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## FORM ADV PART 2 BROCHURE

**This brochure provides information about the business practices of JL Squared Group, LLC (“JLS”). If you have any questions about the content 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: [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.**

***Item 2. Material Changes***

JLS is filing this brochure as an annual amendment, and to report the resignation of Jonathan Liggett as a Managing Member and that we are no longer accepting new capital from non-Lubert investors.

A copy of the Disclosure Brochure may be downloaded from the Securities and Exchange Commission website, [www.sec.gov](http://www.sec.gov)

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## **Item 4. Advisory Business**

Form ADV Part 2A, Item 4

### **Description of Firm and Principal Owner**

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 management of two hedge funds; a hedge fund of hedge funds that is beneficially owned entirely by the Firm’s principal (i.e. Jonathan Lubert) and his family members and their related entities (“Lubert family” or “Lubert investors”), and a liquidating hedge fund of hedge funds that is beneficially owned by both Lubert investors and non-Lubert investors, where the sole objective is to manage the illiquid assets and return the capital to investors as liquidity becomes available. The Firm also maintains separately managed accounts (“SMAs”), exclusively for the Lubert family.

JLS was founded by Jonathan Lubert and formed on August 22, 2003 as E.X. Capital Partners, LLC. E.X. Capital Partners, LLC changed its name to JL Squared Group, LLC on April 20, 2011. Prior to April 1, 2011, Jonathan Lubert served as the sole Managing Member owning 100% of JLS. From April 1, 2011 to December 31, 2018, the Managing Members of JLS were Jonathan Lubert and Jonathan Liggett. Jonathan Lubert served as Chairman, providing final oversight and supervision, and Jonathan Liggett served as Chief Investment Officer, providing daily oversight and supervision. In late 2018, in response to a deteriorating hedge fund business environment and an inability to meet Lubert family return objectives, Jonathan Lubert announced the family’s intention to return all liquid capital to non-Lubert investors, effective December 31, 2018, and, as of January 1, 2019, Jonathan Lubert is once again the sole Managing Member and owns 100% of JLS.

### **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 individual securities. In the past, the Firm also managed single strategy hedge funds.

In managing the clients’ accounts that are in the liquidation process, the sole objective is to manage the illiquid assets and convert them to cash as liquidity opportunities become available at a valuation deemed suitable by the Firm, and then distribute the proceeds to investors based on their proportionate share of those illiquid assets.

In managing the clients’ accounts owned by the Lubert family, 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 on behalf of its clients, either directly or indirectly, through investing in a hedge fund, securities and commodity interests (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 or commodity interest 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, in the case of SMAs, an agreement between the Firm and the Lubert family members.

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

**Assets Under Management**

As of January 31, 2019, JLS had \$236,725,966 in assets under management calculated on a gross basis, known as “regulatory assets under management.”

## **Item 5. Fees and Compensation**

Form ADV Part 2A, Item 5

### **Compensation**

As of January 1, 2019, JLS no longer receives management or performance based fees from the funds it manages or management fees from the separately managed accounts it manages. Instead, JLS has entered into a cost sharing arrangement, where the Lubert family has agreed to cover the cost of the Firm's services/expenses. Non-Lubert investors, whom are exclusive to the liquidating Fund, do not pay any fees or share in or cover the cost of any of the services.

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

All client accounts, including non-Lubert investors, pay other investment related fees and expenses, such as custodial charges, brokerage fees, (refer to Item 12 below), commissions and related costs (including mark up and mark downs of fixed income securities), 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, and expenses and fees associated with products or services that may be necessary or incidental to investments or accounts. Investors in the hedge funds are also charged management and incentive fees, of up to 2% and 20%, respectively, by the hedge fund managers of the underlying hedge fund portfolio holdings in the client accounts. All investors in JLS managed hedge funds bear a pro-rata share of all expenses described.

### ***Item 7. Types of Clients***

Form ADV Part 2A, Item 7

JLS provides investment management programs to Qualified Client privately offered pooled investment vehicles, or hedge funds, and, to a lesser extent, separately managed accounts. However, the Firm only accepts new capital from Lubert family investors.

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

Form ADV Part 2A, Item 8

### **Methods of Analysis**

We seek to achieve our private fund of fund investment objectives by focusing on the oversight of the liquidation process of the underlying funds or investing capital in a diversified portfolio. In managing the clients' accounts that are in the liquidation process, the sole objective is to manage the illiquid assets and convert them to cash as liquidity opportunities become available at a valuation deemed suitable by the Firm, and then distribute the proceeds to investors based on their proportionate share of those illiquid assets.

Our method of analysis for the non-liquidation fund strategy is to concentrate on maintaining a portfolio consisting primarily of private funds managed by established managers that have been in the business for more than 3 years and that manage more than a billion dollars. In addition, we may 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 upside, while protecting our investors' principal.

Separately managed accounts ("SMAs") 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 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 total loss that clients should be prepared to bear. We believe that only accepting investors who can meet the "*Qualified Client*" standards under Rule 205-3 of the Investment Advisers Act of 1940 in our hedge funds, and only accepting Lubert family clients in our SMA program, is one way of addressing the risk of JLS potentially putting a client's capital at risk of loss in instances where they may not be able to withstand an investment loss.

### **Risk of Loss**

An investment in hedge funds, securities and commodities involves a high degree of risk and should be undertaken only by 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 direct or indirect exposure (through a fund investment in another fund) to Securities and Commodity Interests and the risks surrounding JLS' management of the assets in the Securities and Commodity markets. These risk factors, together with the risk factors described in a specific fund's offering memorandum or a client's investment advisory agreement, should be considered carefully, and are not meant to be an exhaustive listing of all potential risks associated with an investment in a JLS strategy.

### **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, and patterns of trade and war or other military conflict can also have significant effects on the markets. We may only have a limited ability to vary an investment portfolio in response to changing economic, financial and investment conditions. Those risks may be enhanced significantly by potential concentration of the portfolio's investments, which could substantially increase volatility. No assurance can be given as to when or whether adverse events might occur that could cause significant and immediate loss in value to a 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 value of a client's portfolio.

### **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 trades may be made purely on a 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 separately managed accounts, and JLS managed hedge funds and their investments in hedge funds (Collectively, "funds" or "underlying funds"), may 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, currently permits 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 investor account, which may be substantial. Moreover, in a "short sale" there is no limit to the potential amount of loss. Although the use of leverage and "short sales" can substantially improve the return on invested capital, their use may also increase an adverse impact to a portfolio. Gains and losses on short sales are primarily treated as short-term capital gains and losses for tax purposes.

### **Markets Illiquidity**

At various times, the markets for Securities purchased or sold by JLS 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 in the case of our private fund investment strategies.

### **Forward Contracts Present Unique Risks**

JLS or underlying funds may enter into forward contracts for the trading of certain Commodity Interests, such as currencies and precious metals, with the United States Government, 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 any 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 JLS and the underlying funds as a consequence of credit considerations. The principals who deal in the forward contract market are 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**

JLS and underlying funds 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, you will be exposed to the risk of the inability of or refusal by the counter party to perform regarding our contracts. Our clients may also not have the same access to certain trades as do various other participants in foreign markets.

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

Client assets may be invested directly or indirectly 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 client may be denominated in non-U.S. currencies. As our clients determine their Net Assets in U.S. dollars with respect to trading on non-U.S. markets, they will be subject to the risk of exchange rate fluctuations between the local currencies and the U.S. Dollar and to the possibility of exchange controls. Further, clients may incur costs in connection with conversions between various currencies. JLS or any of the underlying fund managers may elect, in their discretion or subject to the investment advisory agreement in place, to hedge client currency risks, but there is no assurance that such hedging activities, if attempted, will be successful.

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

Options purchased for a certain price represent a right 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 underlying funds may invest in securities of companies that are experiencing significant

financial or business difficulties, including bankruptcy and other types of reorganization and liquidation. 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 may not generate any return for a considerable period of time. The level of financial and legal analytics sophistication necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that JLS or any of the underlying fund managers will correctly evaluate the prospects for a successful reorganization or similar event. In any reorganization or liquidation proceeding relating to a company in which we invest, there is a risk that you will experience a loss of the entire investment or that we 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 you adequately for the risks assumed.

### **High Yield Securities**

JLS and underlying funds may invest 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 less certain than for issuers of higher-rated securities. They are also generally considered to be subject to greater risk than securities with higher ratings during periods of deteriorating 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 of 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**

JLS and underlying funds may make 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 the counter party may default, resulting in even greater loss.

Total return swaps are a form of derivative instrument that the underlying funds may utilize in their investment programs. A total return swap allows the total return receiver to receive the change in market value of an asset (whether a security, interest rate, form of debt, currency or other asset) from the total return payer in return for paying a floating or fixed interest-rate on a predetermined amount. The total return payer is synthetically short and the total return receiver is synthetically long. Thus, total return swap agreements may effectively add leverage to client portfolios, because, in addition to its total net assets, the JLS underlying funds would be subject to investment exposure on the notional amount of the swap agreement.

## **Risks Related to Credit Default Swaps on CDOs**

The underlying funds may hold significant positions in credit default swaps on certain collateralized debt obligations. It may be difficult to obtain accurate valuations for such instruments. The underlying funds value such instruments based upon indicative quotes obtained from the counterparties to such transactions. JLS relies on such valuations for several purposes, including, without limitation, calculating management fees payable to JLS, the profit allocations to JLS, issuing and redeeming interests, and reporting to the JLS fund investors. While JLS believes that these indicative quotes represent the liquidation value of the fund positions in such instruments, due to liquidity and other market factors, there can be no assurance that the funds would be able to liquidate such positions at such indicative prices. Swap transactions dependent upon credit events are priced incorporating many variables, including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury yield curve, and other factors. As such, there are many factors upon which market participants may have divergent views resulting in different swap pricing. The difference between the indicative quotes relied upon by JLS for valuations and the liquidation prices obtained for such instruments could be substantial. Any overvaluation of these instruments based upon indicative prices would lead to greater management fees payable to JLS and greater performance fee allocations to JLS, overpayments to investors redeeming, and a corresponding dilution to new investors subscribing to the funds. Any undervaluation of these instruments would dilute interests of the existing investors upon the admission of a new investor to the funds.

## **Commodity Interests**

The value of Commodity Interests depends upon the price of the assets or instruments underlying them. The prices are highly volatile, and price movements can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, trading in Commodity Interests is also subject to the risk of failure of any of the exchanges on which such trading occurs or of such exchanges' clearing houses.

Commodity Interests may be illiquid because certain exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the funds from promptly liquidating unfavorable positions and subject the funds to substantial losses or prevent it from entering into desired trades. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in any particular Commodity Interest, or order liquidation or settlement of all open positions in such contract(s). Under amendments to the Commodity Exchange Act made by the Dodd-Frank Act, the CFTC adopted new position limits rules that apply to aggregate positions in futures and other types of economically equivalent contracts on certain agricultural, energy and metals commodities. However, on September 28, 2012, the US District Court for the District of Columbia vacated and remanded these rules. The CFTC has proposed new position limit rules (in the form of extensive amendments to its Part 150 Regulations). Until such time as the CFTC adopts new position limit rules, the CFTC's current Part 150 Regulations will continue to apply.

A principal risk in trading Commodity Interests is the volatility and rapid fluctuation in market prices. The low margin deposits normally required in trading Commodity Interests permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a Commodity Interests contract may result in immediate and substantial loss or gain. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract were then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. Like other leveraged investments, any Commodity Interests traded may result in losses in excess of the amount invested.

### **Enhanced Regulation of Over-the-Counter (“OTC”) Derivatives**

The “Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010” (the “Dodd-Frank Act”) has added various financial regulations to over-the counter derivatives in the United States. The Dodd-Frank Act provides for comprehensive regulation of such derivatives transactions and market participants, including, among other things, extensive clearing and exchange trading requirements, capital and margin requirements, position limits, and reporting and recordkeeping requirements. The Dodd-Frank Act divides jurisdiction between the CFTC and the SEC, based on the distinction between swaps and security-based swaps and confers very broad discretion to the CFTC and the SEC in implementing rules and standards for regulation. Such regulation may have a material impact on client performance due to increased costs and decreased flexibility associated with execution of strategies and compliance with federal regulation. Furthermore, in light of the many rules required to be promulgated by the SEC and the CFTC under the Dodd-Frank Act, it is impossible to predict whether future regulatory developments concerning derivatives transactions might adversely affect performance.

### **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 strategy 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 may also 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**

JLS and underlying funds may invest in risk arbitrage transactions, which are inherently volatile. Therefore, the short-term performance of the client'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 will generally cause the market price of the Securities to begin rising. JLS and underlying funds will generally 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 JLS or an underlying fund manager expects the transaction to be consummated. If the proposed transaction is not consummated, the value of such Securities purchased by the client may decline significantly. It is also possible that the difference between the price paid by the clients for Securities and the amount anticipated to be received upon consummation of the proposed transaction may be very small. If a proposed transaction is not in fact consummated or is delayed, the market price of the Securities may decline sharply. In addition, where JLS or the funds have sold short the Securities it anticipates receiving in an exchange offer or merger, the client 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 client has sold short Securities that are the subject of a proposed exchange offer, merger, or tender offer, and the transaction is consummated, the client may also be forced to cover their short positions 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 our investment and trading methods and strategies we will compete with many other investment firms, including large investment advisory and private investment firms, as well as many 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 we have or expect 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 the lack of transparency and the potential illiquidity of portfolio investments.

### **Lack of Diversification**

In general, and especially in the case with any single strategy products, diversification of investments may not be a primary objective. In this case, the client will be exposed to the risk that the performance of a single investment may have a material adverse effect on the performance of the client account as

a whole.

### **Interest Rate Fluctuations**

The prices of securities tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases will generally increase the interest carrying costs of borrowed securities and leveraged investments to the client. To the extent that interest rate assumptions underlie the hedge ratios implemented in hedging a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose the client to losses.

### **Absence of Regulation in OTC Transactions**

In some cases, JLS or the underlying funds may engage in over-the-counter (“OTC”) transactions. Typically, there is less governmental regulation and supervision in the OTC markets than that of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. The client will therefore be exposed to greater risk of loss through default, than if trading on its behalf were confined to regulated exchanges.

### **Management Risk**

The net asset value of the JLS portfolios will change daily based on the performance of the securities and underlying funds in which it invests. The ability of JLS to meet its investment objectives is directly related to its allocation of the assets. The adviser's objective judgments about the attractiveness and potential appreciation of particular investments in which it invests may prove to be incorrect, or untimely, and there is no guarantee that the adviser's investment strategies will produce their desired results.

### **Risks Related to Regulation**

Laws and regulations affecting our business change from time to time, and we are currently operating in an environment of significant regulatory reform, both in the U.S. and also globally. We cannot predict the effects, if any, of future legal and regulatory changes on our business or the services we provide.

### **Risks Related to Technology and Cyber Security**

We and our clients depend heavily on telecommunication, information technology and other operational systems, and those of others (such as custodians, financial intermediaries, transfer agents and other parties to which we or they outsource the provision of services or business operations). These systems may fail to operate properly or become disabled as a result of events or circumstances wholly or partly beyond our or their control. Further, despite implementation of a variety of risk management and security measures, our information technology and other systems, and those of others, could be subject to physical or electronic break-ins, unauthorized tampering, or other security breaches, resulting in a failure to maintain the security, availability, integrity and confidentiality of

data assets. Technology failures or cyber security breaches, whether deliberate or unintentional, including those arising from use of third-party service providers or client usage of systems to access accounts, could have a material adverse effect on our business or our clients and could result in, among other things, financial loss, reputational damage, regulatory penalties, or the inability to transact business.



***Item 9. Disciplinary Information***

Form ADV Part 2A, Item 9

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

## **Item 10. 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 Hedge Investments, LLC and IL Hedge Restricted Portfolio, LLC, both of which are Delaware registered multi-manager strategy hedge funds investing primarily in other private funds (or Hedge Fund of Funds), offering interests only to investors who are "Qualified Clients" (each of the funds managed by JLS a "fund" and collectively the "funds"). In addition, JLS has managed other funds in the past.

JLS' relationship with the managers of the underlying private fund holdings of the hedge fund of funds JLS manages is one in which JLS seeks out managers of private funds whom JLS believes can meet the investment objectives of each of the JLS managed hedge funds. The objective criteria JLS employs when selecting a fund for clients to invest their assets in is described under Item 13 below. JLS' objective analytical private fund investment selection process serves several purposes, one of which is to reasonably ensure that there is not an 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.

### **Other Investment Advisers**

As an alternative to investing in an underlying fund, JLS occasionally selects and contracts with other qualified investment managers to manage portions of the IL Hedge Investments, LLC ("IL Hedge") portfolio within a separately designated investment account (commonly referred to as a "separately managed account"). These types of arrangements give the contracted investment manager, under designated strategy and risk parameters, trading authority within a specific account owned by IL Hedge, but they do not give that manager the ability to withdrawal funds from the account. These types of managers typically provide the same portfolio management service, following the same generally strategies, to other individuals and institutions, including other hedge funds. Where available, these types of arrangements provide certain benefits to our private fund clients, such as tailored risk management, complete transparency of portfolio holdings, and enhanced control and liquidity that would not otherwise be available through an investment in an underlying fund format.

### **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 individuals and organizations that are controlled by other family members of the Managing Member 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), and 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 may 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 time lag) by ICP information technology employees. In many situations, this can also 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 entities of the Co-Managing Member are 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 LAMCO-related advisory firms employ a different investment strategy and do 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 sharing of research, if any;
- JLS has adopted and implemented a compliance program that consists of policies and procedures and testing and monitoring to address potential conflicts of interest;
- LAMCO is a registered investment adviser that has also implemented a compliance program to meet the same regulatory objectives and to mitigate its potential conflicts of interest;
- ICP’s Information Technology has 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’ cloud based 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 JLS Chief Compliance Officer periodically updates the JLS Managing Member on the state of compliance at JLS.

Additional information regarding the advisory businesses of LAMCO, such as its potential conflicts of interest and other material financial industry affiliations, can be found on the SEC’s public disclosure website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 11. 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”), non-client employees of JLS may buy or sell for themselves securities that JLS also recommends to its clients only in very 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 non-client JLS employees pre-clear personal securities transactions in accordance with our policy that prohibits this type of trading, other than in very limited circumstances. In addition, all JLS employees; report their holdings initially upon employment and annually thereafter, 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 JLS Managing Member on the state of compliance.

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 Member and can lead up to the immediate termination of the employee and reporting to federal regulators.

## Item 12. Brokerage Practices

Form ADV Part 2A, Item 12

### Selection of Broker/Dealers

In most cases, 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. As opposed to market based security transactions, private fund acquisitions are private deals and broker/dealers are not paid to execute the transaction.

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 a better net price. Other considerations that are to be taken into account include one or more of the following:

- the size of the order;
- the commission charged;
- the speed of execution on competing markets;
- the liquidity of the issuer;
- the ability of the broker to commit capital;
- the broker's operational efficiency;
- other research or brokerage services provided to JLS by the broker (see below);
- the broker's ability to complete the transaction satisfactorily through to clearance, confirmation, and 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 a very low commission cost.

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 "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 eligible for the safe harbor protection under Section 28(e) of the Securities Exchange Act. In placing orders with brokers for execution, only the Managing Member of the Firm or their designee 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 investor 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 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.

### **Directed Brokerage**

As mentioned above, JLS maintains full discretion over the selection of which brokers to use to facilitate trades. A client may however direct JLS to effect transactions in the client's segregated account through a specific broker-dealer. Under such a directed brokerage arrangement, the client is responsible for negotiating terms for their account directly with the broker-dealer. JLS will only direct brokerage pursuant to specific instructions that have been signed and dated by the client.

For accounts subject to directed brokerage arrangements, JLS will not aggregate trades or seek better execution services or prices from other broker-dealers. JLS will place trades in these accounts after placing trades in the other client accounts. Consequently, JLS may not obtain best execution on behalf of clients that direct brokerage; such clients may pay materially disparate commissions, greater spreads, or other transaction costs, or receive less favorable net prices on transactions than would otherwise be the case. If applicable, JLS will disclose this fact to the client.

### **Aggregation and Allocation**

Subject to the exceptions noted above under Directed Brokerage, 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 certain 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. To the extent possible and consistent with its objective of treating all client accounts the same, JLS will seek to allocate private investments the same way as all other investments.

When deviating from a pro-rata allocation, we prepare an allocation file specifying: (a) the participating accounts, (b) the method of allocation, and (c) the amount of allocation per account, or we notify Compliance about the reason for the deviation. Compliance performs periodic reviews to assess compliance with the aggregation and allocation policy.

### **Item 13. 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 the 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, which is conducted by portfolio management, and by performing other periodic reviews, which are conducted by Compliance in accordance with the Firm's Compliance Program.

#### Portfolio Management Review

The Portfolio Manager and Chief Financial Officer regularly monitor client account activity to assist them in making their 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. The hedge fund of funds that are managed by JLS invest primarily in other private funds, but the manager may also invest a portion of the fund's assets in securities, including equity, bonds, derivatives, etc.

On a regular basis, the portfolio manager looks at client account holdings and valuations and analyzes securities for potential new or additional acquisitions. As the value of the client holdings change, portfolio management analyzes the impact to sectors and individual holdings to assess risk of concentration (including counterparty exposures), and whether a security has fundamentally exceeded its target based on internal valuation assessments, correlation risk, etc.

When performing the reviews, the portfolio manager and Chief Financial Officer ensure that; the prior trading activity is properly reflected in clients' portfolios, allocations of investments are within Firm Policy and client account investment strategies and objectives, cross transactions have not occurred from long/short strategies, and reportable trade errors have not occurred.

In addition, senior management reviews reports that evaluate the fund holdings, including letters provided by the managers of the underlying private funds and fund sub-advisers, and also conducts conference calls with many of the managers of these funds and sub-advisor 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 leverage (as one of many other factors) is being utilized and whether unnecessary risks are being taken.

All client portfolio 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 Investments

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 includes 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 a similar strategy and the relative strengths and weaknesses of their programs;
- **Financial Performance of the Strategy:** Although not necessarily suggestive of future results, portfolio management reviews past performance of the strategy, if any, 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 will also consider a compliance analysis of any key persons or firms involved in implementing the strategy. Compliance and the Portfolio Managers are responsible for performing the compliance analysis that involves verification of a 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 deficiency letters from a recent regulatory examination, and any other information in the discretion of JLS;
- **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 a significant amount of time evaluating the capabilities of each Manager and any other persons or firms who will participate in implementing the strategy. The Firm will perform 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 and background investigations may also be utilized in this evaluation process, as well as a careful review of the incentive compensation programs being used to align the 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 the positions purchased and sold during the period, as well as cash balances, dividends distributions, etc. In addition, in most cases the fund of fund clients receive

monthly written reports from the managers of the underlying private fund holdings, which consist of performance and a monthly commentary (i.e. best and worst performing holdings in the underlying private fund portfolio holding). The underlying private funds also provide an audited financial report to the underlying fund investors on an annual basis, except in very unusual circumstances.

### Investors

The underlying investors in the JLS managed hedge fund of funds generally receive a monthly statement of performance within 45 days of month end. In addition, quarterly written reports of major holdings are provided to any fund investor upon request.

A copy of the Funds' audited report is distributed annually to all JLS managed hedge fund of fund investors within 180 days.

### Separately Managed Accounts

JLS separate account clients receive monthly 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, upon specific request by the client.

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

Form ADV Part 2A, Item 14

### **Third-Party Compensation**

No person, other than 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**

Neither the Adviser nor any of our Funds currently pay any party for referring clients and/or investors.

## **Item 15. 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 & Touché, to conduct annual audits of hedge fund assets. Deloitte & Touché is registered with and 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. This auditing firm also meets the custody requirements of the Investment Advisers Act. The financial statements are prepared in accordance with Generally Accepted Accounting Principles and distributed to all members or beneficial owners within 180 days of the fiscal year end.

JLS does not have physical custody of securities or cash in separately-managed accounts. Such assets are held by a qualified custodian. However, in the past, JLS may have been deemed to have custody of these client assets as a result of receiving fees directly deducted from such accounts. JLS had written authorization in its client contracts to directly deduct advisory fees. JLS made a request to the qualified custodian that included information on the account and the amount of the fee to be deducted from the client's account. Prior to submitting the request to the custodian, JLS notified its' clients of the fee amount and the period covered.

Clients receive account statements directly from qualified custodians at least quarterly. Clients should carefully review those statements promptly when received. We also urge our clients to compare their account statements to any periodic reports that they receive from us.

### ***Item 16. 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. In accordance to and subject to any restrictions on our activities outlined in the applicable offering memorandum or investment management agreement, JLS has the authority to determine the securities or any other investment to be purchased or sold 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 the type of account, and has never admitted investors into JLS managed hedge funds without an executed subscription agreement.

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

Form ADV Part 2A, Item 17

JLS ordinarily does not vote proxies, either as disclosed to the client in the applicable agreement, or because clients have specifically indicated that they prefer to vote 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 to vote in the best economic interest of our clients.

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

Form ADV Part 2A, Item 18

We do not require or solicit prepayment of fees six months or more in advance. Do to the ongoing commitment from the Lubert family, JLS has not experienced any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.