



EJF Capital LLC

Firm Brochure

Form ADV, Part 2A

2107 Wilson Boulevard, Suite 410
Arlington, VA 22201

703.875.9121

703.351.7901 Fax

www.ejfcap.com

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This brochure provides information about the qualifications and business practices of EJF Capital LLC. If you have any questions about the contents of this brochure, please contact us at: 703.875.9121 or by email at: fwalker@ejfcap.com. 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. Investment adviser registration does not imply a certain level of skill or training.

Additional information about EJF Capital LLC is available on the SEC's website at www.adviserinfo.sec.gov

Item 2 – Material Changes

Up until October 2011, EJP Capital LLC (“EJP”) used Jefferies & Company, Inc. (“Jefferies”) as one of the EJP’s prime brokers (Citigroup Global Markets, Inc. is EJP’s other prime broker). In October 2011, EJP ceased to use Jefferies as custodian under the prime brokerage relationship with EJP. Jefferies remains responsible for servicing the assets which are currently custodied at J.P. Morgan Clearing Corporation.

Item 3

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Item 4 – Advisory Business

The Company

EJF is an investment advisory firm that started its investment advisory operations in 2005. EJF's principal owner and Chief Executive Officer, Emanuel J. Friedman, owns approximately 59% of EJF, and Neal Wilson, EJF's Chief Operating Officer, owns approximately 19% of the EJF. Other associated individuals own approximately 22% of EJF.

Advisory Services

EJF provides discretionary investment advisory services to hedge funds and private equity funds (collectively the "Funds"). EJF serves as the manager for the Funds and is responsible for the Funds' trading and other day to day activities. EJF manages the EJF Debt Opportunities Master Fund, L.P. ("Debt Opportunities"), a limited partnership formed in the Cayman Islands. In addition, EJF provides investment advisory services to EJF Select Master Fund, SPC ("Select Fund"), an exempted segregated portfolio company formed in the Cayman Islands, and EJF Greater China Master Fund, Ltd. ("China Fund"), a company with limited liability also formed in the Cayman Islands. EJF also provides advisory services to EJF Investment Grade Fund, L.P. ("Investment Grade"); EJF Income Fund, LP, ("Income Fund"); and to EJF Financial Services Fund, LP ("Financial Services"), each a limited partnership formed in Delaware. EJF also manages the Debt Opportunities Fund II Ltd, a company formed in the Cayman Islands. In addition to the Funds referenced above, EJF also manages a number of Funds that are currently closed to new investors.

EJF has investment guidelines and restrictions covering the Funds. These investment guidelines and restrictions are described in each Fund's offering documents.

EJF also provides discretionary and non-discretionary investment advisory services to separately managed accounts ("SMAs"). In the case of discretionary SMAs, the advisory accounts are managed according to the client's investment guidelines/restrictions as they appear in each client's investment management agreement. SMA clients with discretionary accounts have the ability to place investment restrictions on the management of their assets. The portfolio manager assigned to each SMA and EJF's Director of Risk Management are responsible for monitoring the account's activity to ensure that EJF complies with the client's instructions.

With regard to non-discretionary SMAs, EJF must obtain approval from the client before the portfolio manager may place a trade in the client's account.

The portfolios for Funds and SMAs managed by EJF may include investments in common stock, preferred stock, investment grade and non-investment grade-rated corporate bonds, and bonds issued by government-sponsored enterprises. Funds and SMA clients may also purchase U.S. Government and agency securities, convertible securities (including stock and convertible corporate bonds), real estate investment trusts, private placements, structured instruments, and futures (tangible and intangible).

EJF may offer advice on interests in partnerships investing in trust preferred securities, long-term junior subordinated debt or equity securities with characteristics very similar to trust preferred

securities and other preferred or debt securities. EJJ may also provide advice on investments in entities that elect to be taxed as real estate investment trusts for U.S. federal income tax purposes. These entities issue structured finance products and/or originate loans that invest in trust preferred securities. EJJ may provide advice on different tranches of structured and securitized debt and equity securities, such as mortgage pool residual interests, bank loans, trade claims, derivatives and equity securities received in connection with debt restructurings, and private investments in public equities.

Termination of SMA Agreement

An SMA client may terminate the investment management agreement at any time. The termination is effective after EJJ receives a written notice of termination or on the date listed in the notice of termination. EJJ may terminate an investment management agreement by notifying the SMA client in writing at least 30 days in advance of the date of termination listed in the written notice of termination.

Assets Under Management

As of January 1, 2012, EJJ had approximately \$1,602,160,000 in assets under management, including \$1,511,370,000 in assets managed on a discretionary basis and \$90,790,000 in assets managed on a non-discretionary basis.

Item 5 – Fees and Compensation

Funds

As the investment adviser responsible for managing the Funds, EJJ charges a maximum management fee of 2% based on the assets under management in a particular Fund. Several Funds managed by EJJ are charged management fees of less than 2%. Certain Funds that are open to new investors calculate and pay the management fees monthly in arrears, and at least one Fund (which is currently closed to new investors) calculates and pays its management fee on a quarterly basis in arrears. In addition, EJJ has several Funds that are closed to new investors that do not charge any management fees. Certain investors in the Funds may have special management fee arrangements that are provided for in the Funds' offering documents. None of EJJ's Funds pay management fees in advance.

Funds - Deduction of Management Fees

Management fees for all Funds are deducted from each Fund's assets by EJJ personnel pursuant to EJJ's written money transfer policies and procedures.

Funds - Other Fees or Expenses Charged to the Funds

Broker-dealers executing client trades generally charge a brokerage commission on equity securities and a markup or markdown on fixed income securities. In addition, certain Funds may pay custodian fees, audit expenses, tax, pricing, and administrative fees.

Funds - Investors

Certain investors in the Income Fund and certain classes of Debt Opportunities, China Fund, and Select Fund may be subject to additional upfront fees of up to 2.5%, as well as ongoing fees of up to 0.5% per annum. These additional fees, classified as placement fees, are paid to placement agents that include registered broker-dealers. The placement agent receives an up-front fee based on the amount invested by the investors placed with the applicable Fund. The placement fee is paid by the Fund investor. With regard to certain Funds, redemption fees may be charged if an investor exits the Fund during the first 18 months after the investment is made. For additional information regarding brokerage, please see Item 12 – Brokerage Practices.

SMAs

As noted above, EJF manages a number of SMA

s on both discretionary and non-discretionary bases. The maximum management fee charged by EJF to either discretionary or non-discretionary SMAs is 1% (on an annualized basis), payable in arrears. The management fee charged is based on assets under management. None of EJF's SMAs pay any management fees in advance. All fees for SMAs are negotiated and memorialized in each SMA's investment management agreement. An SMA client may pay a management fee that is higher or lower than another client, based on factors such as the amount of assets managed for the account and the negotiated percentage of the management fee.

SMA - Deduction of Management Fees

SMA clients (or their representatives) are provided an invoice reflecting the amount of management fees charged monthly. Some SMA clients pay EJF directly; other clients direct their custodian or a representative to pay the management fee to EJF. EJF employees do not deduct management fees from SMA client accounts.

Other Fees or Expenses Charged to SMAs

SMA clients are generally charged a brokerage commission or another form of transaction cost for trades executed in the account. For example, equity securities are generally charged a brokerage commission while fixed income securities incorporate a markup/markdown into the execution price. In addition, SMA clients may be subject to custodian fees, wire transfer fees, and transaction fees charged by third party custodians. All fees charged to an SMA client's account are reflected on the brokerage account statements received by each client. For additional information regarding brokerage, please see Item 12 – Brokerage Practices.

Additional Compensation

Neither EJF nor any of its employees are paid additional compensation such as brokerage commissions for purchasing or selling securities placed in a Fund or SMA client's portfolio.

Item 6 – Performance-Based Fees and Side by Side Management

EJF may charge certain Funds and SMA clients performance based fees. The receipt of performance based fees creates a conflict of interest for EJF, which could receive higher fees by favoring those entities that pay EJF a performance based fee. For example, if EJF allocated profitable trades exclusively to those accounts that pay EJF a performance based fee, EJF would have a conflict of interest. EJF manages this conflict of interest by enforcing the trade allocation procedures it has created.

As stated in Item 5, EJP also charges its Funds and SMA clients an asset-based management fee. EJP does not charge any of its advisory clients a flat fee or a fee that is calculated based on hourly rates.

As noted above, certain Funds managed by EJP may be charged an annual performance based fee. This fee may be up to 20% of the excess, if any, of the net asset value of each series of units or shares in a Fund over a high-water mark and, in certain cases, a hurdle. Some of the Funds are not subject to a high-water mark.

Funds generally pay EJP performance fees annually.

Not all investors in the Funds are subject to the 20% performance fee charged by the Funds. In addition, certain Funds are subject to claw-back provisions with regard to performance fees.

With regard to certain SMA clients, EJP is entitled to receive an annual incentive fee of up to 15% of any realized and unrealized capital appreciation of assets under management, subject, in certain cases, to a threshold amount.

Item 7 – Types of Clients

EJP has clients and Fund investors in the following categories: foundations, trusts, IRAs, fund of funds, endowments, pensions, profit sharing plans, business entities, and high net worth individuals. As EJP grows, additional categories may be added.

The minimum investment amount for investors in any of the Funds is \$100,000. The minimum investment amount for an SMA is \$50,000,000. EJP reserves the right to waive the minimum account size for investors in the Funds and SMAs.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

EJP INVESTMENT STRATEGIES

Fixed Income Strategy

EJP's fixed income strategy is designed to invest in mispriced fixed income securities. EJP's approach is to capitalize on its strength, experience, and expertise in analyzing investment opportunities across the debt capital markets. This approach allows EJP to identify investment opportunities in relatively complex markets that offer attractive absolute total returns. EJP's fixed income strategy looks for specific events to improve a security's price or liquidity in order to make an investment. As a result, much of the expected performance return for the most essential positions in a portfolio may result from changes in security prices rather than interest income. The strategy is designed to limit downside risk if the expected catalysts surrounding a particular investment do not materialize.

The fixed income strategy's net market exposure will generally range from 85% to 140% with approximately 10-20% of the portfolio in cash or liquid investments. In certain situations, EJP will short securities in order to hedge long exposures in the portfolio. The fixed income strategy

may borrow in certain circumstances with quality assets as determined by the portfolio manager or the Fund's investment team.

Equity Strategies

One of EJJ's equity strategies is designed to pursue absolute returns, and to achieve medium to long-term capital appreciation from investments offering exposure to securities issued by companies in certain regions of the world. EJJ primarily employs an equity long/short strategy, and primarily seeks to invest in securities that are listed, quoted, or traded on stock markets in Hong Kong, Taiwan, Singapore, and the United States.

EJJ may also apply a strategy in which it uses special situations equity, such as "orphaned" securities previously issued by companies under Rule 144A. Securities in this strategy may be issued by either domestic or foreign companies. A Fund using this strategy may also invest in securities consisting of packages of securities that have equity-like characteristics or equity-like returns. These securities may include the purchase or sale of put or call option contracts, shorting shares of common stock or debt, and other securities that EJJ may deem appropriate.

In a third equity strategy, EJJ will generally emphasize individual security selection ("bottom-up" investing) and may consider a wide range of factors in determining whether a security is overvalued or undervalued. EJJ may take long positions in companies that it believes to be high quality with above-average growth at attractive multiples, and short positions in companies that it believes are underperforming relative to the market. EJJ may allocate a substantial portion of a Fund's assets to one or more concentrated positions that it believes are undervalued or overvalued.

Fixed Income Security Risk

EJJ is an active manager of risk and will use various techniques to lessen undesirable risk. A few forms of risk that may be hedged include, but are not limited to, interest rate risk, currency risk, individual company or issue credit risk, sector specific risk, leverage, economic conditions, suspension of trading, limited diversification, lack of liquidity in certain investment, and volatility.

EJJ's fixed income strategy is to maintain a portfolio by position size, sector concentration, capital structure position, maturity, and rating. At times, EJJ may take large positions in certain investments where the investment payoff is particularly appealing or where we can employ hedges to lessen a significant portion of risk.

Equity Security Risk

Movement of equity securities may affect the value of the investments in EJJ's equity strategies. Issues such as interest rates, the United States' and certain foreign countries' economic growth rates, and political events may have an impact on equity markets. EJJ may frequently trade the securities in a particular Fund. Frequent trading by a Fund may result in increased brokerage costs and other transaction expenses. A Fund that is frequently traded may be subject to higher taxes. The Fund may also have risk exposure relating to bankruptcy cases associated with

distressed companies, short sales, illiquid securities, leverage, short term trading, convertible securities and warrants, hedging transactions, counterparty risk, third party litigation, partnership form, suspension of trading, and market events risks.

Management Risk

EJF's opinion regarding the potential increase of a security's price may be incorrect and a security may not perform as anticipated. In addition, an individual security's value may change more than the stock market as a whole. It is possible that some of EJF's estimates regarding a security's value may be wrong, or may take longer than anticipated to materialize even if correct. Investing in fixed income and equity securities involves risk of loss that clients should be prepared to bear. EJF does not guarantee performance results for any of its products.

Item 9 – Disciplinary Information

Within the last ten years, a disciplinary action was taken against Emanuel Friedman, EJF's Chief Executive Officer. The following discussion addresses the disciplinary action taken by a regulatory body.

On November 17, 2006, Mr. Friedman submitted an offer of settlement to the SEC, which was accepted by the SEC on December 19, 2006. In the offer of settlement, without admitting or denying the findings contained in the order, Mr. Friedman admitted to the jurisdiction of the Commission and consented to the entry of an order by the Commission containing the findings described below.

According to Mr. Friedman's consent, the SEC order found that he was a registered representative of registered broker-dealer Friedman, Billings, Ramsey & Co., Inc. ("FBR") and either chairman or co-chairman and either the CEO or Co-CEO of that firm during his entire tenure there. The order further finds that a final judgment was entered by consent against Mr. Friedman enjoining him from violating Section 5 of the Securities Act of 1933 (the "Securities Act") and, as a controlling person pursuant to Section 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), from violating Exchange Act Sections 10(b) and 15(f) and Rule 10b-5 in the civil action SEC v. Friedman, Billings, Ramsey & Co., Inc., et al., Civil Action No. 06-CV-02160 (D.D.C.).

The SEC's complaint alleged that in September/October 2001, Mr. Friedman, with others, directed or controlled the day-to-day management of FBR; in connection with a PIPE offering by Compudyne Corp., FBR failed to establish, maintain, and enforce policies and procedures reasonably designed to prevent the misuse of material, non-public information, and it improperly traded Compudyne stock in its market-making account while aware of material, nonpublic information concerning the PIPE offering. Mr. Friedman, as a controlling person of FBR, was liable for the foregoing FBR conduct, and FBR engaged in unregistered sales of Compudyne securities.

Mr. Friedman was barred from associating in a supervisory capacity with any broker or dealer, with the right to reapply for such association after two years (which time period has since expired) to the appropriate self regulatory organization, or if there is none, to the Commission. Other sanctions were imposed in related NASD and SEC filed civil injunctive proceedings.

Item 10 – Other Financial Industry Activities and Affiliations

Registered Individuals of a Broker-Dealer

EJF does not have an affiliated broker/dealer, nor are any of its employees registered or have an application pending to register with a non-affiliated broker/dealer.

Other Registered Entities

EJF and its employees are not registered with, nor does EJF or its employees have a pending application to register with a futures commission merchant, commodity pool operator, or a commodity trading advisor.

Relationships Material to Advisory business

EJF has entered into a number of solicitation agreements with registered broker-dealers. Under the solicitation arrangements, broker-dealers refer to EJF individuals or entities that the broker-dealer has determined are qualified to invest in EJF's products. Broker-dealer solicitors are generally paid a percentage of the management fee and/or the performance fee received by EJF. EJF also may have arrangements with broker-dealers that receive a placement fee for placing investors in EJF's Funds. A placement agent may receive a fee that is up to 2.5% of the assets invested in the Fund by the placed client (this is a one-time fee which is paid by the client). The placement agent may also receive an on-going fee up to .5% per annum of assets invested in the Fund by the placed investor (this fee is also paid by the client).

EJF and Keel Point Advisors, LLC (a registered investment advisory firm) each hold an interest in the general partner of The 144A Fund, L.P., The 144A Master Fund, L.P., EJF Select Master, SPC, and EJF Select Fund, LP.

EJF has a controlling ownership interest in Harbor Asset Management Company, LLC, which in turn has a controlling ownership interest in Kodiak Capital Management Company, LLC ("Kodiak Management"). In accordance with a management agreement, Kodiak Management serves as the manager of Kodiak Funding, LP ("Kodiak"), a Delaware limited partnership which invests in trust preferred securities, long-term junior subordinated debt and/or equity securities with characteristics very similar to trust preferred securities. Kodiak may also invest in debt securities, distressed real estate-related debt securities at discounted prices and CDOs. Among other things, Kodiak Management is responsible for: (1) the selection, purchase and sale of Kodiak's investments; (2) financing and risk management for Kodiak's activities; and (3) providing Kodiak with advisory services related to collateralized debt obligations issued to finance Kodiak's portfolio of investments.

On occasion, EJF may make an investment in an unaffiliated investment adviser. As a result of such an investment, EJF will not have control, voting rights, or company board representation

with the investment advisers. In addition, EJP will not have access to any non-public information relating to the investment advisers and will not see any of the investment advisers' trading documents.

Pooled Investment Vehicles

EJP has an interest in the following entities:

EJP Investment Grade Fund, LP; EJP Income Fund, LP; EJP Select Master Fund SPC; Kodiak Funding, L.P.; EJP Crossover Master Fund, LP; EJP Long/Short Equity Master Fund, LP; EJP Opportunity Master Fund, LP; EJP Distressed Fund, LP; EJP 144A Master Fund, LP; EJP Debt Opportunities Master Fund, LP;; EJP Greater China Fund, LP; EJP Greater China Fund, Ltd.;; EJP Sidecar Fund, Series LLC- Series A; EJP Sidecar Fund, Series LLC – Series C; and EJP Financial Services Fund, LP.

Recommending/Selecting Investment Advisers for Clients

EJP does not recommend/select investment advisers for its clients.

Item 11 – Code of Ethics

EJP has a code of ethics (the “Code”) that outlines its policies regarding personal trading and various other conflicts of interest that may arise while servicing a client's account. Under the Code each employee is required to certify that he or she has read the document when the individual joins EJP and on an annual basis thereafter. The Code also requires all employees to disclose all brokerage accounts in which they have a beneficial interest (this includes accounts of immediate family members). All employees are required to pre-clear their personal securities transactions (EJP has identified at least one category of securities that does not require pre-clearance) through EJP's Chief Compliance Officer or his designee. Employees are required to pre-clear their trades before an order for a personal security transaction is placed with an executing broker-dealer.

All employees that maintain brokerage accounts are required to instruct their respective brokerage firms to provide EJP with duplicate brokerage account statements and trade confirmations. An EJP pre-clearance officer is required to review these documents to determine if an employee has violated any provision of the Code.

A section of the Code addresses EJP's fiduciary duties, including placing the client first and the handling of confidential information. The Code also contains a gift policy that requires all employees to report to the Chief Compliance Officer gifts accepted or given to individuals or entities that are conducting business with EJP or seeking to conduct business with EJP. Employees are not permitted to accept or give gifts that exceed a certain value. In addition, the Code requires certain employees to advise the Chief Compliance Officer when they entertain or are being entertained by individuals or entities conducting business or seeking to conduct business with EJP. Finally, the Code discusses the sanctions that may be imposed if an employee fails to comply with the Code's guidance.

EJF maintains a restricted list of securities which neither employees nor the Funds are allowed to trade. The restricted list is reviewed by the pre-clearance officer prior to pre-clearing a personal securities transaction for an employee.

EJF will provide a copy of the Code to any client upon request. Such requests should be directed to EJF Capital LLC, Attention: Frank R. Walker Jr., 2107 Wilson Boulevard, Suite 410, Arlington, VA 22201.

Recommendations to Clients

EJF generally does not allow employees to purchase the same securities that are purchased or held by its clients. If an exception is made for an employee to execute a trade in a security held by a client, the employee cannot purchase the security for 7 days after the client last purchased or sold the security. If a client is recommended the same security that an employee holds in his/her personal brokerage account, the employee would be subject to a 7 day black out period if the employee wishes to sell the security from his/her portfolio. The black-out period will not allow the employee to sell if the client executed a trade in the same security during the prior 7 days.

Investment in Same Securities Recommended to Clients

EJF nor its employees do not generally purchase in a brokerage account the same securities recommended to clients.

Item 12 – Brokerage Practices

EJF has an approval process that each broker-dealer must go through before EJF's traders are allowed to execute trades for our clients through such broker-dealer. EJF conducts due diligence on broker-dealers by reviewing items such as their financial status and disciplinary history, if one exists. After a broker-dealer is approved, EJF's traders are free to place buy or sell transactions with the broker-dealer. On a quarterly basis, EJF has a best execution committee meeting. In addition to other issues, the best execution committee meeting is designed to determine where trades are executed and the commission rates charged for the transactions.

Research and Other Soft Dollars

EJF uses broker-dealer proprietary research to assist with its investment decision making process. To obtain broker-dealer proprietary research, EJF may pay a higher brokerage commission. Brokerage commissions paid to firms that do not provide investment research are generally lower than those paid to broker-dealers that provide such proprietary research. EJF tends to trade more through broker-dealers that provide EJF with proprietary research. By using proprietary research, EJF is receiving research that it does not have to produce internally. EJF does not use its commission dollars to obtain research products and services through third party vendors. In addition to unsolicited proprietary research, certain broker-dealers may offer EJF's employees the option to participate in or attend conferences and may provide access to issuers' management teams.

Brokerage for Client Referrals

EJF does not use its client's brokerage commissions to pay for referrals.

Directed Brokerage

EJF does not have any directed brokerage arrangements.

Brokerage Allocation

EJF and/or its affiliates may have potential conflicts of interest in connection with the allocation of investments or transaction decisions for its Funds and SMAs, including situations where EJF, its affiliates, and their personnel have a financial interest. EJF and its affiliates may manage accounts that have investment objectives that are similar and/or that may seek to make investments in the same securities. This may create potential conflicts of interest and potential differences among the accounts, particularly where there is limited availability or limited liquidity for those investments. EJF has developed allocation policies and procedures that describe how EJF will allocate investment opportunities in a manner it considers to be reasonable and equitable over time.

EJF may allocate investment opportunities based on relative size of an order, investment objectives, guidelines/restrictions, risk tolerance, availability of other investment opportunities, and available cash for investment. EJF will also take into consideration whether the client account is allowed to use leverage. Although allocating orders among accounts may create potential conflicts of interest, EJF will not make investment allocation decisions based on the allocation that generates higher fees for the firm.

EJF may determine that an investment opportunity or purchases/sales are appropriate for one or more SMA clients, but not for a particular Fund. EJF may also decide that an investment is good for a Fund but in different sizes, terms, or timing than is appropriate for another account.

Item 13 – Review of Client Accounts

EJF's Chief Operating Officer conducts periodic reviews of security positions in SMAs. The individuals responsible for account reviews are primarily investment professionals at the portfolio manager level. If an SMA client places additional investment restrictions (or places investment restrictions on the account for the first time), EJF will review the account to determine if/how the new restrictions impact the account. In addition, SMA clients receive monthly performance statements from EJF reflecting the securities held in the client's portfolio. SMA clients also receive statements from their custodian on at least a quarterly basis. SMA clients should compare the information appearing in the two documents.

EJF's Chief Operating Officer periodically reviews the Funds' activity.

Item 14 – Client Referrals and Other Compensation

EJF may occasionally enter into arrangements with unaffiliated third party broker-dealers to obtain client referrals. If applicable, the referral agreements will address the terms and conditions described in the Investment Advisers Act under Rule 206(4)-3. Under certain referral arrangements, EJF agrees to pay the unaffiliated third party broker-dealer a percentage of the management fee paid to EJF by the referred investor. Investors are made aware of the referral

arrangements prior to the referral taking place. Referral fees may vary and may include fixed and annual fees that are based on assets invested by referred clients.

EJF may enter into arrangements with unaffiliated third party broker-dealers to assist with the placement of units of the Funds. Under these arrangements, investors in EJF's Funds are subject to an additional upfront fee of 2.5% as well as an ongoing fee of up to 0.5% per annum. The upfront and the ongoing fees are based on the assets invested by the placed investor. Certain investors in the Income Fund and certain classes of Debt Opportunities, China Fund and Select Fund may be subject to upfront placement fees. The placement fee is the responsibility of the placed investor and is not an obligation of EJF or the Funds. The placement fee is paid in addition to the management fee.

Item 15 – Custody

EJF does not provide custodial services to clients. Client assets are held with several different qualified custodians. EJF is a manager of Funds and SMAs. With regard to the Funds, EJF or an affiliated entity serves as the general partner of limited partnerships or the managing member of limited liability companies. Under Rule 206(4)-2 (the "Custody Rule"), an investment adviser that operates as a general partner or a managing member for a pooled investment vehicle is deemed to have custody. The Custody Rule provides an exemption for investment advisers that have custody of their clients' assets because they operate as a general partner or a managing member of a fund. The Custody Rule allows an investment adviser to deliver audited financial statements to investors in limited partnerships and limited liability companies within 120 days of a fund's fiscal year end. EJF is not required to comply with all the provisions of the Custody Rule (including the requirement to send quarterly brokerage statements to fund investors) with regard to the Funds, because it provides audited financial statements to Fund investors within 120 days of the Funds' fiscal year end.

SMA clients' assets are held by qualified custodians such as banks and registered broker-dealers. SMA clients receive statements at least quarterly from the custodians, and such statements should be reviewed carefully. SMA clients also receive Fund-level monthly performance reports.

EJF does not deduct its management fees directly from SMA client accounts.

Item 16 – Investment Discretion

EJF manages all of its Funds and most of its SMA clients' assets on a discretionary basis. With regard to the Funds, EJF observes the investment guidelines/restrictions placed on the management of the Funds by the offering documents. With regard to SMA clients for which EJF exercises investment discretion ("Discretionary SMAs"), the firm enters into an investment management agreement with the client, which agreement authorizes EJF to exercise investment discretion with respect to the SMA. Clients with Discretionary SMAs have the ability to place investment restrictions on the management of their account. Several of the most common investment restrictions placed on EJF prohibits the firm from purchasing specific securities or specific types of securities. EJF employees will periodically have conversations with SMA clients to provide and obtain information regarding the SMA and any investment restrictions.

Item 17 – Proxy

EJF has been granted authorization to vote its Funds' and certain SMA clients' proxies when received from transfer agents or custodians. EJF does not use third party vendors to assist with the proxy voting process. EJF's objective when voting proxies is to maximize the value of the securities held in the portfolio. EJF does not vote proxies for SMAs managed on a non-discretionary basis.

EJF votes proxies according to its established guidelines. However, EJF may vote a proxy in a manner different from the established guidelines if circumstances warrant. For example, EJF may not vote with management's recommendation in the case of a proxy fight or a merger.

Upon request, EJF will provide a copy of its proxy voting policies and procedures as well as information on how a particular proxy was voted. Investors may direct requests for information concerning EJF's proxy voting policies and procedures to EJF Capital LLC, Attention: Frank R. Walker, Jr., 2107 Wilson Boulevard, Suite 410, Arlington, VA, 22201.

Item 18 – Financial Information

Certain registered investment advisers are required to provide financial information to clients if they require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance. EJF does not collect management fees in advance and as a result, is not required to provide its financial information to investors.