

# Jacobs Asset Management, LLC

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This Brochure provides information about the qualifications and business practices of Jacobs Asset Management, LLC (“JAM”, “Adviser”, “We”, or “Our”). JAM is an SEC registered investment adviser. Any reference to JAM as a “registered investment adviser” or as being “registered” does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

This document is not an advertisement, an offer to sell or the solicitation of an offer to purchase interests in any Fund managed by JAM. Offers to invest in any such interests may be made only pursuant to appropriate offering documents. Investors must be qualified and approved prior to investing.

If you have any questions about the contents of this Brochure, please contact us at (212) 271-5526. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

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

**Item 2: Material Changes**

JAM has updated this Form ADV Part 2A (brochure) as part of the annual amendment process. The Firm has updated information to include the JAM Offshore Investors, Ltd., a new feeder fund to the JAM Partners, L.P. master fund, since our previously filed brochure dated March 29, 2018.

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## **Item 4: Advisory Business**

JAM is a Delaware limited liability company that was established in 1995 and is principally owned by Seymour (Sy) Jacobs.

JAM provides investment management services on a discretionary basis to privately offered pooled investment vehicles consisting of hedge funds and a private equity fund that are exempt from registration under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940, as amended. Regarding JAM's private equity fund, the fund has a defined investment period and ultimately a defined termination date. It requires capital commitments from its investors and is a closed-end vehicle (i.e. no new investors are accepted after completion of the fundraising stage). Currently, JAM's private equity fund is outside of its final closing date and commitment period, as defined within the private fund's offering documents.

JAM is the investment manager to a hedge fund organized in a master feeder structure: JAM Partners, L.P. a domestic 3(c)(1) fund and JAM Offshore Investors, Ltd. (a Cayman Islands exempted company) a 3(c)(1) offshore feeder fund (together the "Hedge Fund"). The offshore feeder fund invests substantially all of its assets in JAM Partners, L.P.

JAM does not provide investment advice to investors in the funds, therefore we generally do not permit investors in the funds to impose limitations on the investment activities described in the offering documents for the funds. All private funds that JAM provides investment advice to are collectively referred to herein as the "JAM Funds" or "Funds" unless otherwise specified.

JAM also serves as investment adviser for a separately managed pooled investment vehicle which JAM manages a portion of the assets and may advise other separately managed accounts in the future ("Managed Accounts"), some of which may be organized to invest alongside certain JAM Funds on such terms as determined by JAM with respect to each investment and co-investor and as outlined in the respective investment management agreements. Managed Accounts and the JAM Funds to which JAM provides investment advice are collectively referred to herein as the "JAM Clients" or "Clients".

As of December 31, 2018, regulatory assets under management were approximately \$1,029,137,330, all of which are managed on a discretionary basis.

## **Item 5: Fees and Compensation**

### **Management Fees: Hedge Fund**

JAM receives a management fee at the annual rate of 1.0% or 1.5% of each limited partner's capital, depending on the class of limited partnership interest, as described more fully in the Limited Partnership Agreement. Although the management fee is not negotiable, JAM or its affiliates, in their sole discretion, may waive or modify the management fee for certain limited partners including members, employees, or affiliates of the general partner or the Management Company, or other strategic investors.

The management fee for each fiscal quarter will be calculated as of the first day of such quarter based on the value of net assets of the hedge fund as of such date and will generally be paid in three equal installments within 10 days after the beginning of each month in the relevant quarter. The management fee will be prorated for periods less than a full fiscal quarter.

### **Management Fees: Private Equity Fund**

The specific details of the fund's fees and methods of calculation are outlined in the respective

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offering documents. In general, JAM receives a management fee at an annual rate of 1.5% - 2.0% of total capital commitments during the Commitment Period. Although the management fee is not negotiable, JAM or its affiliates, in their sole discretion, may waive or modify the management fee for certain limited partners including members, employees or affiliates of the general partner or the Management Company, or other strategic investors.

The management fee is deducted from the capital accounts of each investor. Generally, the fee is payable quarterly in advance on the first day of each calendar quarter. Following the Commitment Period, the management fee is calculated based on the amount of each limited partner's aggregate unreturned capital at the end of the immediately preceding calendar quarter. Capital activity during the quarter may result in retroactive adjustments to the calculation.

Certain fund investments may provide opportunities to generate additional income for the benefit of both the fund and JAM or its affiliates. For example, JAM or its affiliates may occasionally receive monitoring fees and/or consulting fees related to certain Portfolio Companies (as defined herein). Currently, all fees received by JAM are used to reduce the management fee in accordance with the specific terms outlined in each respective fund's offering documents.

### **Management Fees: Managed Accounts**

Fees and payment terms with respect to Managed Accounts are negotiated on a case by case basis and have historically been based on a percentage of the commitment amount or a percentage of the net asset value of the account with a maximum fee of 1.5%. The details are agreed upon and outlined in the investment management agreement in place with each client. Managed Account clients pay fees by wire transfer quarterly in advance.

All investment management services may be terminated in accordance with the terms outlined in each respective investment management agreement.

### **Other Fees**

In addition to the management fee, each fund bears its allocable share of expenses associated with the operations of the Funds, which may include but are not limited to:

- Organizational expenses, including legal, accounting, and administration fees, and filing fees, and all other out of pocket expenses reasonably incurred in connection with the organization of the JAM Funds
- Ongoing expenses, including costs relating to the due diligence of prospective Portfolio Companies, legal, tax, accounting, auditing, administration, regulatory registration and filing fees (including, fees and expenses incurred in connection with the preparation and filing of Form PF, Section 13 filings and other similar regulatory filings), independent valuations, and professional advice of consultants retained on behalf of the JAM Funds
- Investment expenses, including commissions, certain research fees, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, bank service fees, and all other investment related expenses
- Extraordinary expenses such as litigation and indemnification
- Due diligence and related travel expenses

Broken deal expenses, if any, are generally allocated to JAM's Clients based upon their indicative level of commitment. Co-investors invited to invest alongside JAM Clients will share in the cost of broken deal expenses if they are directly attributable to and/or compounded by the co-investor's participation; otherwise JAM will absorb their pro-rata share of broken deal expenses

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In addition to the management fee, other Managed Accounts may also be responsible for certain co-investment expenses, including but not limited to, fees and costs related to the disposition of the investment. The dollar amount of such expenses may be subject to limitations.

Potential investors should review the appropriate offering documents for complete disclosure of investor expenses.

Neither JAM nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

#### **Hedge Fund**

In addition to the management fee, investors in the fund are subject to an incentive fee equal to 20% of the fund's net profits, payable to JAM Managers, LLC, the general partner and an affiliate of JAM. The incentive fee is subject to a loss carryforward provision as outlined in the fund offering documents and is payable at the end of each fiscal year. JAM, in its sole discretion, may waive or modify the incentive allocation for certain limited partners that are members, employees, or affiliates of the general partner or the Management Company, or other strategic investors. The specific details of the fund's fees and methods of calculation are outlined in its offering documents.

#### **Private Equity Fund**

As the fund makes distributions to its investors attributable to the disposition of investments, JAM receives a carried interest, or a percentage of cumulative amounts distributed to each investor, subject to certain threshold returns to the investors. Carried interest for the fund may be payable upon the realization of income related to the disposal of certain assets of the fund and may be subject to claw back provisions pending the ultimate liquidation of the fund. Such carried interest payments are based upon the performance of fund investments and are considered to be performance-based fees. JAM, in its sole discretion, may waive or modify these arrangements for limited partners that are members, employees, or affiliates of the general partner or the Management Company, or other strategic investors. The specific details of the fund's fees and methods of calculation are outlined in its offering documents.

#### **Managed Accounts**

JAM is entitled to performance fees based on cash proceeds received by each client. Cash is distributed to the client and the investment manager in an order of priority and in accordance with the meeting of certain thresholds as outlined in each investment management agreement.

#### **Conflicts Surrounding Performance-Based Fees**

Performance-based arrangements may create an incentive for JAM to recommend investments that are more risky or speculative than those that would be recommended under a different fee arrangement. Performance-based arrangements also create an incentive to favor higher paying accounts over lower paying accounts in the allocation of investment opportunities. Additionally, under some performance-based structures, JAM may benefit when capital gains are recognized and, because it determines when an investment is sold, JAM controls the timing of the recognition of capital gains. JAM or its affiliates, or their respective principals or personnel, may also own a portion of Funds or accounts that JAM manages. This may create a similar performance-based incentive to that mentioned above.

To address these conflicts, our policies and procedures require that investment decisions be made based on the best interests of our Clients, without consideration of pecuniary interests of JAM or its employees. JAM has implemented policies and procedures that govern the allocation

of portfolio transactions and investment opportunities across Client accounts. In general, the way portfolio transactions and investment opportunities are allocated to accounts depends upon certain factors (e.g. how much liquidity is available within a Fund, the desired position size, the investment period of the Fund, whether there are limitations or restrictions imposed on a Fund due to its investment mandate). Supporting documentation for trade allocation is reviewed periodically by the Chief Compliance Officer to determine compliance with established policies and procedures.

### **Valuation**

The calculation of performance-based fees received from the JAM Funds may include an element of unrealized gains and losses. As such, JAM may have an incentive to value certain assets or liabilities favorably.

JAM has adopted a valuation policy to govern the valuation of securities held by its Clients and to address potential conflicts of interest associated with security valuations. The policy and related procedures are intended to comply with FASB Accounting Standards Codification Topic 820 (also formerly known as Statement of Financial Accounting Standards No. 157) which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, JAM uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs are to be used when available. The fair value hierarchy is categorized into three levels based upon the inputs as follows:

Level 1 – Valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities that JAM has the ability to access

Level 2 – Valuations based on inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly.

Level 3 – Valuations based upon inputs that are unobservable and significant to the overall fair value measurement.

As part of its policy, JAM has engaged various independent valuation groups on behalf of JAM Clients to perform independent valuation procedures for certain Level 3 assets in Client portfolios. The administrators and auditors of JAM Clients also provide an additional level of review of the consistent application of JAM’s valuation policy.

### **Item 7: Types of Clients**

As described in Item 4 above, JAM’s Clients are private funds and a separately managed pooled investment vehicle for which JAM manages a portion of the assets. The investors in the private funds are primarily accredited investors or qualified purchasers as defined in the Investment Company Act, and may include, amongst others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, limited partnerships and limited liability companies.

The offering documents of each JAM Fund sets minimum amounts for investment by prospective investors in such Funds. These minimum amounts may be waived by JAM or an affiliate for one or more investors (or prospective investors) as long as they qualify to invest based on all other

suitability and regulatory requirements. JAM may decline to accept an investment even if the proposed investor satisfies such suitability and regulatory requirements. Generally, the minimum account requirement for Managed Accounts is \$50,000,000. However, this minimum may be negotiable depending on the circumstances.

Occasionally, JAM may find investment opportunities that are larger than the desired investment size for any of JAM's Clients. In such instances, JAM may present co-investment opportunities to certain underlying investors and/or other strategic partners of JAM. Co-investors that enter into an investment management agreement with JAM would be considered advisory Clients of JAM.

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

#### **Hedge Fund**

##### **Investment Strategy and Methods of Analysis**

The investment objective of the hedge fund is to achieve capital appreciation over a multi-year time horizon primarily through investments in equity securities that JAM believes are undervalued. We invest predominantly in U.S. publicly-traded securities of finance companies including banks, thrifts, brokers, asset managers, insurance, mortgage, specialty finance, REITs, homebuilders, financial technology, and other financial intermediaries.

The fund sells short stocks we believe are overvalued and uses other instruments to neutralize market risk so that the performance of the fund reflects our stock picking results rather than the fluctuations and trends of the broader stock market. The fund may take either long or short positions in both U.S. and foreign securities, hedge the portfolio through options or other instruments, purchase securities on margin, and invest in a broad array of registered and unregistered securities.

The investment approach of the fund is research intensive and may be contrarian in nature. The fund intends to focus on small and medium capitalization companies where we perceive that the stock market either misunderstands a company's prospects or is largely ignoring the company. Furthermore, we believe that the stock market's migration towards "momentum" investing (the concept that earnings and stock prices will continue to head in the direction they have been heading) creates tremendous opportunities for those who take the time to understand a company's value and prospects rather than assume that a company's immediate future will look like its immediate past.

JAM also believes that "momentum" investing contributes to excessive stock price swings in both directions and creates trading opportunities even in stocks that are held for long-term investment. However, short-term trading is a secondary focus of the fund.

The following is a general summary of the **risks associated with an investment in the hedge fund**:

##### ***Material Risk of Loss***

An investment in the fund is speculative and one that is not intended to be a complete investment program, especially given that our strategy is to focus on investments in the financial services sector. The fund is designed only for sophisticated persons who are able to bear the risk of the loss of their entire investment. There can be no assurances that the fund will achieve its investment objective. Investors should carefully evaluate the following considerations, in conjunction with complete details outlined in the Offering Memorandum and Limited Partnership Agreement, before investing in the fund.



***Market Risks***

The profitability of a significant portion of the fund's investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the fund will be able to predict accurately these price movements. With respect to the investment strategy utilized, there is always some, and occasionally a significant, degree of market risk.

***Short Sales and Options***

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the portfolio. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security which could result in an inability to cover the short position or theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase. Purchasing put and call options, as well as writing such options, while often utilized to hedge investments, are highly specialized activities and entail greater than ordinary investment risks. Trading in futures contracts and options thereon are highly specialized activities which, while they may increase the total return on the fund's investments, may entail greater than ordinary investment risks.

***Foreign Securities***

Investing in securities of foreign governments and companies which are generally denominated in foreign currencies, and utilization of foreign currency forward contracts and options on foreign currencies involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

***Private Placements and Other Similar Investments; Other Restrictions***

Investments in private placements and other similar investments may involve a high degree of business and financial risk, including execution and operational risks associated with start-up companies that can result in substantial losses. In addition, there is no existing market for the purchase and sale of such investments so that such investments may be difficult to value. The fund may not be able to readily sell such investments. Also, there are times when the principal or a member of the general partner will be involved as a director in Portfolio Companies owned by the fund. Such a relationship with a Portfolio Company may restrict the fund from buying or selling stock in that company for periods of time while the principal or member of the general partner is a director.

***Leverage***

While the use of borrowed funds can substantially improve the return on invested capital, their use may also increase an adverse impact to which the investment portfolio may be subject.

***Derivatives and Hedging***

The fund may engage in hedging and other risk management strategies and techniques that could involve a variety of derivative transactions. While these transactions attempt to reduce risk, they may entail other risks that become especially pronounced during periods of market volatility. Thus, while the fund may benefit from the use of hedging, such fund may experience a material financial loss or worse overall performance than it would have if it had not entered into any transaction

involving such instruments; due to unanticipated changes in interest rates, securities prices or currency exchange rates. If such material financial loss or worse overall performance occurs, the overall return on investment realized by a fund, directly, and the fund and its investors, indirectly, may be less than if the fund had not entered into such hedging transaction.

### ***Diversification***

The fund's portfolio is not required to be diversified, it may be concentrated in a relatively small number of companies and there may be a high concentration of companies in the financial services industry. Accordingly, the investment portfolio of the fund may be subject to more rapid change in value than would be the case if the fund were required to maintain a wide diversification among companies, securities and types of securities.

### ***Liquidity of Fund Assets***

Fund assets may, at any given time, include securities and other financial instruments or obligations that are thinly traded or for which only Rule 144A-like markets exist to transact. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments. In addition, the fund's investment approach focuses on small and medium capitalization companies. At any given time, the fund may have significant investments in smaller-to-medium sized companies of a less seasoned nature whose securities are traded in the over-the-counter market. These "secondary" securities often involve significantly greater risks than the securities of larger, better-known companies.

### ***Reliance on Key Personnel***

The success of the hedge fund depends in substantial part upon the skill and expertise of JAM and the principals. The fund's limited partners must rely entirely on such persons to manage the affairs of the fund. The limited partnership agreement does not permit the limited partners to engage in the active management and affairs of the fund and the limited partners must rely on the ability of JAM and the principals to identify, structure and make appropriate investments for the fund and to manage and dispose of such investments.

### ***Counterparty Risk***

Many of the markets in which the hedge fund effects its transactions may be "over-the-counter" or "inter-dealer" markets. The participants in these markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. When a fund invests over-the-counter transactions (including options), it is assuming a credit risk with regard to parties with which it trades and also bears the risk of settlement default. These risks may differ materially from those associated with transactions effected on an exchange, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections. This exposes the hedge fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss.

### ***Director Liability.***

The Hedge Fund will occasionally seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a company exposes a Fund's representatives, and ultimately such Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons

from a Fund's investment activities.

### **Private Equity Fund**

#### **Investment Strategy and Methods of Analysis**

Generally, the private equity fund seeks to achieve long-term capital appreciation, focusing primarily on financial services companies through investments in (i) equity and equity-related securities issued by private companies as well as select investments in public companies where a long-term investment horizon is appropriate and (ii) debt obligations, loan pools and subordinated notes. Investments in public companies may include illiquid or thinly-traded equities of smaller companies and/or special situations involving investor activism. The private and public companies in which the JAM Clients invest are referred to herein as Portfolio Companies.

Our investment strategy aims to follow these general principles:

- Invest in companies with viable business models and positive momentum, thereby reducing investment risk to that of execution as opposed to market acceptance or timing
- Identify and support proven management teams with a demonstrated ability to succeed
- Favor investments in companies with management that has significant ownership positions
- Seek attractive entry valuations and attain mutuality of interests through investment structure. Prudent and creative capital structuring can lead to attractive, risk-adjusted returns for what would have otherwise been modestly successful investments
- Adhere to JAM's value-driven investment philosophy and contrarian instincts
- Focus on investment opportunities in niche, growth markets where Portfolio Companies can develop into significant participants and thus increase the likelihood of executing attractive exit strategies
- Maintain an activist approach by investing in opportunities through which JAM's principals can leverage their experience and relationships, work closely with management and build shareholder value

#### *Proactively Identify Opportunities*

JAM has developed extensive contacts, a well-developed knowledge base and a proprietary database of potential investments within each of its target sectors. We intend to continue expanding our relationships within these specific areas in an effort to source high quality transactions and to leverage existing professional and strategic relationships to generate deal flow.

#### *Perform Rigorous Due Diligence*

JAM conducts rigorous due diligence prior to making each investment. We believe one of our significant strengths is our ability to integrate detailed quantitative analysis with a qualitative assessment of financial companies. Our principals have significant transactional expertise in financial services including "sell-side" as well as "buy-side" experience. The due diligence process includes three key components:

- First, we work closely with the management of a potential Portfolio Company to gain a complete understanding of the business
- Second, as many investments are often in smaller companies, we place significant emphasis on researching management's past performance, including extensive background investigations
- Finally, we may engage outside professionals with whom we have established relationships to assist in the due diligence process. These professionals may include business operators with practical industry knowledge, legal counsel, and accounting firms. Our disciplined

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approach to due diligence is designed to help best determine the risks inherent in the transaction and to establish a framework to mitigate those risks which the funds choose to accept. We also believe a thorough due diligence process creates the framework for a long-lasting and successful working relationship with management

### *Develop and Shape Business Strategy*

JAM works closely with management teams prior to making investments to determine and agree upon specific business strategies and tactics.

### *Monitor Company and Asset Performance*

JAM sets specific strategic, operational and financial goals while establishing appropriate controls and corporate governance over our investments. We utilize stated benchmarks to assess Portfolio Company performance and to determine appropriate incentive compensation for its management team. Furthermore, JAM typically seeks representation on Portfolio Company boards in conjunction with regular board meetings and reporting of financial and operating results.

### *Build Value in Investments*

JAM leverages its operating and transactional experience to deliver significant strategic assistance to the funds' Portfolio Companies by performing the following functions: (i) proactively monitor and assist in formulating corrective policies when needed; (ii) provide guidance on financings, mergers and acquisitions; (iii) establish strategic relationships and introductions to substantial customers; (iv) participate in planning and budgeting; (v) provide corporate guidance and governance as active board participants; and (vi) assist in human resource development.

### *Develop Exit Strategies*

The exit strategy for each investment will vary based on its particular circumstances, but we expect a majority of exits to be through a sale to, or merger with, a larger participant in a related segment of the market. We anticipate that larger financial institutions will maintain an increasing appetite for acquiring and integrating companies with strong growth prospects and experienced senior management teams. In certain cases, due to our relationships with large financial services participants, we may identify specific exit strategies prior to the funds' initial investment.

The following is a general summary of the **risks associated with an investment in the private equity fund**:

### ***Material Risk of Loss***

An investment in the funds involves a high degree of risk. There can be no assurance that the investment objectives will be achieved or that an investor will receive a return of its capital. In addition, there may be occasions when JAM, its affiliates and/or its members may encounter potential conflicts of interest in connection with the funds. Investors should carefully evaluate the following considerations, in conjunction with the details outlined in each fund's Offering Memorandum and Limited Partnership Agreement, before investing in any of the funds.

### ***Long-Term Nature of Investment and No Assurance of Return***

An investment requires a long-term commitment, with no certainty of return. Because of the nature of the funds' investments, there can be no assurance that the funds will be able to realize returns on such investments in a timely manner, if at all, and there may be little or no near-term cash flow available to investors. The return of capital and the realization of gains, if any, from an investment may not occur until a number of years after the respective investment is made.

### ***Reliance on Key Personnel***

The success of the funds depends in substantial part upon the skill and expertise of JAM and the

principals. The funds will be relying entirely on such persons to manage the affairs of the fund. The limited partnership agreement does not permit the limited partners to engage in the active management and affairs of the fund. As such, the limited partners must rely on the ability of JAM and the principals to identify, structure and make appropriate investments for the fund and to manage and dispose of such investments.

The following is a general summary of the **risks associated with the private equity fund's investments in Portfolio Companies**:

### ***Availability of Investments***

The private equity investment industries in which the fund is engaged are highly competitive, and many of the fund's competitors may have greater resources than our funds. Such competition may result in fewer opportunities made available to the fund, and may impact the terms on which any such opportunities are made available. There can be no assurance that JAM will be able to locate and complete investments that satisfy the fund's investment objectives and criteria.

### ***Illiquidity and Volatility of Investments***

Many of the private equity fund's investments will be highly illiquid, and there can be no assurance that the fund will be able to realize returns on such investments in a timely manner, if at all. Although certain investments may generate current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the disposition of such investment. While an investment may be sold at any time, this will typically occur a number of years after the investment is made. The fund will generally not be able to sell its investments unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases the fund may be prohibited by contract from selling certain securities for a period of time.

### ***Risk Inherent in Type of Investments***

The fund focuses on investments in the financial services and related-technology sectors, which may present particular risks because of the lack of diversification and the market sensitivity and volatility of the relevant markets. In addition, certain Portfolio Companies in which JAM invests may be involved in originating ideas for new products, in the technology for such products and/or in the application of such technologies in the financial services sector. Some of these companies are expected to be at early stages of development, with minimal operating history. Such companies may also have experienced losses, and may continue to do so. These companies, generally, will also be dependent on the skills of a small number of executives and will be vulnerable to rapid changes in technology, fluctuations in demand for their products, competition from larger and more established companies, working capital needs, and other factors. Some of the Portfolio Companies will likely require substantial additional funding from new investors, often involving more than one subsequent round of financing. While the funds may participate in such later rounds of financing, the percentage equity interest in a Portfolio Company may become diluted after each follow-on round. There can be no assurance that an appropriate market will exist for a Portfolio Company's products, technology or services. Even if a Portfolio Company develops reasonable market penetration, there can be no assurance that the company will be profitable or that substantial losses will not occur.

In addition, investments in companies in the financial services industry may be subject to additional risk factors including, but not limited to:

- Extensive regulation, supervision and examination
- Regulatory and charter restrictions applicable to changes in control
- Risks associated with assets held by financial institutions, including real estate,

commercial and consumer loan assets, which may be affected by local and national economic conditions

- Changes in regulation

In addition, the results of operations of financial institutions are significantly affected by general economic conditions and the related monetary and fiscal policies of the federal government, particularly as they relate to the level of interest rates.

### ***Risks Arising from Provision of Managerial Assistance***

The private equity fund is likely, with respect to certain investments, to obtain rights to participate substantially in, and to influence substantially the conduct of, the management of Portfolio Companies that may comprise a majority of the funds' investments. The designation of directors and other measures contemplated could expose the assets of the Funds to claims by a Portfolio Company, its security holders and its creditors and/or indemnification obligations in connection therewith. While JAM intends to manage the funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be fully precluded.

### ***Reliance on the Management of Portfolio Companies***

Although it is JAM's intention to ensure that Portfolio Companies have strong management teams, there can be no assurance that any Portfolio Company's management team will be able to operate successfully.

### ***Material Non-Public Information***

Certain of the principals of JAM may acquire confidential or material non-public information or be otherwise restricted from initiating transactions in certain securities. In such cases a JAM client may not be able to initiate a transaction that it otherwise might have initiated and may not be able to purchase or sell an investment that it otherwise might have bought or sold.

### ***Controlling Interests***

Because of its equity ownership, representation on the board of directors and/or contractual rights, a fund may often be considered to control, participate in the management of or influence the conduct of Portfolio Companies. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws) and other types of liability, for which the limited liability generally afforded to investors may be ignored. If these liabilities were to arise, a fund may suffer a significant loss.

### ***Leverage***

Investments may include companies whose capital structures have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. Although JAM will seek to use leverage in a prudent manner, the leveraged capital structure of Portfolio Companies will increase their exposure to adverse economic factors such as rising interest rates, downturns in the economy and deterioration in the conditions of the Portfolio Companies or their industries.

### ***Market Risks***

Certain investments may be in securities that are or become publicly traded. Such investments may involve economic, political, interest rate and other risks, any of which could result in an adverse change in the market price. In addition, in some cases the funds may be prohibited by contract from selling certain securities for a period of time so that the funds are unable to take advantage of favorable market prices.

### ***Short Sales and Options***

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the portfolio. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security which could result in an inability to cover the short position or theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase. Purchasing put and call options, as well as writing such options, while often utilized to hedge investments, are highly specialized activities and entail greater than ordinary investment risks. Trading in futures contracts and options thereon are highly specialized activities which, while they may increase the total return on the funds' investments, may entail greater than ordinary investment risks.

### ***Limited Number of Investments***

Since the funds may only make a limited number of investments involving a high degree of risk, poor performance by a single investment could substantially and adversely affect the total returns to investor.

The following is a general summary of the **risks associated with the disposition of investments in Portfolio Companies**:

### ***Difficulty Valuing Fund Assets***

The funds may, from time to time, sell or otherwise dispose of assets that prove to be more valuable than anticipated at the time of such disposition.

### ***Contingent Liabilities on Dispositions***

In connection with the disposition of an investment, the private equity fund may be required to make representations about the business and financial affairs of the Portfolio Company typical of those made in connection with the sale of any business. The fund also may be required to indemnify the purchasers of such investment with respect to certain matters, including the accuracy of such representations. These arrangements may result in contingent liabilities, for which the fund may establish reserves or make other arrangements.

## **Item 9: Disciplinary Information**

JAM has no legal or disciplinary events to report that would impact the evaluation by a client, investor or prospective client or investor, of our advisory business or the integrity of our management.

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

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

Aside from the investment advisory and general partner relationships between JAM and the general partners, on the one hand, and the applicable Funds on the other, as well as the common control of JAM and the general partners by Mr. Jacobs, neither JAM nor any of its management persons has a relationship or arrangement material to the business of JAM or the Funds with any related persons that are among any of the following types of entities: broker-dealer; municipal securities dealer or government securities dealer or broker; other investment adviser or financial planner; futures commission merchant, commodity pool operator, or commodity trading advisor;

banking or thrift institution; accountant or accounting firm; lawyer or law firm; insurance company or agency; pension consultant; real estate broker or dealer; sponsor or syndicator of limited partnerships.

JAM has certain responsibilities with respect to valuing securities and other assets of each fund. A conflict may arise with respect to this responsibility given the management fee to be paid to JAM and the incentive fee to be earned by the general partners. Such compensation arrangement may create an incentive for JAM, to make investments that are riskier or more speculative than would be the case if such were not in effect. In order to mitigate this conflict, JAM has adopted policies and procedures to comply with its fiduciary obligation to accurately value the Funds.

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

JAM has adopted a Code of Ethics, (the "Code"), applicable to all officers and employees. The Code is designed to comply with the Investment Advisers Act of 1940 and establishes guidelines relating to personal securities trading, insider trading, conflicts of interest, gifts and business entertainment items, amongst other things. Adherence to the Code and the related restrictions on personal investing is considered a basic condition of employment.

JAM's personal trading policy permits employees to make investments in their personal accounts, subject to certain restrictions. All trades in reportable securities must be pre-approved by the Chief Compliance Officer. While employees may seek permission in limited circumstances to transact in investments that may be purchased or sold for a JAM Fund (securities within the financial sector), if approved, these investments are subject to a six-month holding period and are only approved after a high level of scrutiny to determine whether entering or exiting a position would pose a conflict or potentially harm one of JAM's Client. The procedures within our Code are intended to ensure JAM Clients' investment activities are fully satisfied prior to an employee being given permission to invest, if at all.

Transactions are reported to the Chief Compliance Officer in accordance with regulatory reporting requirements as outlined in the Code and personal trading is monitored in order to reasonably prevent conflicts of interest between JAM and its Clients and investors.

Clients and investors may contact us at the phone number provided on the front of this brochure to obtain a copy of JAM's Code of Ethics.

### **Conflicts of Interest**

#### ***JAM or its Employees Trading for Their Own Account***

Investments by JAM or its employees, for their own accounts, in securities that are also in the portfolios of JAM Clients could give the perception of interfering with our fiduciary duty of making decisions that are in the best interest of our Clients and could otherwise have a disadvantageous effect on the values, prices or trading strategies of the JAM Clients. Our personal trading policy, described above, has been developed to address this particular conflict by establishing strict guidelines surrounding these transactions.

#### ***Other Business Activities***

The principals and affiliates of JAM may make additional investments separate from, or alongside, the JAM Clients, both in their capacity as members of the general partners and personally. JAM may cause the JAM Clients to invest in (i) certain of the existing investments of its affiliates and/or members and/or (ii) certain companies that have a material relationship with the principals to the extent such opportunities meet the Client's investment criteria and we believe such investment



opportunities are advantageous. This may pose a conflict of interest where an investment by a Client would benefit or otherwise affect our other Clients. We intend to deal with all potential conflict of interest situations to the best of our ability in a manner that is consistent with the best interests of the JAM Clients, and we do not intend to cause any Portfolio Company to enter into a transaction with a member or affiliate of JAM on anything other than an arm's length basis. Moreover, the Funds may only invest in a Portfolio Company that has a material relationship with JAM or a principal if the terms of such investment are equal or better than those that would be obtained on an arm's length basis.

From time to time, JAM and its personnel may come into possession of material non-public information concerning specific companies, including as a result of certain JAM employees serving on or observing the boards of directors of companies. Under applicable securities laws, this may limit JAM's flexibility to buy or sell securities issued by such companies, including on behalf of the Funds. JAM's investment flexibility would therefore be constrained as a consequence of JAM's inability to use such information for investment purposes. JAM has policies and procedures in place that are intended to prevent the misuse of material non-public information by JAM employees.

### **Side Letters**

JAM has entered into a limited number of side letters with certain investors within JAM Funds that have established different rights or privileges with respect to, but not limited to, most favored nation status, co-investment rights, manager withdrawal notifications, key man provisions, capacity, and certain tax matters.

### **Item 12: Brokerage Practices**

JAM has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions in all JAM Funds. Broker-dealers to be used for any Managed Accounts are agreed upon with each respective Client as outlined in the investment management agreement.

It is not JAM's general practice to negotiate "execution only" commission rates, thus the JAM Clients may be deemed to be paying for research, brokerage or other services provided by the broker that are included in the commission rate.

In selecting brokers and negotiating commission rates, we take into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. When appropriate, we may, but are not required to, aggregate Client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients participating in aggregated trades will be allocated securities based on the average price achieved for such trades.

### **Research and Soft Dollars**

JAM has a soft dollar arrangement in place with one of our prime brokers pursuant to which we receive third-party research products and services, all of which meet the safe harbor criteria of Section 28(e) of the Securities Exchange Act of 1934, as amended, which provides that it is not a breach of fiduciary duty for an adviser to cause an account to pay a commission in excess of the lowest rate available if the adviser determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided. In addition, JAM receives valuable proprietary research services from various broker-dealers. Consistent with our responsibility to seek best execution, as part of our broker selection process we consider the value of proprietary research and related services we receive in relation to the commission paid.

The types of proprietary research and other products and services we received during our last fiscal year from broker-dealers as part of the services offered to their trading customers under our soft dollar arrangement mentioned above were real-time market news and analysis, pricing services, newsletters and research. All such services satisfy the criteria of Section 28(e).

This use of soft dollars creates conflicts of interest. First, the use of externally-developed research, whether purchased with soft dollars or directly, supplements and may at times partially supplant the research we perform internally. Because the Funds are responsible for both research expenses and brokerage commissions, the cost of external research is borne by the Funds rather than the adviser regardless of the means of payment. This means that JAM may receive a benefit because it may not have to produce or pay for research, products or services. Also, the availability of external research could influence our selection of brokers and lead us to pay higher commission rates to research-providing brokers than the rates available from execution-only brokers, all in the manner we describe above.

Another potential conflict surrounding soft dollar usage arises when soft dollar credits generated by the trading of one Client account are applied to obtain research benefiting different or multiple Client accounts. A large portion of JAM's soft dollar credits are generated from transactions placed in our hedge fund, which is primarily due to the larger asset base and level of public equity transaction activity that takes place within that Fund, relative to the other JAM Clients, which are structured as a private equity fund and managed accounts.

During our last fiscal year, we have taken into account the quality, comprehensiveness and frequency of available research and brokerage services considered to be of value provided by brokers when directing Fund transactions to a particular broker. We directed transactions to such brokers only consistent with best execution.

JAM does not engage in the practice of seeking or considering client referrals from broker-dealers or participate in any directed brokerage arrangements.

### **Trading Practices**

From time to time, it may be appropriate for JAM to aggregate Client orders for the purchase or sale of securities. In general, each Client that participates in an aggregated order will participate at the average share price for all JAM transactions in that security on a given business day or such shorter period, as applicable, and transaction costs will be shared pro rata based on each Client's participation in the transaction. If the aggregated order is filled in its entirety, each Client receives their allocation as specified in the trade blotter. If the aggregated order is partially filled, it is allocated among Clients pro rata. All allocations are made at the time of the completed trade.

### **Trade Errors**

Trade errors can occur due to miscommunication with brokers or other system or human errors. JAM's policy is that any cost or benefit resulting from errors in trade instruction or implementation will be borne by the Fund(s). The Chief Compliance Officer is made aware of any trade errors and maintains a log with a description and resolution of the errors.

## **Item 13: Review of Accounts**

### **Review**

JAM utilizes reports provided by the prime brokers and administrators, along with internally developed internal risk metrics, to monitor Client accounts on an ongoing basis. The investment

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team, consisting of the Managing Member, Chief Operating Officer/Director of Research and the analysts, continuously review the JAM Clients to ensure the investments are consistent with the investment objectives, philosophy, strategy and methodologies that we have described to investors or Clients in our offering documents or investment management agreement and to ensure that they are comfortable with the general levels of investment, position concentration and other measures of risk and potential reward in the portfolio.

### **Reporting**

Investor capital statements summarizing the investor's individual performance are prepared by the administrator and provided to individual investors (monthly for the hedge fund and quarterly for the private equity fund). On an annual basis, investors receive a copy of the Fund's audited financial statements, along with tax reporting information.

On a periodic basis, JAM provides investors with written updates that may include a summary of recent performance, economic commentary and investment updates. JAM generally does not provide special reporting to investors, but may, on a case by case basis, provide additional information if requested by investors, provided that such requests are deemed reasonable in content and scope and that we are prepared to supply the same level of information to other investors who may ask for similar information.

JAM's Managed Account Client has real-time access to the portfolio at any given time and maintains an administrator and custodian independent of JAM and the JAM Funds, and, as such, JAM does not provide reporting. JAM does independently provide written trade and position details to the Client and its administrator and has periodic discussions with the Client reviewing the status of the Managed Account. We also maintain internal reports for daily portfolio monitoring.

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

JAM does not receive any economic benefit from anyone other than its Clients for providing investment advice or other advisory services to its Clients. In addition, JAM has not contracted with any third-party marketing firms to solicit Clients on behalf of JAM. However, we do have agreements with third-party marketers for soliciting investors for certain JAM Funds. JAM compensates these firms with a percentage share of the management fees as outlined in the agreement with each respective firm. No additional fees are charged to investors as a result of our participation in these arrangements.

JAM or its affiliates occasionally request or are requested to sit or act as an observer on a Portfolio Company's board of directors. Currently, no conventional director compensation (such as meeting fees and/or options) is being paid to JAM or an affiliate of JAM for serving as a director of a portfolio company. To the extent such fees are earned in the future, those fees will be subject to the management offsetting rules of the relevant JAM Fund.

### **Item 15: Custody**

JAM does not maintain physical possession of Client cash and/or securities. However, JAM is deemed to have custody of Client funds and securities within the meaning of Rule 206(4)-2 of the Advisers Act as a result of the authority of JAM, together with the general partner, to cause payments of management fees and other Fund expenses to be made from the Funds, and the overall access of such persons to the funds and securities of the Funds.

Consistent with the requirements under the Advisers Act, the assets of the JAM Funds are held in accounts maintained with our prime brokers ("qualified custodians" within the meaning of the

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Advisers Act). Our prime brokers are registered broker-dealers that hold Fund assets in separate accounts (or in a separate customer account with records identifying the assets of each such Fund in accordance with applicable broker-dealer and custodial bank regulation).

The annual financial statements of JAM Funds are prepared in accordance with GAAP, audited by independent accounting firms registered with the Public Company Accounting Oversight Board and distributed to all investors within 120 days of the Funds' fiscal year end.

### **Item 16: Investment Discretion**

JAM has full discretionary authority with respect to the JAM Funds including, without limitation, any purchase, sale, transfer or liquidation of any and all shares related to the accounts. This discretionary authority is pursuant to an investment management or limited partnership agreement and is consistent with the investment objectives and strategy described within the documents. JAM also has full discretion over Managed Accounts, subject to certain restrictions and/or limitations as outlined in the respective investment management agreement. JAM does not provide advisory services directly to investors in the JAM Funds.

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

JAM has full authority to vote proxies regarding all securities for which we have investment discretion. The responsibility of voting co-investor shares generally remains with the co-investor. JAM has adopted policies and procedures reasonably designed to ensure that proxies are voted in the best interests of JAM Clients. In exercising our voting discretion, we seek to avoid any direct or indirect conflict of interest. The objective of voting a security in each case under our policy is to seek to enhance the value of the security, or to reduce potential for a decline in the security's value. The majority of JAM's proxies are voted electronically. JAM's generally supports the management of the companies in which it invests. Proxies related to the more standard issues are primarily voted in-line with management. Votes related to special matters, including mergers and other unique items, undergo greater evaluation and scrutiny. Proxies related to JAM's private equity Portfolio Companies are generally voted manually.

When exercising our voting discretion, we seek to avoid any direct or indirect conflicts of interest. JAM uses reasonable efforts to determine whether a potential conflict may exist with respect to voting proxies. We are sensitive to conflicts of interest that may arise in the proxy decision-making process, and we have identified potential conflicts as part of our policies and procedures. Materiality determinations are based on an assessment of the specific facts and circumstances and if necessary, in consultation with outside counsel. If we determine that a material conflict of interest exists between the interests of JAM and the interest of the JAM Clients with respect to a particular vote, we will retain either a proxy voting service or another independent third-party to determine the manner in which such vote should be cast.

A copy of our Proxy Voting Policy and Procedures, as well as information related to how proxies were voted, is available upon request.

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

As a registered investment adviser, we are required to provide you with certain financial information and disclosures about our financial condition. JAM has no financial commitments that would impair our ability to meet contractual and fiduciary commitments to our Clients, and has not been the subject of a bankruptcy proceeding.