

Item 1 – Cover Page

E|S|S

Fund Management, LLC

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This brochure provides information about the qualifications and business practices of ESS Fund Management, LLC. If you have any questions about the contents of this brochure, please contact us at 203-303-7299 and / or eric@esscapital.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.

Additional information about ESS Fund Management, LLC also is available at the SEC's website www.adviserinfo.sec.gov (click on the link, select "investment adviser firm" and type in our firm name). Results will provide you both Part 1 and 2 of our Form ADV.

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an investment adviser does not imply any level of skill or training.

Item 2 – Material Changes

No material changes have been made since the last annual update in February 2012.

Item 3 – Table of Contents

Item 4 – Our Advisory Business

THE FIRM

ESS Fund Management, LLC was founded in 2010 by Eric S. Stein, the firm's majority owner.

INVESTMENT SERVICES

We provide investment management services to a private pooled investment fund and private managed accounts, utilizing a multi-strategy, long-short investment platform focused primarily on investing in equity and debt securities.

Our objective is to achieve above average annual returns in any market environment while preserving capital during adverse market conditions. We seek to achieve this objective by investing long and selling-short equity and debt securities. However, we may also invest in commodities and derivative securities, including credit default swaps, interest rate swaps, convertible securities, options, warrants and futures.

Our strategy involves the integration of:

- (1) Primary Research and Valuation Analysis;
- (2) Opportunistic Short-Term Trading; and
- (3) Disciplined Risk Management.

We believe that combining the foregoing three techniques will produce above average annual risk-adjusted returns while providing above average capital protection.

In the case of our private investment fund client, while our portfolio manager strictly adheres to the investment strategy set forth in the fund's Private Placement Memorandum, our investment strategy is not tailored to the individual needs of the fund's investors and neither the fund nor its investors may impose restrictions on investing in certain securities or types of securities. For our separately managed accounts, our advice largely mirrors that provided to the fund; we do not tailor our advice to the individual needs of clients. Clients in accounts we manage may not impose restrictions on investing in certain securities or types of securities.

WRAP FEE PROGRAMS:

We do not participate in wrap fee programs.

ASSETS UNDER MANAGEMENT:

The amount of client assets that we manage on a discretionary basis, as of February 28, 2013, is \$39,451,734. We do not manage any client assets on a non-discretionary basis.

Item 5 – Fees and Compensation

SEPARATELY MANAGED ACCOUNTS:

We provide investment advisory services to institutional and high net worth investors through separately managed accounts. Fees for separately managed accounts that utilize our equity strategies are negotiable and generally are based upon a percentage of assets under management and performance. We reserve the right to negotiate all fees. Some clients may pay more or less than others depending on certain factors, including but not limited to, the type and size of the account. The fees that we charge for investment advisory services are negotiated in written agreements between the firm and our clients.

Currently, we provide investment advice only to managed accounts opened by the principal's family members. We generally waive fees for the principal's family members. However, the principal receives an annual flat amount consulting fee from one of these managed accounts, which is paid on or about the 15th day of each calendar month. Because clients may only terminate their agreement with us at the end of a month, they will not pay a management fee in excess of what they owe. Therefore, there will be no opportunities to refund management fees. We do not deduct any fees from managed account clients.

PRIVATE INVESTMENT FUND:

Our firm, or an affiliate of our firm, receives compensation from our private investment fund client based on both the percentage of assets we manage and on performance achieved for the client's account. We structure our performance-based compensation as profit-sharing allocations through general partner interests that our affiliate holds in the fund. For investors in our private investment fund client, our fees are not negotiable, except under certain limited circumstances.

ESS Capital Management L.P.

Management Fee: 1.5% annually of each investor's capital account balance.

Performance Allocation: 20% annually of the fund's net realized and unrealized profits for the year, subject to a "high water mark." A "high water mark" ensures that we only receive performance compensation when an investor's account value for the year has recovered any losses from prior years.

If an investor's capital account incurs a loss after a performance allocation has been made, the performance allocation will not be rebated and the fund's general partner (our affiliate) will retain the payment, but no further performance allocation will be made in subsequent years until the capital account has reached a new "high water mark" as described above. If an investor makes a withdrawal at a time when its capital account balance is below its historic "high water mark" level, the level is ratably reduced to reflect such withdrawal.

The performance allocation is generally calculated and charged to each investor's capital account at the end of each fiscal year. A performance allocation is also calculated and charged (i) with respect to any investor permitted or required to withdraw or transfer all or a portion of such investor's interest in the fund, and (ii) with respect to an investor making a partial withdrawal or transfer of such investor's capital account, as of any time other than the close of a calendar year on the basis of net profits allocated to such

capital account through the withdrawal or transfer date (but only with respect to the amount withdrawn or transferred on a pro rata basis in the event of a partial withdrawal or transfer).

We deduct the asset-based management fee from the fund's account quarterly in advance. We may deduct our performance-based compensation from the fund's account at the end of each year, or whenever an investor in the fund is making a withdrawal, but only on the withdrawn amount. Alternatively, we may retain our performance based compensation in the fund as an investment.

As explained above, the asset-based management fee that we charge our private investment fund client is payable at the beginning of each quarter. Because the investors in the fund can only withdraw money from the fund on the last trading day of a calendar quarter, they will not pay a management fee in excess of what they owe. In the event of a mid-quarter withdrawal required by the fund, a pro-rated amount of management fees will be returned to the withdrawing investor.

OTHER FEES AND EXPENSES:

All clients may incur the following expenses:

- expenses related to researching and executing investment transactions and positions, including brokerage commissions (including mark-up/mark-downs on securities transactions) and custody charges, other transaction fees, interest and commitment fees on loans and debit balances,
- certain taxes,
- accounting, audit and legal expenses,
- investment-related travel expenses, and
- insurance expenses.

Investors in our fund client may also incur costs related to the offering of interests and placement of interests with new investors.

(Item 12 provides additional information on our brokerage practices.)

ADDITIONAL COMPENSATION:

Neither our firm nor our employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

Our firm (or one of our affiliates) receives performance-based compensation from our private investment fund client of 20% of the fund's net profits each year (subject to certain adjustments described in Section 2). Currently, we do not receive performance-based compensation from our managed account clients. We do not believe that our managed account clients are subject to a risk that we will favor the our fund client on the basis of its fees because the fund and the managed accounts generally invest in the same long and short investments in relative proportions according to exposure targets. For additional information on

trade allocation among the fund and our managed account clients see “Trade Allocation and Aggregation Procedures” in Item 12.

Item 7 – Types of Clients

We provide services to a number of clients:

- High Net Worth Investors
- Institutional Investors
- Pooled Private Investment Fund

SEPARATELY MANAGED ACCOUNTS

To open a separately managed account, we generally require an initial minimum investment of \$1,000,000, subject to our discretion to accept lesser amounts.

PRIVATE INVESTMENT FUND

We generally require an initial minimum investment of \$500,000.

To comply with Securities and Exchange Commission regulation, we require that U.S. investors in our fund client qualify as both accredited investors and qualified purchasers. Accredited investors are generally (i) individuals with \$1,000,000 of net worth (excluding their primary residence) or who have made \$200,000 in each of the two previous years (or \$300,000 joint income with one’s spouse) or (ii) entities with assets totaling over \$5,000,000. Qualified purchasers are generally individual investors or certain family-owned entities with over \$5,000,000 in investments or entities with over \$25,000,000 in investments.

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

Primary Research and Valuation Analysis.

In managing our clients’ assets, we conduct quantitative and qualitative analysis on publicly traded securities. The emphasis is on developing an accurate contrary perception of the future prospects of an industry or a company and its securities. A contrary view of an industry or company is achieved when we are able to refine our assumptions to the point at which they differ greatly from a general consensus regarding an industry or a company’s future earnings. We originate the inputs to reach differing assumptions from exhaustive, mostly first-hand, information derived from a large and diverse group of contacts and public and private information sources that are permitted to provide us information under U.S. securities laws. These inputs are used to drive proprietary models of a company’s estimated future earnings. Upon reaching an independent valuation, we may attempt to determine catalysts that will cause the security’s price to move towards its intrinsic value in the upcoming one to twelve-month period.

Investments are chosen from a variety of industries and market capitalizations. Our sources of ideas include our specialized knowledge of various sectors of the market, as well as industry contacts that are permitted to provide us information under U.S. securities laws and proprietary screens of securities databases. The common theme in our investments is the independent development of a perception of value that is accurate and distinct from the consensus.

Opportunistic Short-term Trading.

Once a valuation is determined and a position is established, we will seek to take advantage of short-term fluctuations in the security's price to add to and reduce positions. The objective of our opportunistic short-term trading is to add to returns and manage risk.

Disciplined Risk Management.

We attempt to manage risk by simultaneously maintaining both long and short positions to help mitigate market fluctuations. We typically limit both our use of leverage and options on behalf of our clients.

INVESTMENT TECHNIQUES

Consistent with the foregoing investment strategy and process, clients' portfolios will consist of equity and debt securities and may consist from time to time of varying combinations of long and short positions. There are no predetermined limits on the relative amount of capital that may be invested long or short or in equity or debt securities.

The relative level of long and short positions depends upon our evaluation of the relative attractiveness of investment opportunities, our perception of general market conditions, and other factors.

We may also employ investment techniques involving instruments in lieu of equity and debt securities, such as commodities and derivative securities, including credit default swaps, interest rate swaps, convertible securities, options, warrants and futures, which may afford more favorable risk/reward relationships. We may utilize leverage through margin borrowing to the extent we believe appropriate.

In addition to purchasing securities that we believe to be undervalued, we may also sell securities short. This technique involves the sale of securities not owned by our clients in the expectation of being able to repurchase the same securities at a lower price at a later date. To make delivery, we must borrow securities for our clients. All rights of ownership remain with the lender and we are responsible to the lender for dividends or other distributions during the time that the securities are borrowed.

Cash is realized by the selling broker as a result of the short sale and in some instances our clients may receive a negotiated portion of the interest on these funds. The clients will incur a loss on such a position if the price of the securities involved increases between the date of the short sale and the date on which we "cover" our position by purchasing the securities to replace those borrowed. Our clients will realize a gain if the securities decline in price between those dates.

We may engage in various types of options transactions, including hedging, by investing in options on securities and the writing (selling) of options, which may be covered or uncovered. We may also utilize

certain options, such as various types of index or “market basket” options, in an effort to hedge against certain market-related risks, as we deem appropriate. We may also borrow in order to enhance the clients’ investment leverage, and there are no restrictions on our capacity to borrow on clients’ behalf other than limitations imposed by lenders and any applicable credit regulations. To the extent that we use leverage, clients’ assets tend to increase or decrease at a greater rate than if borrowed money is not used. Loans generally may be obtained from securities brokers and dealers or from other financial institutions; such loans will be secured by securities or other assets of our clients pledged to such brokers or financial institutions.

RISK OF LOSS:

All investments in securities include a risk of loss of principal (invested amount) and any profits that have not been realized (the securities were not sold to “lock in” the profit). Stock and bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that may be out of our control. We cannot guarantee any level of performance or guarantee against loss in connection with our investment advisory services. Investing in securities involves the risk of loss. Our clients and investors in our fund client must bear this risk.

Below is a summary of certain risks that may impact our clients’ investments, or an investment our fund.

Debt Securities

As noted above, we may invest in debt securities. Investment in debt securities involves both interest rate and credit risk. Generally, the value of debt instruments rises and falls inversely with fluctuations in interest rates. As interest rates decline, the value of debt securities generally increases. Conversely, rising interest rates tend to cause the value of debt securities to decrease. Bonds with longer maturities generally are more volatile than bonds with shorter maturities. To the extent that interest rates move in a direction contrary to the direction we anticipated, the overall investment performance of our clients will be affected. The market value of debt securities also varies according to the relative financial condition of the issuer. In general, lower-quality bonds offer higher yields due to the increased risk that the issuer will be unable to meet its obligations on interest or principal payments at the time called for by the debt instrument.

Foreign Securities

We may invest in securities of listed companies domiciled or operating in one or more non-U.S. countries. Investing in non-U.S. securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of local tax laws (e.g., the imposition of withholding taxes on dividend or interest payments) or confiscatory taxation may also affect investment in non-U.S. securities. Higher expenses may result from investment in non-U.S. securities than from a similar investment in domestic securities because of the costs that must

be incurred in connection with conversions between various currencies and brokerage commissions that may be higher than the United States. Non-U.S. securities markets also may be less liquid, more volatile and less subject to governmental supervision than in the United States. Such investments could be affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

Currency Risks

Investments that are denominated in currencies other than the U.S. dollar are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. We may seek to hedge these risks by investing in currencies, but there can be no assurance that such strategies will be effective.

Portfolio Turnover

Our clients' annual portfolio turnover rate may vary, depending on market conditions. Accordingly, our clients' annual portfolio turnover rate could be as high as several hundred percent a year or higher (an annual portfolio turnover rate of 100% would occur, for example, if all of the stock in a client's portfolio were replaced in a period of one year). Our clients have not placed any limit on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in our opinion, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses, such as brokerage commissions, than a lower rate. Tax consequences of specific transactions and holding periods will be balanced against each investment opportunity in an attempt to lessen, but not minimize, capital gains tax.

Market Risks

The profitability of a significant portion of our investments depends to a great extent upon our ability to correctly assess the future course of price movements of specific securities and other investments. There can be no assurance that we will be able to predict accurately these price movements. At times, the securities markets experience great volatility and unpredictability. The clients' portfolios will include a combination of long positions and short positions which we generally expect should cause the portfolios not to be fully correlated with the overall market direction of securities in the markets in which they are sold. Nevertheless, to the extent that the portfolio may from time to time reflect a net long or net short bias, there may be some positive or negative correlation between the performance of the portfolio and the direction of the market. To that degree market direction will not necessarily be a "neutral" factor with respect to our clients' performance.

Sector Specific Risks

The success of issuers in the sectors in which we may invest is subject to all risk factors generally affecting their respective industries. Such risk factors include, among others, increasingly intense competition, rapid changes in technology, and significant capital requirements. The increased proliferation of issuers entering these industries and the trend toward business combinations and alliances

contribute to the highly competitive atmosphere of these industries. Existing and potential competitors of the issuers in which we expect to invest may have financial, personnel and other resources significantly greater than those of such issuers. Rapid and significant changes in technology relating to evolving industry standards and frequent new product and service introductions create significant business risks for market participants, including those issuers in which we may invest. Moreover, competition can result in significant downward pressure on pricing.

There can be no assurance that issuers in which we invest will successfully penetrate their markets or establish or maintain competitive advantages. In addition, local and international legislation and regulation could have significant effects on operations of issuers in which we may invest. Certain of the industries in which we may invest may be subject to extensive local government regulation and may therefore be affected by government regulatory requirements, patent protection considerations, product liability concerns, and similar significant matters. As these factors impact the industry, the value of the clients' investments may fluctuate significantly over relatively short periods of time. The issuers in which we may invest may have relatively small market capitalizations and trading volumes may be low. Liquidity issues, together with adverse developments, either industry or issuer specific, may significantly impact share prices.

High Growth Industry Related Risks

Certain of the high growth issuers in which we may invest may allocate, or may have allocated, greater than usual amounts to research and product development. The securities of such issuers may experience above-average price movements associated with the perceived prospects of success of the research and development programs. In addition, issuers in which we invest could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these issuers may have limited operating histories. As a result, they may face undeveloped or limited markets, have limited products, have limited access to capital and/or be in the developmental stages of their businesses.

The markets in which many high growth issuers operate are extremely competitive. New technologies and improved products and services are continually being developed, rendering older technologies, products and services obsolete. Moreover, competition can result in significant downward pressure on pricing. There can be no assurance that issuers in which we invest will successfully penetrate their markets or establish or maintain competitive advantages.

High Yield Securities

"High yield" bonds and preferred securities that are rated in the lower rating categories by the various credit rating agencies (or comparable non-rated securities) are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions.

Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinly traded 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.

Small and Medium Capitalization Stocks

Our clients have or may in the future have investments in small- to medium-sized issuers of a less seasoned nature whose securities are traded in the over-the-counter market. These securities often involve significantly greater risks than the securities of larger, better-known issuers. In addition to being subject to the general market risk that common stock prices may decline over short or even extended periods, we will invest in securities of issuers that are not well-known to the investing public and may not have significant institutional ownership. The securities of such issuers may be more volatile in price and have lower trading volumes than the securities of larger capitalization stocks included in the S&P 500 Index.

Special Situations

Special situation investing involves companies whose securities are expected to increase in value due to a particular external or internal development. The particular developments range from a re-evaluation of companies' securities by the investment community to such specific events as management, regulatory or legal change; or a spin-off, reorganization, recapitalization, liquidation or bankruptcy. There is risk of loss if anticipated developments fail to occur or if market conditions change. For example, if we purchase securities in anticipation of a reorganization, and if a reorganization does not in fact occur, we may be required to sell the securities at a loss. Moreover, a substantial period of time may elapse between our purchase of the securities and the occurrence of the anticipated reorganization or valuation change. During this period, a portion of our clients' assets would be committed to the securities purchased.

Issuers are also subject to proxy contests in which dissident shareholder groups seek to change management or to effect extraordinary corporate transactions, such as a sale, liquidation or reorganization of the issuer. When such proxy contests are commenced, we will make a determination of the probability as to whether the dissident shareholder group will defeat current management. If we believe that it is likely that current management will be defeated and that the new management of the issuer will be able to improve the issuer's performance or effect a sale or liquidation of the issuer, we may invest in securities of the issuer in the expectation that the price of the issuer's securities will increase to a price above that paid for the securities by our clients. If the current management of the issuer is not defeated or if new management is unable to improve performance or sell or liquidate the issuer, the market price of the issuer's securities will often fall to a price below that paid for the securities by our clients, causing losses. In addition, even upon the successful completion of a proxy contest, the market price of the issuer's securities may not rise to a price above that paid for the securities by our clients.

Distressed Securities and Claims

We may acquire interests in securities, debt instruments and other obligations of issuers that are experiencing or may experience significant financial or business difficulties. Investments in the debt or equity of companies involved in reorganization proceedings typically entail a number of risks that do not normally apply to investments in financially sound companies. For example, if our evaluation of the anticipated outcome of a reorganization or the timing of such outcome should prove incorrect, losses may be incurred. A wide variety of considerations make any evaluation of the outcome of an investment in such an issuer uncertain. Such considerations include, for example, the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations which limit our access to reliable and timely information concerning material developments affecting an issuer, or which cause lengthy delays in the completion of a reorganization or liquidation proceeding. Competition from other investors may also render it difficult or impossible for us to achieve intended results or promptly effect transactions.

Counterparty and Settlement Risk

To the extent we invest in swaps, derivative or synthetic instruments, other over-the-counter transactions or in certain foreign securities that are not subject to clearing requirements, we may take a credit risk with regard to parties with whom we trade and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of our clients and hence our clients should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this and there may be practical or time problems associated with enforcing our clients' rights to their assets in the case of an insolvency of any such party.

Use of Over-the-Counter Derivatives

We may make use of derivatives, such as warrants, options, convertible securities and swaps in our investment program. The use of derivative instruments entails a variety of material risks reflecting the often extremely high degree of leverage embedded in such instruments and limited liquidity.

Derivative products are highly specialized instruments that require investment techniques and risk analyses different from those associated with other types of securities or obligations, and therefore also present certain operational risks.

Over-the-counter derivative transactions include privately negotiated principal-to-principal transactions in which performance is the responsibility of the individual counterparty and not an organized exchange or clearinghouse. The risk of nonperformance by the counterparty on such transactions may be greater

than with exchange-traded instruments, and the ease with which we can dispose of or enter into offsetting positions with respect to such transactions may be less than in the case of exchange-traded instruments. Such transactions are also not subject to the same type of government regulation as exchange-traded instruments, and therefore many of the protections afforded to participants in a regulated environment may not be available.

Other risks include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates, indices or other derivatives. Many derivatives, in particular privately negotiated derivatives, are complex and are, by their nature, valued subjectively. Incorrect or improper valuations can result in increased payments to counterparties or a loss of value to an investor. In addition, because we are compensated on an incentive basis (which takes account of unrealized gains), incorrect or improper valuations may affect the amount of such compensation. The pricing relationship between derivatives and the underlying assets, rates or indices on which they are based may not conform to anticipated or historical correlation patterns, resulting in unanticipated losses.

We may invest in certain senior secured and unsecured debt obligations by entering into total rate of return swap transactions on such obligations. Under these transactions, our clients' interest in the obligation will be limited to the economic benefit of the obligation underlying the swap transaction, and our clients will not have any ownership interest in such obligation. In addition, our clients generally will not have the right to enforce any right of the lender against the borrower under the loan documentation, nor will our clients have the ability to force the swap counterparty to exercise its rights, if any, in respect of the underlying loan.

Credit Default Swap Agreements

The "buyer" in a credit default contract is obligated to pay the "seller" a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event means bankruptcy, failure to pay, obligation acceleration or modified restructuring. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the "par value" (full notional value) of the reference obligation. The contingent payment may be a cash settlement or by physical delivery of the reference obligation in return for payment of the face amount of the obligation. Our clients may be either the buyer or seller in the transaction. If our client is a buyer and no credit event occurs, our client may lose its investment and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. As a seller, our client receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligation.

Credit default swaps involve greater risks than if we had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. A buyer also may lose its investment and recover nothing should a credit event not occur. If a credit event did occur, the value of the reference obligation received by the seller, coupled with the periodic payments

previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to our clients.

Interest Rate Transactions (Swaps, Caps and Floors)

We may enter into interest rate swap, cap or floor transactions for speculative or hedging purposes. Interest rate swaps involve the exchange by us on behalf of a client with another party of their respective commitments to pay or receive interest (e.g., an exchange of floating rate payments for fixed rate payments) computed based on a contractually-based principal (or “notional”) amount. Interest rate swaps are entered into on a net basis (i.e., the two payment streams are netted out, with our client receiving or paying, as the case may be, only the net amount of the two payments).

Interest rate caps and floors are similar to options in that the purchase of an interest rate cap or floor entitles the purchaser, to the extent that a specified index exceeds (in the case of a cap) or falls below (in the case of a floor) a predetermined interest rate, to receive payments of interest on a notional amount from the party selling the interest rate cap or floor.

Short Sales

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on our clients’ portfolios. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There is the risk that our client must return the securities it borrows, in connection with a short sale, to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and we may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. Shorting is an inherent part of our investment strategy, and will be used for investment, speculative and hedging purposes. Gains and losses on short sales are generally treated by clients as short-term gains and short-term losses for tax purposes.

Reliance on Corporate Management and Financial Reporting

Our strategies often rely on the financial information made available (on a non-confidential basis) by the issuers of securities in which we invest. Recent events in the United States and around the world have demonstrated the material losses that investors such as our clients can incur as a result of corporate mismanagement, fraud and accounting irregularities by the issuers of such securities.

Repurchase Agreements.

A repurchase agreement is, in effect, a loan by a client secured by collateral posted by the borrower. In a repurchase agreement, our client will purchase a security and simultaneously agree to resell it to the seller at a future date. The resale price is greater than the purchase price reflecting the interest being paid to the client on the loaned funds. In the event a seller defaulted on its repurchase obligation, the client may suffer a loss of the proceeds from the sale if the collateral is less than the repurchase obligation.

The rate of interest earned by the client on a repurchase agreement may be below the rate of interest at which the client may borrow funds for an equivalent period of time.

Reverse Repurchase Agreements

We may enter into reverse repurchase agreements that will involve certain risks. In reverse repurchase agreements, clients sell securities and agree to repurchase such securities on demand or on a specified future date and at a specified price. Reverse repurchase agreements involve the risk that the buyer of the securities sold by the client might be unable to deliver them when the client seeks to repurchase such securities. If the buyer of the securities under the reverse repurchase agreement becomes insolvent or files for bankruptcy, the buyer or a trustee or receiver may receive an extension of time to determine whether to enforce the client's obligation to repurchase the securities, and the client's use of the proceeds payable to it in connection with the reverse repurchase agreement may be effectively restricted pending such determination.

Hedging Risk

Hedging transactions in which we may engage include buying or selling options or futures or entering into contracts, swaps or other derivatives transactions particularly with respect to foreign currencies. Hedging transactions can be expensive and have risks, including the imperfect correlation between the value of such instruments and the underlying assets and the possible default of the other party to the transaction or illiquidity of the derivative instruments. Thus, the use of hedging transactions may result in losses greater than if they had not been used, may require us to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the clients can realize on an investment, or may cause us to hold a security that we might otherwise sell.

Futures Contracts and Futures Options

We may trade futures and futures options provided that we have obtained any necessary registrations or are exempt therefrom. The prices of such contracts are highly volatile. Because of the low margin deposits normally required in futures trading, a high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Commodity exchanges limit fluctuations in futures contract prices during a single day. During a single trading day, trades may not be executed at prices beyond the "daily limit." Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither taken nor liquidated unless managers are willing to effect trades at or within the limit.

Dependence on Management

All decisions with respect to the management of our clients made exclusively by our firm and our affiliate, both of which are wholly-owned and managed by Eric Stein. Accordingly, our clients' success is entirely dependent on the skill and experience of Mr. Stein.

Risks of Particular Investments

Our investments on behalf of clients will be subject to all of the risks attendant to any investment in equity securities. In addition to the factors discussed elsewhere, investments may decline in value for any number of reasons over which we may have no control, including changes in the overall market for equity securities and factors pertaining to particular portfolio securities, such as management, the market for the issuer's products or services, sources of supply, scientific or technological changes within the issuer's industry, the availability of additional capital and labor and other similar conditions.

Some of the companies in which we invest may be relatively small, lesser known and/or unseasoned companies. Although many such companies may offer greater growth potential than larger, more mature, better-known companies, investing in the securities of such companies also involves greater risk and the possibility of greater portfolio price volatility.

Securities Markets Generally

Equity securities of smaller issuers may be less liquid and are generally subject to greater price volatility than securities of more broad-based, diversified companies. The markets for securities of some issuers have substantially less volume than the market for other securities. The markets for securities in certain companies may also be in early stages of their development. Even the markets for relatively widely traded securities may not be able to absorb, without price disruptions, a significant increase in trading volume or trades of a size customarily undertaken by institutional investors in the securities markets.

Accordingly, such markets may be more susceptible to the adverse effects of events generally affecting the market, and by trades of significant blocks of securities, than is usual for similar securities of more diversified companies. The less liquid the market, the more difficult it may be for us to accurately price portfolio securities or to dispose of such securities at the times we determine to be appropriate.

Short Term Trading

We may engage in short term trading. The risks of short term trading include a high portfolio turnover rate involving larger brokerage commission expenses that must be borne directly by the clients and will result in a corresponding economic benefit to the clients' brokers, which may execute a majority of the clients' trades. Short term trading also generates short term capital gains. Clients (or investors in the fund) are taxed on their share of these gains, regardless of whether they are distributed.

Investment Selection

We frequently select investments on the basis of information and data made directly available to us by the issuers of the securities and other instruments or through sources other than the issuers, in addition to registration filings with regulatory bodies. Although we evaluate all such information and data and seek independent corroboration when we deem appropriate and when such information or corroboration is reasonably available, we are not always in a position to confirm the completeness, genuineness or accuracy of such information and data.

No Control over Portfolio Issuers

We may from time to time acquire substantial positions in the securities of particular companies. Nevertheless, our clients are not likely to obtain representation on the board of directors or any control over the management of any company in which the clients invest and the success of each investment depends on the ability and success of the management of the portfolio issuers in addition to economic and market factors.

The specific investment risks affecting our fund are typically disclosed in a private placement memorandum and/or investment management agreement delivered to investors prior to subscription. For a more complete discussion of risks, please consult the private placement memorandum, investment management agreement, or other disclosure document provided in connection with your investment.

Item 9 – Disciplinary Information

Neither our firm, nor any of our directors, officers or principals has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court.

Neither our firm, nor any of our directors, officers or principals has been involved in any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our firm, nor any of our directors, officers or principals has been involved in any self-regulatory organization proceedings.

Item 10 – Other Financial Industry Activities & Affiliations

Neither our firm, nor any of our directors, officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of our directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or is an associated person of any of the above.

Relationship with Other Investment Adviser

Our firm's principal owner and portfolio manager, Eric Stein, remains employed by FSI Group, LLC ("FSI"). FSI is a registered investment adviser that manages over \$4 billion in publicly traded equity investments, private equity investments and fixed income securities issued primarily by financial institutions. Eric Stein serves as the Managing Director of FSI responsible for public and privately traded equity investments and strategy.

Our clients will not be entitled to participate in any investment opportunities or activities of FSI or any of its funds, affiliates, officers, owners, or directors, and will not benefit from FSI's research personnel or its information and administrative infrastructure. In addition, as an employee of FSI, Mr. Stein remains

subject to the internal policies and procedures of FSI, including its strict prohibition on the use of material non-public information. Mr. Stein and our clients will be subject to FSI's restricted list and preclearance trading requirements. While the activities of FSI are expected to remain focused on the financial services industry, as a result of Mr. Stein's employment our clients could become indefinitely restricted in their ability to acquire or liquidate certain securities.

Although Mr. Stein remains employed with FSI, he devotes the majority of his business time and efforts to our firm.

Relationships with Pooled Investment Vehicles

Our firm and our affiliate, ESS Capital Advisors, LLC, have sponsored a private investment fund that we manage. ESS Capital Advisors, LLC serves as the general partner to our fund client. Our fund client does not have independent management. Although this arrangement may give us heightened control and discretion over the fund, we manage any potential conflicts of interest by adhering to the investment strategy and investment allocation policy discussed in its Private Placement Memorandum. In addition, the fund's general partner (our affiliate) entered into the investment management arrangement with us on behalf of the fund. While this may be an interested party agreement, the material terms of the investment management arrangement are fully disclosed to all investors in the fund prior to their investment.

OTHER ACTIVITIES

We may engage in other business activities and manage the accounts of other clients, including, possibly, a companion fund formed in an offshore jurisdiction. We are not required to refrain from any other activity, to disgorge any profits from any such activity, whether as members or partners of additional investment funds or otherwise, or to devote all or any particular part of the time and effort of any of our partners, officers, directors or employees to our clients. We may provide services to, advise, sponsor and/or act as investment manager to investment vehicles and other persons or entities (including prospective investors in the fund) which may have similar structures and investment objectives and policies to those of our existing clients and which may compete with our existing clients for investment opportunities.

Our principal and employees will not be devoting their time exclusively to the management of our clients. We may engage in activities, including financial advisory activities that are independent from and may from time to time conflict with those of our clients. Significantly, our portfolio manager remains employed by FSI and may devote the majority of his business time to FSI or any additional venture(s) or employer(s). Therefore, we will have conflicts of interest in allocating time, services and functions among our clients and such other persons to which we provide services.

OTHER CLIENTS

Other accounts managed by: (i) us or our affiliates; (ii) FSI; or (iii) any affiliates of the foregoing (collectively, "Other Accounts") may hold or may acquire positions in portfolio companies in which our clients invest. Similarly, our clients may hold or acquire positions in which such Other Accounts hold investments. Such investments may be coincident or precede one another. Our clients may have divergent interests from such Other Accounts with respect to exit strategies from such portfolio

companies, restructuring the capital structure or business of such companies or other matters affecting our clients' investment in such companies. In addition, conflicts may arise due to the fact that such Other Accounts may invest in different levels of the capital structure of a portfolio company than our clients. Investment activity of the Other Accounts may cause us to become subject to legal or contractual restrictions on our ability to effect transactions for our clients, for example due to the receipt of non-public information, due to non-disclosure agreements or due to the existence of a control relationship between us and a portfolio company. We intend to manage any such situations, if any, in a manner consistent with their fiduciary responsibilities to our clients and Other Accounts, which may not necessarily be in the best interest of our clients.

Investment opportunities may come to our attention that would be suitable for both our clients and for Other Accounts. Pre-existing or subsequent contractual obligations of the portfolio manager or his employer, FSI, may restrict his ability to give an allocation of such investments to our clients. In the absence of such restrictions, we will attempt to allocate investment opportunities among our clients and the Other Accounts in a fair and equitable manner consistent with our duties to our clients and the Other Accounts. Investment decisions for our clients and Other Accounts are made with a view to achieving their respective investment objectives and after consideration of such factors as their current holdings, availability of cash for investment, and the size of their positions generally.

Purchase and sale orders for our clients may be combined with Other Accounts managed by us and our affiliates in the interest of obtaining the most favorable net results for our clients.

NON-PUBLIC INFORMATION

From time to time, we may come into possession of non-public information concerning specific companies. Under applicable securities laws, this may limit our flexibility to buy or sell portfolio securities issued by such companies. Our clients' investment flexibility may be constrained as a consequence of our inability to use such information for investment purposes. Alternatively, while not expected, we from time to time may decline to receive material non-public information which we are entitled to receive on behalf of our clients, in order to avoid trading restrictions for any of our clients, even though access to such information might have been advantageous to our clients and other market participants are in possession of such information. In addition, non-public information in the possession of personnel of FSI other than Mr. Stein may prevent our clients from trading in securities to which the information pertains.

We do not recommend or select other investment advisers for our clients.

Item 11 – Code of Ethics and Code of Conduct

As required by regulation, we have adopted a Code of Ethics and Code of Conduct (the Code) that governs and seeks to mitigate a number of potential conflicts of interest we have when providing advisory services. Our Code is designed to ensure we meet our fiduciary obligation to our clients; to drive home a culture of compliance within our firm; and to ensure that our firm and our employees adhere to the highest ethical standards.

Our Code is designed to detect and prevent violations of securities laws, including the obligations we owe to clients. In recognition of the fiduciary obligations we owe to our clients, the Code contains provisions designed to prevent improper personal trading, prevent the use of insider information in connection with the purchase and sale of securities, and identify and mitigate potential conflicts of interest.

Our Code is comprehensive, is distributed to each employee at the time of hire, and annually thereafter (or more frequently if there are changes).

Our Code includes the following:

- Requirements related to the confidentiality of client information;
- Prohibitions on:
 - Insider trading (if we are in possession of material, non-public information);
 - The acceptance of gifts and business entertainment that exceed our policy standards;
 - Engaging in outside business activities without prior approval;
 - Trading securities that are listed on an applicable Restricted List;
 - Seeking to influence adviser selection through political contributions (pay-to-play)
- Policies governing:
 - Reporting of gifts and business entertainment;
 - Maintaining records of employee personal securities transactions (including participation in any IPO or private placement);
 - Maintaining records of any employee of political contribution;
 - Maintain on an on-going and quarterly basis records of all personal securities holdings and transactions;
 - Recordkeeping requirements regarding the potential conflicts of interest in outside business activities and how to resolve such conflicts;
- On an annual basis, we require all employees to re-verify any account in which they have a beneficial ownership (they “own” the account or have “control” over the account), and virtually all securities (except open-end mutual funds) they own at that time; and
- Reporting (on an on-going basis and from time to time) of any personal or business relationships which may create a conflict of interest for the firm or our clients.

You may request a complete copy of our Code by contacting us at ESS Fund Management, LLC, 150 East 52nd St., 10th Floor New York, NY 10022 Attn: Eric S. Stein, 203-303-7299 / eric@esscapital.com. We will provide a copy of our Code to any client or prospective client upon request.

Employees of our firm do not recommend to clients, nor do they buy or sell for client accounts, securities in which they have a material financial interest.

We do not engage in, nor do we intend to engage in, principal transactions (buying securities from or selling securities to our clients). However, we would effect any principal transactions in accordance with Section 206(3) of the Investment Advisers Act of 1940, and provide written disclosure to the client for approval before completing any such transaction.

In the case of a principal transaction, we would seek execution consistent with our fiduciary obligations. If similar transactions are considered on behalf of one client that would be appropriate for other clients, at or about the same time, any such transactions would be allocated in a manner believed to be fair and equitable.

Our employees and related persons may invest in the same securities in which we have invested assets of our clients, but may purchase or sell such securities only after the clients' purchase or sale of such securities, as the case may be.

Item 12 – Brokerage Practices

In selecting brokers and negotiating commission rates, we will take into account the financial stability and reputation of brokerage firms, the brokerage, research and related services provided by such brokers and the referral of investors (consistent with best execution), although the clients may not, in any particular instance, be the direct or indirect beneficiary of the research or related services provided.

RESEARCH AND OTHER SOFT DOLLAR BENEFITS:

We are authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide us with investment and research information or to pay higher commissions to such firms if we determine such prices or commissions are reasonable in relation to the overall services provided. In selecting brokers or dealers to execute transactions, we are not required to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate "execution only" commission rates; thus our clients may be deemed to be paying for research and other services provided by the broker that are included in the commission rate. We may use research and related services obtained by the use of commissions arising from our clients' portfolio transactions in our other investment activities. Research and related services furnished by the custodian, prime broker or other brokers will be limited to services that fall within the "safe harbor" provided in Section 28(e) of the Securities Exchange Act of 1934, as amended. Accordingly, research and related services may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; statistical and pricing services utilized in the investment management process.

Receipt of research, products or services from brokers who execute client trades or other third party providers involves conflicts of interest. When we use client brokerage commissions to obtain research, products, or services, we receive a benefit because the firm does not have to produce or pay for the research, products or services. Consequently, we may have an incentive to select a broker based on our desire to receive research, products or services, rather than a desire to obtain most favorable execution, which is in the clients' best interest. Obtaining these benefits may cause our clients to pay higher fees than those charged by other broker-dealers. To the extent that we are able to acquire these products and

services without expending our own resources, our use of soft dollar benefits tends to increase our profitability.

We can use these research services and products in connection with our advisory services for any of our accounts, not necessarily for only the account that “paid” for them. For example, we might utilize research services that a broker-dealer provides for one of our funds in connection with our advisory services for other accounts and vice versa.

We currently do not have any soft dollar arrangements in place and did not obtain any products or services with client brokerage commissions within the last fiscal year.

BROKERAGE NOT SELECTED BASED UPON CLIENT REFERRALS:

If otherwise consistent with seeking best execution, and provided we are not selecting the broker in recognition of the opportunity to participate in capital introduction events or for client referrals, we may place transactions with a broker that:

- provides us with the opportunity to participate in capital introduction events sponsored by the broker; or
- refers clients to us or investors for our private fund client.

Because we have an obligation to obtain best execution for our clients, we have a potential conflict of interest when we receive client or investor referrals from registered representatives of brokerage firms, as such referrals may create an incentive for us to steer brokerage to those brokers. However, we select brokers using factors unrelated to client referrals, as discussed above.

To further mitigate this potential conflict of interest, we may refrain from using the referring broker on trades for that particular client and the clients (or investors in our fund) are provided and asked to execute a disclosure form that provides information regarding any referral fees we pay to such broker.

NO DIRECTED BROKERAGE:

Our firm does not recommend, request or require that a client, nor do we permit a client to, direct us to execute transactions through a specified broker-dealer.

TRADE ALLOCATION AND AGGREGATION PROCEDURES:

As a general policy, we seek to allocate the purchase and sale of securities among potentially eligible clients in a manner that is fair and equitable to all clients. We evaluate the appropriateness of the purchase or sale of particular securities for each client, taking into account all relevant factors, including;

- (i) restrictions placed on the account by the client, by agreements or by applicable law;
- (ii) the size of the account; and
- (iii) the nature and liquidity of the security to be allocated.

Although these factors may lead us to allocate securities to clients in varying amounts, we generally seek to allocate securities to clients using substantially similar investment strategies on a pro rata basis (based on account size).

We may allocate securities between our private fund client and those separately managed accounts with substantially similar investment criteria. We determine the appropriate allocation among all participating accounts prior to executing an order. The price at which a security was purchased or sold will be determined by calculating the average price of all executions for such security taken on all orders entered through the same broker on any given day, with transaction costs calculated into the purchase price. While trades for separately managed account clients are aggregated, the fund's trades are separately executed through the fund's custodian. Because all of the managed account clients are family members of the firm's principal owner, we execute trades on behalf of the fund prior to executing trades for the managed accounts in order to avoid any appearance of favoring the managed accounts.

We may participate in Initial Public Offerings ("IPOs"). We allocate such IPOs among those clients permitted to participate in IPOs where we believe that, based on the account's investment restrictions, risk profile, asset composition and cash levels, the IPO is an appropriate investment for such client. If the order for securities issued in an IPO is only partially filled, we allocate securities to the participating accounts on a pro rata basis, in accordance with the intended allocation, as determined by our portfolio managers based upon the factors we consider for any allocation. Exceptions may occur if the allocation would result in a client receiving only a de minimis amount of securities.

Trades for our managed account clients are aggregated. However, due to the way our accounts are set up for the fund and the managed accounts, we are unable to aggregate trades among the fund and the managed accounts. Ultimately, clients benefit when we aggregate trades because they get volume discounts on execution costs. The fund will not be able to take advantage of these volume discounts.

Item 13 – Review of Accounts

SEPARATELY MANAGED ACCOUNTS:

Separately managed accounts are monitored daily. Clients receive quarterly letters, monthly account value statements, and tax data annually.

PRIVATE INVESTMENT FUND:

Our private investment fund's portfolio is regularly monitored by our portfolio manager. The portfolio manager reviews and monitors the portfolio to ensure that we are complying with the client's investment strategy. Furthermore, the performance of each company in which we invest on the fund's behalf is reviewed not less than quarterly.

Investors in our fund receive quarterly letters, monthly account value statements, audited financial statements annually, and tax data annually.

Item 14 – Client Referrals and Other Compensation

Neither our firm nor any of our related persons is party to any arrangement where it is paid cash or receives some economic benefit (including equipment or non-research services) from a non-client in connection with giving advice to clients.

We currently have no such arrangements pursuant to which a registered broker may be compensated for referring clients or investors in our private fund client. Future arrangements may be established from time to time and could include an initial placement fee and trailer fees, which are based on management fees or performance fees that we earn.

Item 15 – Custody

While it is our firm's practice not to accept or maintain physical possession of any of our clients' assets, we are deemed to have custody of the fund's assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because we have the authority to access its funds and deduct fees and expenses from its account.

Private Investment Fund

In order to comply with Rule 206(4)-2, we utilize the services of a bank or qualified custodian (as defined under Rule 206(4)-2) to hold all assets of our private fund client. We also ensure that the qualified custodian maintains these funds in accounts that contain only the client's funds and securities. In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit the fund at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all investors the fund within 120 days after the end of the fiscal year. We also receive monthly and quarterly account statements on behalf of our fund client, which we compare with our own records.

Separately Managed Accounts

Our managed account clients establish their accounts with their own qualified custodian. These clients receive account statements at least quarterly directly from their qualified custodian. We urge our clients to carefully review the statements they receive from their qualified custodian and compare them with the monthly reports we send them. Please see Section 10: Review of Accounts for a more detailed explanation of the reports we send our clients.

Item 16 – Investment Discretion

We accept discretionary authority to manage our clients' assets. Unless otherwise agreed, we generally have the authority to determine directly or through our subsidiaries: (i) the securities to be purchased and sold (subject to any written investment objectives, policies, consents, and restrictions set forth in the offering memoranda, investment management agreement, or other related agreements); (ii) the amount of securities to be purchased or sold for each client's account; (iii) the broker to be used to effect a any securities transactions; and (iv) the commission rates to be paid in connection with securities transactions.

In all cases, we exercise discretion in a manner consistent with our clients' stated investment objectives and we observe the investment limitations and restrictions that are outlined in the investment management agreement.

Scope of Authority

Our firm accepts discretionary authority to manage our clients' securities accounts. Essentially, this means that we have the authority to determine, without obtaining specific client consent, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in our fund client's Private Placement Memorandum.

Procedures for Assuming Authority

Before accepting their subscriptions for interests in the fund, we provide all investors in our fund client with a Private Placement Memorandum and governing documents that set forth, in detail, our investment strategy and program and the terms of investment for investors. By completing our subscription documents to acquire an interest in the fund, investors give us complete authority to manage their investments in accordance with the Private Placement Memorandum and governing documents they each received.

Prior to providing investment advice to our separately managed account clients, we require each client to execute a power of attorney that appoints us as agent and attorney-in-fact of the portfolio that we manage.

Item 17 – Voting *Client* Securities (i.e., Proxy Voting)

We have adopted proxy voting policies and procedures that are designed to ensure that we vote proxies with respect to client securities in the best interests of our clients. These procedures require that we identify and address any conflicts of interest between the firm and our clients with respect to such proxies. If a material conflict of interest exists, we will determine whether voting in accordance with the guidelines set forth in the procedures is in the best interests of the client, or take some other appropriate action. Clients cannot direct our proxy votes. However, certain separately managed account clients have provided us with their own proxy voting guidelines.

We generally vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated). For all other proposals, we determine whether a proposal is in the best interests of our clients, in doing so we may consider all relevant factors, including: (i) whether the proposal was recommended by management and our opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

You may request a copy of our Proxy Voting Policy and Procedures and obtain information about how we voted your proxies by contacting Eric S. Stein (our Managing Member) at (203) 303-7299 / eric@esscapital.com.

Item 18 – Financial Information

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients.

Our firm has never been the subject of a bankruptcy petition.