

**Item 1: Cover Page**

# Encore Housing Opportunity Fund Investment Manager, LLC

February 3, 2012

*This brochure provides information about the qualifications and business practices of Encore Housing Opportunity Fund. If you have any questions about the contents of this brochure, please contact an Investor Relations representative at (415) 561-0600 or by email at [info@encorefunds.com](mailto:info@encorefunds.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.*

*Additional information about Encore Housing Opportunity Fund also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

## Item 2: Material Changes

(New Form 2A – Not Applicable)

(1) **Redesign.** The Securities and Exchange Commission (“SEC”) recently published amendments to the rules for firm brochures. This brochure is in narrative format and is materially different from past SEC requirements.

(2) **Financial Advisor Biography.** Also included is the new Form ADV, Part 2B (each individual’s “Financial Advisor Biography”) for each investment advisory representative who directly provide advice to clients. Please refer to the Form ADV, Part 2B Financial Advisor Biography, included as a separate document accompanying this brochure.

(3) **Delivery of Amendments to this Brochure.** In the past investment advisors offered or delivered information about Encore’s qualifications and business practices to clients on at least an annual basis. The brochure will be updated annually, in order to ensure that it remains current.

Pursuant to new SEC rules, Encore Housing Opportunity Fund Investment Manager LLC will provide each of its clients with a summary of any material changes for subsequent annual updates to brochures by April 30th of each year. You will be provided with a new Brochure as necessary based on changes or new information, at any time, without charge.

Due to the changes to this brochure, it is suggested that clients review this document, in its entirety, upon receipt. Clients are also encouraged to review this brochure, and any questions they may possess regarding this brochure, with John Chiste.

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## Item 4: Encore's Business

### A. General Description of Encore

Encore Housing Opportunity Fund Investment Manager, LLC (the "Firm" or "Encore") is a Delaware limited liability company and private equity real estate organization headquartered in Boca Raton, FL, with offices in San Francisco, CA and Los Angeles, CA. Encore pursues value-opportunistic real estate investments.

### B. Description of Encore's Services

Currently, the Firm offers investment advisory services to Encore Housing Opportunity Fund (the "Fund"). When investors commit to invest in the Fund ("Fund Investors"), they will sometimes request that Encore consider them for future co-investment opportunities. If a Fund Investor commits to a co-investment, Encore typically admits such Fund Investor to a special purpose vehicle for the purpose of making that co-investment (the "Co-Investment Funds"). For purposes of this Brochure: (i) all references to Funds shall also include Co-Investment Funds and (ii) all references to clients shall not include the underlying Fund investors of a particular Fund client, in each case unless otherwise specified.

The principal investment objective of Encore, on behalf of its clients, is to seek opportunistic real estate related investments that have the potential for significant capital appreciation through development, redevelopment, repositioning or improved management.

The investments acquired by Encore on behalf of its clients may include (depending upon the investment objectives/restrictions of each client) real estate, and real estate related loans and equity investments in real estate related joint ventures and operating companies. Some of these investments may be in the form of private or publically traded debt and equity securities directly or indirectly secured by real estate.

Encore seeks to identify investment opportunities and themes, often through its relationships with real estate operators and developers, and attempts to validate them with due diligence and research. Encore's investment opportunities typically require real estate development or re-development, obtaining zoning approvals, leasing or similarly improving the sales or operating income of the property ("**Real Estate Projects**"). Encore seeks to apply its own real estate development and operational expertise to create value at the property level in its selection of real estate projects and third party operating partners and in real estate projects that it undertakes with its own development and construction personnel. Encore also uses its financial and structuring expertise to protect principal, mitigate investment risks and optimize investment returns. Encore at times invests in real estate projects with third party operating partners through operating joint ventures ("**Joint Ventures**"). Such operating partners manage the day-to-day operations of such real estate projects and add value to the real estate projects through investment sourcing, local market knowledge, and/or specialized operational / developmental expertise. Encore's asset management staff maintains active oversight of the real estate projects and Encore retains major decision rights over the joint ventures and consequently, the real estate projects.

### C. Availability of Customized Services for Individual Clients

Each Fund has specific investment restrictions and limitations, which are typically set forth in any of the following “Fund Documents”: the investment management agreement between Encore and the Fund, the offering documents of the Fund, Side Letters (as defined below), Subscription Agreements (as defined below) and the operating agreement of the Fund, which is typically a limited partnership agreement. Prior to investing in a Fund, a Fund investor must enter into a subscription agreement with the Fund, which sets forth the Fund investor’s suitability for investment in the Fund. A Fund investor may also request a side letter agreement with the Fund to provide specific limitations or restrictions that are designed to address the Fund investor’s particular legal, tax, investment or other objectives (“Side Letter”). Examples of these types of Fund and Fund investor restrictions and limitations include prohibitions on investing in a particular country, a limitation on how much capital may be invested in a single investment, or a limitation on the incurrence of unrelated business taxable income.

D. Wrap Fee Programs

Encore does not participate in wrap fee programs.

E. Assets under Management

As of February 1, 2012, Encore currently has one client and manages \$160.85 million in assets on a discretionary basis.

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

A. Encore’s Fees and Compensation

Encore charges fees to its clients for its advisory services (“Management Fees”) (or “Compensation”).

The compensation charged to Funds is typically determined through negotiations with the Fund investors. A Fund’s operating documents will generally afford the Fund with the ability to waive or reduce all or part of the compensation with respect to investments made by certain Fund investors without waiving or reducing the compensation charged to other Fund investors. For example, the Fund may waive or reduce all or part of the Compensation for Fund investments made by third parties due to the size of the Fund investments made by such third parties. Compensation to Encore and the General Partners, and other expenses related to the offering are described in the Fund private placement memorandum.

Generally, Fund management fees range from 1.00% to 2.00% per annum of (i) committed capital of the Fund for the initial investment period and (ii) invested capital of the Fund after the initial investment period. The management fees that Encore charges to a Co-Investment Fund client are typically in the same range; however, they are often based on the invested capital of the Co-Investment Fund.

Management fees are agreed upon with client and Encore and are billed quarterly in arrears.

B. Payment of Compensation

Fund investors permit the Firm to directly deduct their compensation incurred and remit their compensation to the applicable Fund, which then pays Encore.

C. Additional Fees and Expenses

Other than management fees, carried interest paid to the General Partner and the fees and expenses noted in this section, no other fees or expenses are charged to clients. Any transaction-related fees received by Encore from third-parties, such as break-up fees, director fees and monitoring fees, will be either remitted to the applicable client or the management fee charged to such client will be offset by an equal amount.

The General Partner is generally entitled to receive a profits interest of 20% of cumulative realized fund profits following the return of fund capital (and the exceeding of a preferred return on such capital), which is paid in compliance with Rule 205-3 promulgated under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The description of each fund's compensation is set forth in such fund's operation documents.

During an offering period, fund investors will bear all of the organizational and marketing expenses, up to maximums as detailed in such client's operation documents. To the extent permitted under the client's operating documents, clients will also bear all client-related costs and expenses, including, without limitation, the expenses incurred in connection with investments (whether or not consummated) and the evaluation, acquisition, origination, construction, development, ownership, sale, hedging or financing of any investment, litigation-related and indemnification expenses, travel, compliance, custodial, administrative, legal and accounting expenses, and all other expenses incurred by Encore and any affiliate in connection with or related to the client and the performance of Encore's duties. Certain clients also reimburse Encore for the costs of in-house construction and development personnel that provide services to such clients.

D. Prepayment of Management Fees

As noted above, management fees are generally paid on a quarterly basis, and in the case of certain Client arrangements, Encore is afforded with the right to be paid in advance, but not more than three (3) months in advance. If a client withdraws or terminates the investment advisory services before the end of a billing period, then the Fund will refund any prepaid management fees in excess of the management fees paid for the period of actual investment. Accordingly, management fees are prorated based on the number of days in the quarter that assets, including cash held for investment, working capital or pending distributions, are managed.

E. Additional Compensation and Conflicts of Interest

None of Encore's supervised persons may accept direct compensation for the sale of securities or other investment products.

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

As noted above in Item 5, under certain circumstances the General Partner will be entitled to receive a profits interest from the Fund. Anthony Avila and Art Falcone are co-founders and managing principals of Encore Housing Opportunity Fund and may therefore receive a portion of the profits interest from the Fund in addition to advisory fees earned by Encore.

## Item 7: Types of Clients

Encore currently provides investment advice to one Fund that is offered as a private placement and organized as limited partnership. In regard to the Fund, minimum subscription amounts and other investor suitability requirements will be noted in the respective operating document. However, such minimum amounts can be waived by Encore, in its discretion (except to the extent there is a minimum amount that needs to be invested per regulatory requirements).

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

### A. Methods of Analysis

Encore's investment objective is to seek value-added and opportunistic real estate related investments, which include certain investments that constitute securities. Such investments are usually in the form of direct or indirect ownership interests of, or in, real estate and real estate related loans and equity investments in real estate related joint ventures and operating companies. Encore investments may also include investments that constitute publicly traded or privately offered equity and debt investments. Encore may also invest in certain liquid investments, including cash and cash equivalents. Investing in securities involves risk of loss that clients should be prepared to bear. Typically, the investment risks associated with the investment strategies offered by Encore and the types of investments pursued by Encore will be outlined in a client's operating documents.

### B. Material, Significant, or Unusual Risks Relating to Investment Strategies

Fund clients should refer to their respective operating documents for a more detailed discussion of risks.

**Changes in Market Circumstances:** The success of Encore's activities will often be affected by international, U.S., regional and local economic and market conditions, including changes in interest rates, changes in relative valuation of its target investment sectors, changes in the availability of, or the general terms and conditions for, investment financing, shifts in the supply and demand for the types of properties in which Encore will invest client funds, changes to the financial resources and solvency of tenants and buyers and sellers of properties, among other factors — any one of which could adversely affect investment returns.

**Potential Lack of Diversification:** Encore intends to limit the impact on financial performance of poorly performing investments by investing in investments of varying types, locations and degrees of risk. However, there can be no assurance that such diversification will be available on acceptable terms. Encore may make a limited number of investments and, as a consequence, the aggregate return and performance of a client's portfolio may be substantially adversely affected by the unfavorable performance of even a single investment. Furthermore, the aggregate return to clients may be affected by Encore's strategy to sell, foreclose upon, or refinance an asset once Encore believes that its strategy will lead to maximization of the asset's potential value. That is, aggregate returns may be adversely affected if Encore is not able to correctly time its refinancing or disposition strategy.

**Risks of Potential Leveraging:** Depending upon the client mandate, Encore may use leverage to increase the potential value of the assets to be acquired. The Investment Manager will have the discretion to obtain short-term subscription facilities from time to time. Longer term, the Fund will

target no greater than a 1:1 debt to equity ratio, although the Investment Manager will have the ability to exceed that ratio in its sole discretion.

**Transaction Structure Diversification:** Encore intends to structure each investment to provide what it sees as the best combination of risk mitigation and financial upside. With some investments, Encore plans to achieve higher returns by teaming up with a private equity partner, with the Fund receiving a promoted interest from the private equity partner. Encore management also foresees utilizing conservative leverage for certain investments (when available and appropriate) in circumstances when it believes that doing so would improve returns. The General Partner intends that all financing will be project-based to reduce spreading risk exposure over the diverse investment portfolio. By tailoring each transaction's capital structure to each investment's specific risk and return dynamic, Encore will endeavor to provide an additional layer of risk mitigation to the Fund beyond traditional operational and asset management methods. While the use of leverage may enhance returns to clients and increase the number of investments clients can make, it also substantially increases the risk of loss to clients.

If Encore utilizes leverage, the third-party lender would be entitled to cash flow generated by such investment prior to a client receiving a return. If a client defaults on secured indebtedness, the lender may foreclose and the client could lose its entire investment securing such loan.

**Counterparty Risk:** It is expected that virtually all investment purchases and dispositions on behalf of clients will occur in private markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as members of public exchange-based markets. Differing market standards for counterparty credit evaluation may expose clients to the risk that a counterparty will not close a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (irrespective of whether bona fide) or because of a credit or liquidity problem, thus causing clients to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where other events may intervene to prevent closing, or where Encore, on behalf of its clients, has concentrated its transactions with a particular counterparty or group of counterparties. Encore is not restricted from dealing with any particular counterparty or from concentrating its transactions with one counterparty. Despite the prospect that Encore's risk management process may incorporate an assessment of counterparty risk, there can be no assurance that such assessment may mitigate counterparty risk. In addition, although Encore expects to transact with wellcapitalized credit-worthy counterparties in the majority of its purchase and sale transactions on behalf of clients, there can be no assurance that such will be the case in every transaction (or that the counterparties will perform their obligations). While Encore may take counterparty risk into consideration in its ongoing investment monitoring and decision making, Encore does not have any formal internal credit function that evaluates the creditworthiness of its counterparties. The ability of Encore to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated exchange market to facilitate settlement, may increase the potential for losses.

#### C. Risks Associated with Particular Types of Investments

**General Risks of Real Estate:** All real estate investments, ranging from equity investments to debt investments, are subject to some degree of risk. For example, real estate investments are relatively illiquid and, therefore, may tend to limit Encore's ability to promptly adjust a client's portfolio in response to changes in economic or other conditions. No assurances can be given that the fair market

value of any real estate investments held by a client will not decrease in the future or that the client will recognize full value for any investment that the client is required to sell for liquidity reasons.

In addition, Encore's ability to realize anticipated sales proceeds, rental and interest income on its equity and debt investments will depend, among other factors, on the financial reliability of buyers, tenants and borrowers, the location and attractiveness of the properties in which it invests, the supply of comparable space in the areas in which its properties are located and general economic conditions. Other risks include changes in zoning, building, environmental and other governmental laws, changes in operating expenses, changes in real estate tax rates, changes in interest rates and changes in the availability, costs and terms of mortgage funds, energy prices, changes in the relative popularity of properties, the ongoing need for capital improvements, cash-flow risks, construction risks, as well as natural catastrophes, acts of war, terrorism, civil unrest, uninsurable losses and other factors beyond the control of Encore's management.

Additionally, a client may, in certain instances, be responsible for structural repairs, improvements and general maintenance of real property. The expenditure of any sums in connection therewith beyond those budgeted for by the client will reduce the cash available for distribution and may require a client to fund deficits resulting from the operation of a property. No assurance can be given that the client will have funds available to make such repairs or improvements. These factors and any others that would impede the client's ability to respond to adverse changes in the performance of its assets could significantly affect the client's financial condition and operating results.

**Illiquidity:** The types of direct or indirect ownership interests of or in real estate, and real estate related loans and equity investments in real estate related joint ventures and operating companies held as client investments may be such that they require a substantial length of time to liquidate. Accordingly, Encore's ability to respond to rapid changes in economic and other conditions may be relatively limited. In particular, no assurances can be given that all client investments will be able to be liquidated on the scheduled timeframe. Encore generally will not be able to sell its clients' investments held in the form of securities unless their sale is registered under applicable federal and state securities laws or an exemption from such registration requirements is available. In some cases, Encore may be prohibited by contract from selling investments for a period of time. No assurances can be given that the fair market value of any of the assets held for a client will not decrease in the future.

**Insurance:** Encore will attempt to maintain insurance coverage for its properties against liability to third parties and property damage as is customary for similar businesses. However, there can be no assurance that insurance will be available or sufficient to cover any such risks. Insurance against certain risks, such as earthquakes, floods, or terrorism may be unavailable, unavailable at a reasonable cost, available in amounts that are less than the full market value or replacement cost of investments or subject to a large deductible.

There can be no assurance that the particular risks that are currently insurable will continue to be insurable at a reasonable cost. If a property suffers an uninsured loss, all or a substantial portion of the investment in the relevant property may be lost. In addition, all of a client's assets may be at risk in the event of an uninsured liability to third parties.

**Investment in Distressed Assets:** Encore may originate performing debt investments and may acquire not only performing, but sub-performing or non-performing debt interests as well, which are secured directly or indirectly by real estate. In addition to the risks of borrower default, the collateral may be mismanaged or otherwise decline in value during periods in which Encore is seeking to

maximize investment value. It is possible that Encore may find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased or originated by Encore.

**Variable Rate Mortgages:** Certain investments may be subject to financing that provides for adjustments in the interest rate at various monthly, annual or other intervals. An increase in the interest rate as a consequence of any such adjustment: (i) would result in less income to clients; (ii) may reduce distributions to clients; (iii) may cause negative amortization; and (iv) may cause the sale of an investment prematurely or on less favorable terms than might otherwise be obtained. Similarly, with respect to debt that is based on variable interest rates, clients are subject to the risk that such interest rates may decline.

**Third Party Involvement:** Some investments may be made on behalf of a client as: 1) a joint venture partner with the seller of an asset; 2) an affiliate of the seller; 3) an investor unaffiliated with the client or its affiliates; or 4) other persons. The foregoing, and other non-specified, investment examples may involve risks not inherent in other types of investment vehicles, including, for example, the possibility that such entities may become insolvent and bankrupt, have economic or business interests or goals inconsistent with those of the client or otherwise be in a position to take action inconsistent or potentially competing with the client's objectives, desires or policies. In addition, Encore may rely upon the abilities, services or management expertise of an asset servicer or an investment partner. Encore may encounter challenges or resistance to disposing of an interest in an asset that is subject to a servicing contract or a joint venture transaction. A joint venture investment agreement may grant partners veto powers with respect to major decisions concerning management or disposition of an investment, which could increase the risk of deadlocks that may adversely affect investment liquidity, values and returns.

**Litigation at the Property Level:** The acquisition, ownership and disposition of real properties carry certain specific litigation risks, which could result in losses to clients.

Litigation may be commenced with respect to a property acquired by a client in relation to activities that took place prior to the client's acquisition of such property. In addition, at the time of disposition for an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or statutory damages for misrepresentation relating to disclosures made, if such buyer is passed over in favor of another as part of Encore's efforts to maximize sale proceeds. Similarly, successful buyers may later bring suit under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in their purchase due diligence.

## Item 9: Disciplinary Information

### A. Criminal or Civil Proceedings

None to report.

### B. Administrative Proceedings Before Regulatory Authorities

None to report.

C. Self-Regulatory Organization (SRO) Proceedings

None to report.

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

A. Broker-Dealer Registration Status

Anthony Avila is an indirect owner of Builder Advisor Group, LLC, a registered broker dealer that was established to provide merger and acquisition advisory services to Public and Private Corporations. Builder Advisor Group, LLC advises companies on strategic acquisitions and dispositions and also helps companies raise capital through investments from private equity sources. Builder Advisor Group, LLC also helps private equity firms invest in the homebuilding sector.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Advisor Registration Status

Not applicable.

C. Material Relationships or Arrangements with Related Industry Participants

The following entities are related persons of Encore and are directly or indirectly paid the compensation described herein.

D. Material Conflicts of Interest Relating to Other Investment Advisors

Anthony Avila and Art Falcone are co-founders and managing principals of Encore Housing Opportunity Fund, currently Encore's sole client.

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

A. Code of Ethics and Personal Trading

Encore maintains a Code of Ethics that describes firm policies and procedures and how Encore conducts business with its clients. Encore clients depend on the firm to be trustworthy, honest and loyal to their interests as provided in Encore's agreements with them and disclosures in the Encore form ADV. Clients expect Encore to protect the confidentiality of their personal and financial information and to provide timely and professional advice in accordance with Encore agreements. Each IAR will receive a copy of the Code and must acknowledge compliance with it. Each Investment Advisory Representative (IAR) is expected to strive to act at all time in accordance with fundamental principles of openness, integrity, and honesty. This is in addition to the legal obligations that Encore and its IARs all have to adhere to applicable federal securities laws including the rules and regulations adopted under the Investment Advisers Act.

Encore does not generally recommend to clients, or buys or sells for client accounts, securities in which Encore or a related person has a material financial interest, including acting as a General Partner in a partnership in which Encore solicits client investments; or Encore or a related person acts as an investment adviser to an investment company that Encore recommends to clients.

## **Item 12: Investment Discretion**

### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

Due to the nature of Encore's business, Encore does not anticipate engaging in general securities trading activities.

### **B. Research and Other Soft Dollar Benefits**

A "soft dollar" arrangement is an arrangement whereby an investment adviser directs client brokerage, or pays higher commissions, to a particular broker-dealer in return for research or other services from such broker-dealer. Encore does not engage in soft dollar transactions.

### **C. Brokerage for Client Referrals**

Neither Encore nor any related person receives client referrals from a broker-dealer or third party.

### **D. Directed Brokerage**

It is Encore's policy to not enter into directed brokerage arrangements.

### **E. Order Aggregation**

While unlikely to occur due to the nature of Encore's business, it is the Firm's policy not to aggregate orders.

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

### **A. Frequency and Nature of Review of Client Accounts.**

Encore will review client accounts as transactions occur. Reports will be prepared for clients by the General Partner on a periodic basis. No additional reports will be prepared by Encore unless requested by the client.

### **B. Factors Prompting Review of Client Accounts Other than on Period Review**

The client's operating documents generally require its investments to be reported at fair market value ("FMV"). Because values on substantially all of Encore's investments are not available on publically traded exchanges, valuations can be performed internally at other than quarterly intervals by Encore's staff, or by an independent third-party appraiser quarterly or annually, as and when required by the operating documents, or on an as-needed basis. It is Encore's policy for investments acquired during a quarter to report that investment's FMV at cost. Encore has adopted a valuation policy to maintain

consistency in the valuation of investments in and across client accounts in accordance with each client's operating documents, and policies and procedures to qualify third party appraisers and other professionals involved in its valuation process.

C. Content and Frequency of Account Reports to Clients

The Fund prepares quarterly reports for its investors. No additional reports are prepared by Encore unless requested by the client.

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

A. Economic Benefits for Providing Services to Clients

Not applicable.

B. Compensation to Non-Supervised Persons for Client Referrals

Encore does not engage solicitors or pay related or non-related persons or companies for referring clients to the firm.

## **Item 15: Custody**

Encore does not have actual custody of client accounts or assets however Encore does have discretion to make investments on behalf of client. The Fund's cash and securities are held by an independent qualified custodian. The name and contact information of the Fund's custodian is contained in the Fund's Private Placement Memorandum.

## **Item 16: Investment Discretion**

Generally Encore has complete discretion to make all investment decisions for its clients, subject to any applicable investment criteria or other restrictions and limitations set forth in the operating documents.

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

Encore does not vote proxies on behalf of clients.

## **Item 18: Financial Information**

As a registered investment adviser, Encore is required in this Item to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients. Encore is not aware of any financial condition that will impair its ability to meet contractual commitments to its clients. Encore has not been the subject of a bankruptcy petition.

**Item 19: Requirements for State-Registered Advisers**

Not applicable.