Forward Contracts Presents Unique Risks**

The Company may enter into forward contracts for the trading of certain Commodity Interests, such as currencies and precious metals, with United States and foreign banks and currency and precious metals dealers. A forward contract is a contractual obligation to buy or sell a specified quantity of a commodity at or before a specified date in the future at a specified price and, therefore, is similar to a futures contract. However, forward contracts are not traded on exchanges and, as a result, are not afforded the regulatory protection of such exchanges or the CFTC. Instead of a regulated exchange,

banks and dealers act as principals in such markets. Neither the CFTC nor banking authorities regulate trading in forward contracts on currencies and foreign banks are not regulated by any United States governmental agency. There are no limitations on daily price moves in such forward contracts. In addition, speculative position limits are not applicable to forward contracts trading, although brokers or the principals with whom they may deal in the forward markets may limit the positions available to the Company as a consequence of credit considerations. The principals who deal in the forward contract market is not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and that at which they are prepared to sell.

### **Trading on Non-United States Exchanges Presents Certain Risks**

We may also trade commodity interests and/or securities on exchanges located outside the United States, where protections provided by SEC and CFTC regulations do not apply. Some foreign commodity exchanges, in contrast to domestic exchanges, are “principals’ markets” in which performance relating to a commodity interest contract is the responsibility only of the individual member with whom the trader has entered into the contract and not of the exchange or its clearinghouse, if any. In the case of trading on foreign exchanges, we will be exposed to the risk of the inability of or refusal by the counter party to perform regarding our contracts. Our client also may not have the same access to certain trades as do various other participants in foreign markets.

### **Currency and Exchange Rate Risks**

The Company’s assets may be invested in Securities or held in positions denominated in currencies other than the U.S. Dollar. Accordingly, a portion of the income received directly or indirectly by the Company may be denominated in non-U.S. currencies. As the Company determines its Net Assets in U.S. dollars, with respect to trading on non-U.S. markets it will be subject to the risk of fluctuation in the exchange rate between the local currency and dollars and to the possibility of exchange controls. Further, the Company may incur costs in connection with conversions between various currencies. The Managers may elect, in their discretion, to hedge the Company’s currency risks, but there is no assurance that such hedging activities, if attempted, will be successful.

### **Trading of Options Presents Certain Risks**

Options represent a right, purchased for a certain price, to either buy or sell the underlying futures contract, physical commodity or security during a certain period of time for a fixed price. Although successful options trading would require many of the same skills as does successful securities and commodity interest trading, the risks involved are somewhat different.

### **Investments in Restructured Companies**

JLS and some of the underlying hedge fund managers of the private funds we invest in may invest in securities of companies that are experiencing significant financial or business difficulties, including bankruptcy or other reorganization and liquidation proceedings. Although these investments may result in significant returns for a client, they involve a substantial degree of risk. Any one or all of the investments may be unsuccessful or not show any return for a considerable period of time. The level

of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance the JLS or any of the underlying hedge fund portfolio managers will correctly evaluate the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which we invest, there is a risk that we experience a loss of the entire investment or may be required to accept cash or securities with a value less than the original investment. Under these circumstances, the returns generated from these investments may not compensate us adequately for the risks assumed.

### **High Yield Securities**

We (JLS and the underlying hedge fund managers) may investment in “high yield” bonds and preferred securities that are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). These securities are considered predominately speculative because the issuers’ capacity to pay interest and repay principal is more uncertain than for issuers of higher-rated securities. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of these securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

### **Additional Risks of Trading in Derivative Instruments**

There may be investments in complex derivative instruments that seek to modify or replace the investment performance of particular Securities, Commodity Interests, Managers, other property, interest rates, indices or markets on a leveraged or unleveraged basis. Derivative instruments are sensitive to additional risks that include interest rate and credit risk volatility, world and local market price and demand and general economic factors and activity. Derivative instruments also have counter party risk and may not perform in the manner expected or counter parties incur the risk of default, resulting in greater loss or gain to the Firm.

### **Small Cap Stocks**

At any given time, there may be significant investments in the over-the-counter securities of smaller-to-medium sized companies. These “secondary” securities often involve significantly greater risks than the securities of larger, better-known companies.

### **Emerging Market Securities**

At any given time, our clients’ accounts may have significant investments in the securities of emerging market countries. These investments involve significant liquidity, political, exchange rate, settlement, environmental and related risks.

### **Spread Trading and Arbitrage Trading May Involve Potential Risk**

A part of investment operations may involve spread positions between two or more commodity interest positions. To the extent the price relationships between these positions remain constant, no gain or loss on the positions will occur. Such positions, however, do entail a substantial risk that the price differential could change unfavorably causing a loss on the spread position. The trading operations also may involve arbitrage between a security and its announced buy-out price (or other forms of “risk arbitrage”), between two securities, between the equity and equity options markets, between commodity interests and securities and/or options, between two commodity interests, between securities and commodity interests and/or any combination of the above. This means, for example, that a client account may purchase (or sell) securities (i.e., on a current basis) and take offsetting positions in options in the same or related securities. To the extent the price relationships between these positions remain constant, no gain or loss on the positions will occur. These offsetting positions entail substantial risk that the price differential could change unfavorably causing a loss on the position.

### **Risk Arbitrage Trading**

The Company may invest in risk arbitrage transactions, which are inherently volatile. Therefore, the short-term performance of the Company’s Securities investments may fluctuate significantly. The price offered for Securities of a company in a tender offer, merger or other acquisition transaction will generally be at a significant premium above the market price of the Securities prior to the offer. The announcement of such a transaction generally will cause the market price of the Securities to begin rising. The Company generally will purchase such Securities after the announcement of the transaction at a price that is higher than the pre-announcement market price, but that is lower than the price at which a Manager expects the transaction to be consummated. If the proposed transaction is not consummated, the value of such Securities purchased by the Company may decline significantly. It also is possible that the difference between the price paid by the Company for Securities and the amount anticipated to be received upon consummation of the proposed transaction may be very small. If a proposed transaction in fact is not consummated or is delayed, the market price of the Securities may decline sharply. In addition, where the Company has sold short the Securities it anticipates receiving in an exchange offer or merger, the Company may be forced to cover its short position in the market at a higher price than its short sale, with a resulting loss. If the Company has sold short Securities that are the subject of a proposed exchange offer, merger or tender offer and the transaction is consummated, the Company also may be forced to cover its short position at a loss.

### **The Markets we Compete in are Highly Competitive**

The investment industry in general and the markets in which we trade in particular are extremely competitive. In pursuing its investment and trading methods and strategies, we will compete with investment firms, including many of the larger investment advisory and private investment firms, as well as institutional investors. In relative terms, we will have little capital and may have difficulty in competing in markets in which competitors have substantially greater financial resources, larger research staffs and more traders than or expects to have in the future. In any given transaction, trading activity by other firms will tend to narrow the spread between the price at which our clients may purchase property and the price we expect to receive upon consummation of the transaction

In addition, investing in general presents certain risks that an investment adviser may or may not be

able to hedge, due to unforeseen circumstances and events or unexpected market fluctuations. There is no guarantee that any investment strategy either described in this brochure or that we may develop in the future will achieve their objectives. Past performance is not necessarily predictive of future results. Also, investing in a hedge fund that invests in other hedge funds is risky due to lack of transparency and potential illiquidity of portfolio investments.

### ***Disciplinary Information***

Form ADV Part 2A, Item 9

JLS, including its employees, has not been involved in any legal or disciplinary events or actions.

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

Form ADV Part 2A, Item 10

JL Squared Group, LLC has relationships with the following financial industry related persons that are material to JLS' advisory business.

### *Private Investment Companies –*

JLS serves as the Managing Member and discretionary investment adviser to IL Investments, LLC, JL Hedge Investments, LLC and IL Hedge Restricted Portfolio, LLC, all of which are Delaware registered multi-manager strategy hedge funds investing primarily in other private funds (or Hedge Fund Of Funds) offerings interests only to investors who are "Qualified Clients". JLS also manages JL Squared Partners, LP, a single strategy global macro fund (each of the funds managed by JLS a "Fund" and collectively the "Funds") JLS' relationship with the managers (many of whom are sponsors or syndicators of limited partnerships) of the underlying private fund holdings of the hedge funds JLS manages is strictly one in which JLS seeks out managers of private funds who JLS believes can meet the investment objectives of each of the JLS managed hedge funds. The objective criteria JLS employs when deciding to select a fund to invest client assets is described under Item 13 below. JLS' objective analytical private fund investment selection process serves several purposes, one of which is to reasonably ensure there is no actual or perceived conflict of interest. All JLS clients are managed under the same compliance program and policies and procedures that have been designed to address the potential conflicts of interests that may arise from time to time when managing hedge fund of funds and other types of accounts.

In addition, Jonathan Lubert serves as director of Universal Payment Business Solutions Acquisition Corporation ("UPBS"), a publicly-traded special purpose acquisition company which is a form of pooled investment vehicle. UPBS has been formed for the purpose of acquiring, through a merger, share exchange, asset acquisition, stock purchase, plan of arrangement, recapitalization, reorganization or similar business combination, one or more operating businesses. Mr. Lubert is also a founding shareholder of UPBS.

Mr. Lubert and the clients of JLS may, from time to time, have opportunities to invest in UPBS which presents a conflict in that Mr. Lubert, as a holder of founder's shares and a director, stands to benefit as a result of the clients' investment in UPBS. To address this conflict when such opportunities to invest occur, JLS will, through its Investment Committee composed of Mr. Lubert, Mr. Liggett and an experienced investment analyst, assess the appropriateness of investment in UPBS from both the perspective of its suitability for and risk to the clients and in light of the conflict presented by Mr. Lubert's service on the UPBS board of directors and his status as a founding shareholder. Jason Meldrum, Chief Compliance Officer of JLS, will attend the meetings of the Investment Committee. The Investment Committee will thoroughly review the investment and, should a decision be made for a client to invest, it will document the reasons it believes such investment is advantageous for JLS' clients. The decision of the Investment Committee whether to invest in UPBS must be unanimous.

JLS has not recommended for the time being any investment in UPBS to JLS clients but may do so in the future.



#### *Other Investment Advisers –*

Manalapan Oracle Capital Management LLC (“MOCM”), a registered investment adviser, provides investment advisory services to a portion (or sleeve) of IL Hedge Investments’ (“IL Hedge”) portfolio in accordance with a separate account agreement among IL Hedge, JLS and MOCM. MOCM is a hedge fund investment adviser providing similar advisory services to its clients as JLS provides to the Funds. The relationship between JLS, IL Hedge and MOCM is that MOCM provides full discretionary advisory services to IL Hedge, under the overall supervision of JLS. JLS does not share investment opportunities JLS is considering or any other proprietary information, other than information related to the investments, change in strategy or any other economic or technical analysis that impacts IL Hedge, which is the same as any other client would be entitled to receive.

Barclays Capital Inc. (“BCI”), also a registered investment adviser, manages a segment of IL Hedge through a separate account established under Barclays Wealth Select Advisory Program (“BWSAP”). BCI serves as the sponsor of the BWSAP managed account wealth management program. IL Hedge under the BWSAP managed account program provides investment objectives and selects an investment adviser sponsored by the program to manage the account for a single fee, which includes advisory fees, commissions on brokerage transactions, custody of assets and administrative fees. The relationship among IL Hedge, JLS, BCI and the selected investment adviser is one in which IL Hedge receives full discretionary advisory and other services without incurring transactional and other administrative costs. JLS has the discretion to replace the selected investment adviser sponsored by the BWSAP program or BCI at any time where JLS believes investment objectives are either not being met or for any other reason in its absolute and sole discretion.

JLS, by selecting qualified investment managers who also manage private funds to manage a sleeve of a JLS fund portfolio in a separate account format, offers our private fund investors the benefit of advice of the caliber provided to the private funds advised by the JLS selected manager as well as complete transparency of portfolio holdings and enhanced liquidity.

#### *Other Investment Advisory Related Businesses –*

JLS has several large investors that comprise a significant portion of the firm’s assets under management. These investors are organizations that are controlled by other family members of one of the Co-Managing Members of JLS. One of these family members also serves as a Co-General Partner of Lubert-Adler Management Company, L.P. (“LAMCO”), (SEC File # 801-71911) who also has a material interest in several other private fund advisers and/or is engaged in a similar capacity in related types of businesses that provide investment advisory services to private investment funds with venture capital, real estate, mezzanine debt, distressed debt, structured finance, and other types of alternative investment mandates. Generally, this can create a conflict of interest if a JLS investment idea or planned purchase of a specific security is shared with another entity and investors other than JLS investors were to benefit as a result of the sharing of information. From time to time, investment professionals at JLS and LAMCO share research information as a means of more effectively managing client Funds.

In addition, Independence Capital Partners, LLC (“ICP”), a LAMCO affiliated entity, provides certain systems and technology solutions to JLS (such as business continuity planning and information security technology resources). As a result, certain JLS investor information, such as portfolio

holdings, and potentially other proprietary information could possibly be viewed (after a material time lag) by LAMCO information technology employees. In many situations, this also can create a conflict because proprietary information contained on our proprietary server is not contained within JLS, as a separate legal entity.

However, we believe that any potential conflict of interest is not material for the following reasons:

- By investing a large amount of family money in the Funds managed by JLS, the Firm and family controlled entities of the Co-Managing Member is placing their own capital at the same investment/market risks as JLS' clients and underlying hedge fund investors. All JLS hedge funds, including its underlying investors, are managed under the same investment objectives and receive the same level of treatment as all other investors;
- The family managed advisory related firms employ a different investment strategy and does not invest in the same types of securities as JLS;
- There is no reciprocal payment arrangement (either directly or indirectly) between JLS and LAMCO for the sharing of research;
- JLS has adopted and implemented a compliance programs that consists of policies and procedures, testing and monitoring to address potential conflicts of interest;
- Lubert-Adler Management Company, L.P. is a registered investment adviser who has also implemented a compliance program to meet the same regulatory objectives and to mitigate its potential conflicts of interest;
- ICP's Information Technology Procedures that includes software designed to provide the requisite protection needed to prevent outside penetration of systems where JLS investor and other information is maintained. In addition, information contained on JLS' server is securely maintained as a result of fire walls designed to prevent unauthorized access and outside penetration. This provides senior management with a reasonable assurance that Firm information is not at risk to identity theft;
- The Chief Compliance Officers at JLS and LAMCO coordinate compliance efforts and convene scheduled compliance management meetings to independently ensure conflicts of interest do not arise as a result of this industry related investment advisory relationship;
- The JLS Chief Compliance Officer periodically meets with a JLS Co-Managing Member, or his designee, to report on the state of compliance at JLS.

Additional information regarding the advisory businesses of MOA, BCI and Lubert-Adler Management Company, L.P., such as those advisory firms' potential conflicts of interests and other

material financial industry affiliations, can be found on the SEC's registered adviser consumer website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

Form ADV Part 2A, Item 11

### **Code of Ethics**

JLS has adopted a Code of Ethics (the “Code”) that obligates JLS and its related persons to put the interests of JLS’ clients before our own interests and to act honestly and fairly in all dealings with clients. All of our personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Jason Meldrum (Chief Compliance Officer) by email at [jmeldrum@jlsquaredgroup.com](mailto:jmeldrum@jlsquaredgroup.com), or by telephone 215-609-3443. See below for an overview of the Code.

### **Investing in Securities Recommended to Clients**

Under the Code of Ethics (“Code”), employees of JLS may buy or sell for themselves securities that JLS also recommends to its clients only in extremely limited circumstances. This type of trading is one of the most fundamental potential conflicts of interest that JLS faces as an adviser of client funds because it potentially creates the appearance that JLS or one of its employees may have traded ahead (“front run”) of a client by purchasing or selling the same security in the same direction first; profiting by personally trading in the security in the opposite direction (“scalping”) of a client; or by depriving a client of an investment opportunity when a client account does not participate in a suitable investment which is purchased or sold in a personal account instead. To address these potential conflicts of interest, all JLS employees pre-clear personal securities transactions in accordance with our policy that prohibits this type of trading other than in extremely limited circumstances, report all holdings initially upon employment and annually for existing employees, complete a quarterly certification of transactions for the prior period and notify compliance prior to opening a new personal trading brokerage account. Our compliance department reviews all personal trading activity against client transactions for potential conflicts of interests and violations of the Code. Any violation of the Code is escalated to senior management when the CCO periodically updates the Managing Members of JLS on the state of compliance.

As discussed above in Item 10, a particular conflict of interest between JLS and its clients may be presented by the fact that Mr. Lubert is a founding shareholder and a director of UBPS. JLS may from time to time recommend that JLS clients invest in UBPS if such investment is considered suitable and advantageous for such clients. This presents a conflict of interest in that Mr. Lubert, as a holder of founder's shares and a director, stands to benefit as a result of the clients' investment in UPBS. To address this conflict when such good opportunities to invest occur, JLS will, through its Investment Committee composed of Mr. Lubert, Mr. Liggett and an experienced investment analyst, assess the appropriateness of investment in UPBS from both the perspective of its suitability for and risk to the clients and in light of the conflict presented by Mr. Lubert’s service on the UPBS board of directors and his status as a founding shareholder. Jason Meldrum, Chief Compliance Officer of JLS, will attend the meetings of the Investment Committee. The Investment Committee will thoroughly review the investment and, should a decision be made for a client to invest, it will document the reasons it believes such investment is advantageous for JLS' clients. The decision of the Investment Committee whether to invest in UPBS must be unanimous.

JLS has not recommended for the time being any investment in UPBS to JLS clients but may do so in the future.

In general, as part of JLS' general operating policy, any employee who repeatedly violates the Code or any violation that represents fraud or puts a client account or JLS' reputation at material risk is dealt with by the CCO and Managing Members and can lead up to the immediate termination of the employee and reporting to federal regulators.

## Brokerage Practices

Form ADV Part 2A, Item 12

### Selection of Broker/Dealers

JLS has complete discretion over the selection and amount of securities and other investments to be bought or sold without obtaining prior consent or approval from its clients. When selecting managers to invest client capital, JLS acquires an interest in the private fund directly from a manager who is selected based on the results of a due diligence process described in Item 13 below. Private fund acquisitions are private deals and broker/dealers are not paid to execute the transaction as with market based security transactions.

JLS' principal objective in selecting broker/dealers to execute market based client orders is to seek to obtain best execution for the client. When we place a discretionary order for a client account many factors are considered. JLS is obligated to obtain the best reasonably available price at the time of execution and based on the prevailing facts and circumstances, *i.e.*, "*best execution*", or the best net results under the circumstances. In seeking "*best execution*", we consider not only the commission rate, spread or other compensation paid, but the price at which the transaction is executed, bearing in mind that it may be in the client's best interest to pay a higher commission, spread or other compensation in order to receive better execution. Other considerations that are to be taken into account include one or more of the following:

- the size of the order;
- commission charged;
- the speed of execution on competing markets;
- liquidity of the issuer;
- ability to commit capital;
- the broker's operational efficiency;
- the broker's ability to complete the transaction satisfactorily through to clearance, confirmation, delivery settlement.

A large portion of client orders are placed with brokers who can source liquidity and provide best execution at the lowest cost possible. This is accomplished through brokers who source liquidity and the best possible execution through other venues, such as electronic communication networks ("ECN"). Our analysis of execution quality involves a number of factors, both qualitative and quantitative. However, our experience suggests that using a low cost broker has provided our clients with good quality execution at an extremely low commission cost. The low commission cost usually accounts for situations when other execution factors may not be as compelling, as is the situation in all transactions, to provide our clients with the best net results, or "*best execution*".

JLS is permitted to place clients' orders with brokers on the basis that the broker can provide research and other services that may be helpful to our clients. The provision of this type of research is part of the commission charged by the broker which tends to be higher than for execution only brokerage services. This is referred to as a "soft dollar trade". Using client commissions (or markups and markdowns) to obtain research or other products provides a benefit to an adviser because the adviser

does not have to pay for the research or other products. This may create an incentive to select broker-dealers based on receiving this benefit rather than on receiving the most favorable execution. We are authorized to pay a commission that is higher than the lowest commission available in order to receive research assistance. JLS does not make use of third-party research and brokerage services paid for with soft dollars. However, certain brokers that JLS may from time to time transact with on behalf of clients' accounts also provide research developed in house to JLS. The provision of this type of proprietary research is considered to be a soft dollar arrangement based on recent SEC interpretation. The SEC considers proprietary research to be eligible for the safe harbor protection under 28(e). In placing orders with brokers for execution, only the Managing Members of the Firm are authorized to place trade orders on behalf of clients.

### **Brokerage for Client Referrals**

JLS may participate in capital introduction programs arranged by broker-dealers where JLS is among a group of unrelated investment advisers who present their investment management capabilities to potential suitable private fund investors. This may create an incentive to select these brokers to execute client transactions based on our interest in receiving client referrals, rather than on our clients' interest of receiving most favorable execution. JLS may place client portfolio transactions with firms that have recommended the private fund accounts we manage or provided capital introduction opportunities, only when it is consistent with the principles of seeking best execution. In no event does JLS select a broker-dealer as a means of compensation for recommending JLS or any of the private funds managed by JLS or any other product managed by JLS (or an affiliate) for affording JLS with the opportunity to participate in capital introduction programs.

### **Aggregation and Allocation**

When purchasing and selling the same security for multiple client accounts, JLS aggregates and allocates all orders in accordance with the following process.

In aggregating and allocating client orders each account that participates in an aggregated security order receives the average share price for each order, with transaction costs shared *pro rata* based on each account's participation. Although JLS seeks to aggregate all client orders when purchasing and selling the same security on behalf of multiple client accounts, investments in private funds may not be aggregated and allocated the same as market based securities (see allocating other than pro-rata below). JLS does not favor any account over any other account.

Orders generally, including initial public offerings ("IPOs") are allocated *pro rata* among all eligible accounts based upon the order sizes requested by the participating accounts.

JLS can employ an allocation method other than pro rata, under the circumstances, provided that the other allocation method is reasonable, employed in good faith and does not result in an unfair or inequitable disadvantage to any account. In departing from a pro rata, we consider certain factors, such as cash flow, odd lots, limit orders, availability of capital, investment goals, etc. Investments in private funds present unique allocation challenges. This type of investment depends on a multitude

of factors, one of which is whether the general partner (or managing member) of the private fund admits (or allows us to invest in) the fund JLS is seeking to acquire on behalf of JLS managed funds. JLS will seek to allocate private investments the same as all other investments, to the extent possible and consistent with its objective of treating all client accounts the same.

When deviating from a pro-rata allocation, we prepare a written allocation statement (an “Allocation Statement”), specifying: (a) the participating accounts, (b) the method of allocation, and (c) the amount of allocation per account. Deviations from the Allocation Statement are approved by Compliance.



## ***Review of Accounts***

Form ADV Part 2A, Item 13

### **Review of Accounts**

JLS manages its clients' accounts in accordance with the strategies, investment objectives, guidelines and restrictions (if any) as described in private offering memoranda and in investment management agreements (in the case of separately managed accounts). JLS discharges its supervisory oversight responsibility by frequently reviewing clients' portfolios, conducted by portfolio management, and other periodic reviews conducted by Compliance in accordance with the Firm's Compliance Program.

#### **– Portfolio Management Review**

Portfolio Managers continuously monitor client account activity to assist in making daily decisions on investments to purchase or sell and where opportunities in the markets might be at the time and for consistency with investment objectives, strategies, guidelines and applicable restrictions. Hedge fund of funds managed by JLS invest primarily in other private funds and the manager can invest a portion of the fund's assets in securities, including equity, bonds, derivatives, etc.

On a daily basis, portfolio managers look at client account holdings, valuation and analyze securities for potential new or additional acquisitions. As clients' holdings values change from either the prior day or during the day, portfolio management analyzes the impact to sectors and individual holdings to assess risk of concentration (including counterparty exposures), whether a security has fundamentally exceeded its target, based on internal valuation assessments, correlation risk, etc.

When performing the daily review, the portfolio manager ensures that transactions from the prior day trading activity are properly reflected in clients' portfolios, allocation of investments are within Firm Policy and client account investment strategies and objectives, cross transactions do not appear to have occurred from long/short strategies and for potential reportable trade errors.

A monthly review of portfolios also occurs that takes into consideration all the above factors. The monthly review is more thorough and includes both a factor analysis that seeks to manage interest rate, volatility and other risks within acceptable predetermined parameters and review of clients' investments in other hedge funds. Style drift is an integral part of the overall analysis and review of client portfolios.

In addition, senior management reviews reports that evaluate the correlation of fund holdings, letters provided by the managers of the underlying private fund portfolio holdings and sub-advisers, as well as conducting conference calls with many of the managers of these funds and sub-advisory managers, as needed. Portfolio management analyzes data for trends and outliers to help determine whether a private fund holding needs to be adjusted. An overall assessment of how the private fund managers are managing the hedge fund holdings in client portfolios is made by obtaining an understanding of

how leveraging (as one of many other factors) is being utilized and whether unnecessary risks are being taken.

All client portfolios performance is compared to an appropriate benchmark that has been established by the Firm.

All correspondence and analyses of underlying portfolios is retained in accordance with JLS' record retention requirements, which have been designed in accordance with SEC regulatory standards.

– Private Fund of Fund Investment

In making investment decisions to invest in other private funds and when selecting other advisers to manage a sleeve of a portfolio in the form of a separate account, portfolio management performs a thorough due diligence analysis that include some or all of the following, depending on nature of the investment strategy of the underlying fund and in the discretion of portfolio management:

- **Analysis of trading/investment strategy:** This includes an in-depth review of the strategy (including instruments used and leverage employed, if any), an analysis of how the strategy should perform under various market conditions, the objectives of the strategy and the risks involved;
- **Analysis of Industry and Competition:** This analysis considers the contemplated manager's peers that offer the same or similar strategy and the relative strengths and weaknesses of their programs;
- **Financial Performance of the Strategy:** Although not necessary suggestive of future results, portfolio management reviews past performance, if any, of the strategy and prepares and analyzes projected performance;
- **Legal, Regulatory and Tax Implications of the Strategy:** Our management team reviews and discusses key issues as identified by independent and/or internal accountants, financial advisors and legal counsel and also will consider a compliance analysis of any key persons or firms involved in implementing the strategy. Compliance is responsible for performing the compliance analysis that involves a review of the compliance program, verification of assets (only if audits are conducted by firms that are not registered with and frequently reviewed by the Public Company Accounting Oversight Board), requests for SAS 70 reports (or similar acceptable reports and as applicable in situations where an affiliate serves as the Qualified Custodian), deficiency letters from a recent regulatory examination or any other information in the discretion of the CCO;
- **Analysis of Manager Talent and Commitment:** Portfolio management believes these factors are the greatest determinants of the success of any strategy. Consequently, it will spend significant time evaluating the capabilities of each Manager and any other persons or firms who will participate in implementing the strategy. The Firm performs thorough due diligence to assess integrity, motivation, leadership skills and commitment to the business (including the amount of the Manager's personal assets committed to the trading program). Management interviews, psychological profiling and background investigations also may

be utilized in this evaluation process as well as careful review of incentive compensation programs to align investor and Manager interests.

### **Client Reports**

Hedge Fund Clients: JLS managed funds receive monthly custody account statements from qualified custodians or third party administrators indicating positions purchased and sold during the period as well as cash balances, dividends distributions, etc. In addition, the funds receive monthly written reports from the managers of the underlying private fund holdings consisting of performance and a monthly commentary (best and worst performing holdings in the underlying private fund portfolio holding). The underlying private funds also annually provide an audited financial report to underlying fund investors.

Investors: The underlying investors in JLS managed hedge funds generally receive a monthly estimate of performance within 15 days of month end and final performance within 45 days. In addition, monthly written commentaries are distributed that update existing fund investors regarding factors that impacted JLS managed funds and the top and bottom 3 performers and the markets in general.

Also, quarterly written reports of major holdings are provided upon request to each fund investor.

Annually, a copy of the funds' audited report is distributed to all JLS managed fund investors within 180 days of year-end and 120 days in the case of the single strategy fund.

Separate Accounts: JLS separate account client(s)' periodically receive custody account statements identifying the client's account balances, securities held as well as cash receipts and disbursements for the period. In addition, JLS provides performance reports during periodic client strategy meetings, and performance reports as may be requested from time to time by the client.

## ***Client Referrals and Other Compensation***

Form ADV Part 2A, Item 14

### **Third-Party Compensation**

No person who is not a client of JLS provides an economic benefit (such as sales awards or other prizes) to JLS for providing investment advice or other advisory services to our clients.

### **Referral Arrangements**

JLS is not currently participating in referral arrangements with, or making payments to independent parties for purposes of referring potential clients to JLS. JLS may enter into referral arrangements in the future and will disclose the relationship.

## ***Custody***

Form ADV Part 2A, Item 15

JLS retains physical custody of the subscription documents that represent JLS managed hedge fund investments in other private funds. All other JLS managed hedge fund and separate client account investments in general securities are held at broker/dealers that are registered with FINRA or a chartered bank, all of which meet the SEC's definition of a "Qualified Custodian". JLS, in its capacity as the Managing Member and adviser of hedge funds is automatically deemed to have custody of fund assets, based on the SEC's interpretation of custody. In accordance with regulatory requirements under the Investment Advisers Act for advisers with custody of client assets, JLS has engaged an independent public accountant, Deloitte & Touche, to conduct an annual audit of hedge fund assets. The auditing firm is registered with, and is regularly inspected as of the beginning of the engagement period, and as of each calendar year-end, by the Public Company Accounting Oversight Board in accordance with its rules. In addition to Deloitte & Touche, JLS has also engaged Fulvio & Associates, L.L.P., another independent public accountant, to audit the assets of JL Investments, LLC. This auditing firm also meets the custody requirements of the Investment Advisers Act. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed to all members or beneficial owners of funds we manage within 180 days of the end of its fiscal year and 120 in the case of the single strategy fund.

JLS does not have physical custody of securities or cash in its separately-managed accounts. Such assets are held by a qualified custodian. However, JLS is deemed to have custody of these client assets as a result of receiving fees directly deducted from such accounts. JLS has written authorization in its client contracts to directly deduct advisory fees. JLS makes a request to the qualified custodian which includes information on the account and the amount of the fee to be deducted from the client's account. JLS notifies its clients of the fee amount and the period covered prior to submitting its request to the custodian.

### ***Investment Discretion***

Form ADV Part 2A, Item 16

JLS has full investment discretion to manage hedge fund and separate account assets in accordance with the terms of each hedge fund offering memorandum and separately negotiated investment management agreements, respectively. JLS has the authority to determine the securities or any other investment to be purchased or sold (in accordance with any restrictions on our activities outlined in the applicable offering memorandum/investment management agreement (if any), and the amount of securities or other investments to be purchased or sold for each account (subject to the supervision of the Managing Member). Because of the differences in the investment objectives, risk tolerance and other criteria, there may be differences among accounts in invested positions and investments sold.

JLS will not manage any hedge fund or client account without a properly executed investment management agreement (or private fund operating agreement), depending on type of account, and does not admit investors to any JLS managed hedge fund until all prospective investors in the hedge fund executes a subscription agreement.

### ***Voting Client Securities***

Form ADV Part 2A, Item 17

JLS ordinarily does not vote proxies either as disclosed in the offering memoranda of the private funds we manage or because clients have specifically indicated in advisory agreements (in the case of separately managed accounts) that they prefer voting their own proxies. In the event that a client delegates proxy voting to us in the future and upon our acceptance of the proxy voting delegation we will not commence managing a client account until formal proxy voting policies and procedures have been developed and incorporated into our Compliance Program. In certain limited situations and depending on client preference, JLS may vote a proxy on behalf of a client account where the proxy proposal has the potential to materially impact the economic value of an underlying portfolio holding. Whenever proxies are voted, JLS documents the rationale used to determine how best to vote in the best economic interest of our clients.

### ***Financial Information***

Form ADV Part 2A, Item 18

We do not require or solicit prepayment of fees six months or more in advance. JLS has not experienced any financial condition that is reasonably likely to impair our ability to meet contractual commitments to its clients.