



EJF Capital LLC

Firm Brochure

Form ADV, Part 2A

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This brochure provides information about the qualifications and business practices of EJF Capital LLC. If you have any questions about the contents of this brochure, please contact us at: 703.875.9121 or by email at: fwalker@ejfcap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), or by any state securities authority. Investment adviser registration does not imply a certain level of skill or training.

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

Item 2 – Material Changes

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Item 4 – Advisory Business

The Company

EJF is an investment advisory firm that started its investment advisory operations in September 2005. EJF's principal owner and Chief Executive Officer, Emanuel J. Friedman, owns approximately 56% of EJF, and Neal Wilson, EJF's Chief Operating Officer, owns approximately 18% of the Firm. Other associated individuals own approximately 26% of EJF. EJF has two affiliated entities that provide the Firm with research; one entity is located in London, United Kingdom and the second is located in Shenzhen, PRC. EJF also has a relying adviser in Houston, Texas.

Contact information for EJF's headquarters, its two research offices, and relying adviser are as follows:

EJF Capital LLC
2701 Wilson Boulevard, Suite 410
Arlington Virginia 22201

EJF Capital Ltd
50 Broadway, Suite 628
London, UK SW1H 0RG

EJF Shenzhen Investment Consulting Ltd,
Anlian Plaza Suite 18A04
4018 Jintian Road Futian District
Shenzhen, PRC 518026

Armadillo Financial Partners LLC
55 Waugh Drive
Suite 850
Houston, TX 77007

Advisory Services

EJF provides discretionary investment advisory services to hedge funds and private equity funds (collectively the "Funds"). EJF serves as the manager for the Funds and is responsible for the Funds' trading and other day to day activities. The following Funds are currently open to new investors: EJF Debt Opportunities Master Fund, L.P. ("Debt Opportunities"), a limited partnership formed in the Cayman Islands; EJF Debt Opportunities Master Fund II LP, ("Debt Opportunities II"), a limited liability company formed in the Cayman Islands; EJF Select Master Fund, SPC ("Select Fund"), an exempted segregated portfolio company formed in the Cayman Islands; EJF Greater China Master Fund, Ltd. ("China Fund"), a company with limited liability formed in the Cayman Islands; EJF Income Fund, LP ("Income Fund"); a limited partnership formed in Delaware; EJF Financial Services Fund, LP ("Financial Services"), a limited partnership formed in Delaware; EJF Financial Opportunities Master Fund, LP ("Financial Opportunities"), a limited partnership formed in the Cayman Islands, and EJF Specialty Finance Opportunities Fund, LP, a limited partnership formed in Delaware ("Specialty Finance"). In

addition to the Funds referenced above, EJP also manages a number of Funds that are currently closed to new investors.

Armadillo Financial Partners, LLC (“Armadillo”), a relying adviser on EJP’s Form ADV, serves as the manager for the Armadillo Financial Fund (“AFF”), a limited partnership formed in Delaware.

EJP may be subject to investment guidelines/restrictions with respect to the Funds. These investment guidelines/restrictions (if any) are described in each Fund’s offering documents and are monitored in EJP’s portfolio management system.

EJP also provides discretionary and non-discretionary investment advisory services to separately managed accounts (“SMAs”). With regard to discretionary SMAs, the advisory accounts are managed according to the client’s investment guidelines/restrictions as they appear in the client’s investment management agreement or a separate document reflecting investment guidelines/restrictions. Examples of guidelines/restrictions for an SMA client include a prohibition on the purchase of a particular security or a limit on the percentage of an SMA client’s assets which are invested in a particular asset class. SMA clients with discretionary accounts have the ability to place additional investment guidelines/restrictions or remove or modify existing investment guidelines/restrictions that are described in the investment management agreement. All changes to the investment guidelines/restrictions are reviewed with the SMA client and the product’s portfolio manager (or a designee) before they are implemented. The portfolio manager assigned to each SMA and EJP’s Chief Risk Officer (or a designee) is responsible for monitoring the account’s activity to ensure that EJP complies with the client’s instructions. To assist with this review, each SMA client’s investment guidelines/restrictions are placed in EJP’s portfolio management system, where the trading activity is compared to the client’s instructions.

With regard to non-discretionary SMAs, EJP must obtain approval from the client before the portfolio manager is allowed to place a trade in the client’s account.

To manage the Funds’ and the SMAs’ portfolios, EJP relies on investment research generated internally and research received from third-party broker-dealers (proprietary research). EJP’s portfolio managers for different products may share investment research and may have discussions regarding investment ideas. EJP does not offer for sale any proprietary investment research generated internally. However, the Firm may occasionally produce “white papers” which may be made available to certain existing and prospective clients or Fund investors.

The portfolios for Funds and SMAs managed by EJP may include but are not limited to investments (domestic and foreign) in common stock, preferred stock, investment grade and non-investment grade corporate bonds, and bonds issued by government-sponsored enterprises. Funds and SMA clients also may purchase U.S. Government and agency securities, convertible securities (including stocks and convertible corporate bonds), real estate investment trusts, private placement securities, private funds, triple net lease products, structured products, Troubled Assets Relief Program (“TARP”) securities (securities originally issued by banking institutions in connection with the U.S. Department of The Treasury (“Treasury”) bail-out

program), and futures (tangible and intangible). With regard to one Fund, the investment program includes providing general obligation loans to law firms participating in mass tort litigation or other similar litigation.

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

EJF has agreed to provide certain investors with documents containing detailed information about certain Funds on a monthly basis. EJF will provide such statements to investors in the Funds upon request, subject to such policies and conditions as may be established by EJF from time to time in its sole discretion. EJF may determine, in its sole discretion, to stop providing such statements at any time or to change the information contained in or the timing of such statements. Any investors that would like to receive such statements will be required to execute a confidentiality agreement in the form provided by EJF prior to receiving such statements.

Termination of SMA Agreement

An SMA client may terminate the investment management agreement at any time. The termination is effective after EJF receives a notice of termination. EJF may terminate an investment management agreement by notifying the SMA client in advance of the date of termination.

Regulatory Assets Under Management

As of December 31, 2013, EJF had approximately \$6,806,419,326 in regulatory assets under management, including \$6,674,648,105 in assets managed on a discretionary basis and \$131,771,221 in assets managed on a non-discretionary basis.

Item 5 – Fees and Compensation

Funds

As the investment adviser responsible for managing the Funds, EJF charges a maximum management fee of 2% based on the assets under management in a particular Fund. EJF may agree to charge certain Funds or certain Fund investors' management fees of less than 2% even if the assets are managed in a similar investment style. EJF may also decide to waive all or a portion of the Firm's negotiated management fee for a given period or for a particular client. For example, EJF may decide to negotiate its management fee because of a client's asset level in the portfolio or a client's special situation.

Certain Funds that are open to new investors calculate and pay management fees to EJF monthly in arrears, and at least one Fund (which is currently closed to new investors) calculates its

management fee on a quarterly basis in arrears. In addition, EJJ manages several Funds that are closed to new investors and do not pay any management fees. Certain investors in the Funds may have special management fee arrangements that are provided for in the Funds' offering documents. None of EJJ's Funds pay management fees in advance.

Funds - Deduction of Management Fees

Management fees for all Funds are deducted either monthly or quarterly from each Fund's portfolio. Management fees are first segregated into an escrow account by EJJ personnel pursuant to EJJ's written money transfer policies and procedures. Management fees remain in the escrow account until the Firm's administrator verifies the amounts. After the administrator verifies the management fee amounts, the administrator moves the assets to an EJJ bank account.

Funds - Other Fees or Expenses Charged to the Funds

Broker-dealers executing client trades generally charge a brokerage commission on equity securities and a markup or markdown on fixed income securities. For example fixed income securities trade at a bid/ask spread and have no explicit brokerage expense. Although there is no formal brokerage expense, the Funds will incur the implicit trading cost reflected in the broker/dealer spreads. For additional information regarding the Firm's trading practices, see Item 12, Brokerage Practices. Securities transaction costs are paid by the client, not EJJ. In addition to transaction costs, certain Funds may also pay expenses that include but are not limited to organization costs, modeling expenses, custodian fees, legal and audit expenses, tax, pricing service, and administrative fees. Additional information regarding transaction costs is located in Item 12, Brokerage Practices.

Funds - Investors

Certain investors in the Income Fund and certain classes of Debt Opportunities, China Fund, and Select Fund may be subject to additional upfront fees of up to 2.5%, as well as ongoing fees of up to 0.5% per annum. These additional fees are paid to placement agents that are registered with the appropriate regulatory authority in the jurisdiction in which the entity is located. The placement agent receives an up-front fee based on the dollar amount invested by the investors placed with the applicable Fund. The placement fee is paid by the Fund investor. With regard to certain Funds, redemption fees may be charged if an investor redeems from the Fund prior to the one year anniversary of the each subscription date One Fund has an 18 month lockup period and several Funds have private equity structures with investment periods of 5 years or more with no redemption rights. In general, investors are not allowed to redeem from private equity funds.

SMA's

As noted above, EJJ manages a number of SMA's on both a discretionary and non-discretionary basis. The maximum management fee charged by EJJ to either discretionary or non-discretionary SMA's is 1.50% (on an annualized basis), payable monthly in arrears. The management fee charged is based on assets under management. None of EJJ's SMA's pay any management fees in advance. Fees for SMA's are negotiated and memorialized in each SMA's investment management agreement. An SMA client may pay a management fee that is higher or

lower than another client, based on factors such as the amount of assets managed for the account and the negotiated percentage of the management fee.

SMA - Deduction of Management Fees

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

SMA - Other Fees or Expenses Charged to SMAs

SMA clients are generally charged a brokerage commission or other form of transaction cost for trades executed in their accounts. For example, equity securities are generally charged a brokerage commission while fixed income securities incorporate a markup/markdown into the execution price. Fixed income securities trade at a bid/ask spread and have no explicit brokerage expense. Although there is no formal brokerage expense, the SMAs will incur the implicit trading cost reflected in the broker/dealer spreads. For additional information regarding the Firm's trading practices, see Item 12, Brokerage Practices. In addition, SMA clients may be subject to custodian fees, wire transfer fees, and transaction fees charged by third party custodians. All fees charged to an SMA client's account are reflected on the brokerage account statements received by each SMA client. For additional information regarding brokerage transaction cost, please see Item 12 – Brokerage Practices.

Additional Compensation

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

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

EJF may charge certain Funds and SMA clients performance-based fees. The receipt of performance-based fees may create a conflict of interest for EJF. Since positive investment returns would likely increase the performance fee paid to EJF by its clients, the Firm has an incentive to favor those clients that pay EJF a performance fee or higher performance fees. For example, if EJF allocated profitable trades exclusively to those clients that pay EJF a performance based fee or the highest performance fee, EJF would have a conflict of interest. EJF manages this potential conflict of interest by creating, implementing, and enforcing trade allocation procedures. EJF believes that it has policies and procedures that will result in fair trade allocations to clients over time, even though a particular trade allocation may appear to benefit one or more accounts when viewed individually. Whenever possible, EJF will bunch trade orders to minimize trade execution cost and to assist with obtaining best execution.

There may be occasions when EJF does not allocate a particular security to a client in the same investment strategy as another client that received a trade allocation. Reasons for not allocating a security to a client may include but are not limited to the following: the investment guidelines/restrictions do not permit the purchase of the security; the client's portfolio currently

contains the prescribed limit of the security or a similar security that is designed to fill the same investment objective; the client does not have a sufficient cash balance to participate in the trade; the client has unique investment goals; liquidity requirement; or a security is only issued in increments of a certain size and the smallest increment of the security for the allocation exceeds the client's limit. These limitations to allocation may result in different investment returns for clients with assets in the same investment strategy and managed by the same portfolio manager.

As stated in Item 5, EJP also charges its Funds and SMA clients an asset-based management fee.

As noted above, certain Funds managed by EJP may be charged an annual performance fee. This fee may be up to 20% (the fee for at least one Fund is less than 20%) of the excess, if any, of the net asset value of each series of units or shares in a Fund over a high-water mark and, in certain cases, a hurdle. Certain Funds are not subject to a high-water mark. Not all investors in the Funds are subject to the 20% performance fee charged by the Funds. In addition, certain Funds are subject to claw-back provisions with regard to performance fees. Performance fees are not crystallized with regard to private equity funds until the fund is closed and assets are returned to investors.

Funds and certain SMAs generally pay EJP performance fees annually. However on a monthly or quarterly basis, a performance fee accrual is made on EJP's books for each applicable Fund and SMA.

With regard to certain SMA clients, EJP is entitled to receive an annual performance fee of up to 20% of any realized and unrealized capital appreciation of assets under management (at least one SMA client may pay a performance fee that is less than 20%), subject, in certain cases, to a threshold amount.

Performance fees are negotiable.

EJP does not charge any of its clients a flat fee or a fee that is calculated based on hourly rates.

Item 7 – Types of Clients

EJP has SMA clients and Fund investors that include but may not be limited to the following categories: foundations, trusts, IRAs, fund of funds, endowments, pensions, profit sharing plans, business entities, high net worth individuals, and family offices. As EJP grows, additional categories may be added.

The minimum investment amount for investors in any of the Funds is generally \$100,000; with regard to off-shore Funds, the minimum investment is mandated by law to be \$100,000. The minimum investment amount required to open an SMA is generally \$50,000,000. EJP reserves the right to waive the minimum account size for investors in the Funds or individuals/entities opening SMAs.

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

EJF INVESTMENT STRATEGIES

Fixed Income Strategy

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

The fixed income strategy's net market exposure will generally range from 85% to 140% with a certain percentage of the portfolio in cash or liquid investments. In certain situations, EJF will short securities in order to hedge long exposures in the portfolio and trade individual names and index credit default swaps. The fixed income strategy may borrow as determined by the portfolio manager or the Fund's investment team. Borrowing is achieved through the use of repo financing and margin, both methods involve pledging collateral against the financed amount. Borrowing is provided by registered broker-dealers, including prime brokers used by EJF.

The fixed income strategy may use debt, equity and hybrid investments in privately held companies. Private transactions may include, securities offered pursuant to Rule 144A of the U.S. Securities Act of 1933, private investments in public equities, and assets currently held by the U.S. Department of the Treasury in connection with the Capital Purchase Program under the Troubled Asset Relief Program. The strategy may also invest in entities that elect to be taxed as real estate investment trusts, or "REITs," for U.S. federal income tax purposes that issue structured finance products. The fixed income strategy may also acquire interests in common or preferred stock, senior debt, subordinated debt, convertible debt, options, notes, warrants, and futures. Investment grade, senior tranches of securities issued by CDOs and other securitization vehicles may be used in the strategy. In this strategy, the Fund may purchase securities issued by domestic or foreign entities.

In another fixed income strategy a fund may focus on a variety of niche fixed income markets where it is believed attractive returns can be generated with moderate risk. This includes residential mortgage backed securities, commercial mortgage backed securities, and commercial real estate collateralized debt obligations. The strategy may also invest in agency whole pool mortgage certificates, commercial mortgage loans, CRE mezzanine loans, securities issued by financial institutions, and net lease loans and properties.

Equity Strategies

One of EJF's equity strategies is designed to pursue absolute returns, and to achieve medium to long-term capital appreciation from investments providing exposure to securities issued by companies in certain regions of the world. EJF primarily uses an equity long/short strategy, and

primarily seeks to invest in securities that are listed, quoted, or traded on stock markets in Hong Kong, Taiwan, Singapore, and the United States.

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

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

Under this strategy a fund may invest in the equity and debt securities of financial institutions that are impacted directly or indirectly by: (1) bank and thrift recapitalizations and/or restructurings; (2) standard and mutual holding company conversions; (3) government financial reform related policies including the Troubled Asset Relief Program (“TARP”); and (4) FDIC assisted transactions.

Private Equity Strategies

A changing regulatory regime has resulted in banks and similar financial institutions to deleverage their portfolios and seek to dispose of certain higher-risk assets that they view as “capitally-inefficient” (i.e., the capital requirements imposed on banking and similar financial institutions in connection with holding certain assets makes their retention by such institutions impracticable and unattractive). Additionally, while an active market has developed for the disposition of such assets by large commercial banks, the Firm believes that, as a result of having a smaller capital base and limited access to capital markets, regional and community banks have had fewer options for efficiently deleveraging and disposing of these assets. The Firm will seek to leverage its experience in the capital markets, including its experience with community banks on behalf of the strategy, to take advantage of market opportunities that are available in the community banking and related sectors as a result of these changes and, potentially, other market opportunities that become available in the community banking and related sectors.

In this strategy, the Firm will seek to achieve its objective in the community banking and related sectors by focusing on the following:

- Debt and Collateralized Debt Obligations;
- Mortgage Servicing Rights; and

- Cash and Short Term Investments.

With regard to another private equity fund, the Fund manager will seek to provide general obligation loans to law firms involved in mass tort litigation. The Fund will focus on three areas of mass tort litigation:

- Pharmaceutical;
- Medical Devices; and
- Asbestos/mesothelioma.

Fixed Income Security Risk

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

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

Equity Security Risk

The movement of equity securities prices may affect the value of the investments in EJF's equity strategies. Issues such as interest rates, the United States' and certain foreign countries' economic growth rates, and political events may have an impact on equity markets. EJF may frequently trade the securities in a Fund's portfolio. Frequent trading in a Fund's portfolio may result in increased brokerage costs and other transaction expenses. A Fund's portfolio that is frequently traded may be subject to higher taxes and possibly lower investment performance. The Fund may also have risk exposure relating to bankruptcy cases associated with distressed companies, short sales, illiquid securities, leverage, short term trading, convertible securities and warrants, hedging transactions, counterparty risk, third party litigation, partnership form, suspension of trading, and market events risks.

Private Equity Risk

While the Firm strives to attain the investment objective of the funds through its research and portfolio management skills, there is no guarantee of successful performance, that the investment objective can be reached or that a positive return can be achieved. As a general rule, investors can expect that investments with higher return potential will also have higher potential of risk of loss of capital or income. Prospective investors in the funds should consider the following risks, which are not intended to be an exhaustive listing of all the risks involved in an investment in this strategy. The risks are:

- Investment Strategy Risk;
- Concentration Risk;
- Competitive Market Risk;
- Prepayment Risk;
- Risks Relating to Securities Issued by Smaller Banks and Other Institutions;
- Market and Credit Risks of Debt Securities;
- Risk Related to Evaluations Affected by Assumptions;
- Risk Related to Limited Due Diligence;
- Risk Related to Changes in Medical Evidence;
- Servicing Risk;
- Risk of Partnership Form
- Risk Related to Timing of Awards Payouts/Collections
- Counterparty Risk
- Risk Related to Legal/Professional Ethics
- Borrower Risk; and
- Risk Related to Lack of Exit Opportunities.

Management Risk

EJF's opinion regarding the potential increase in the price of a security may be incorrect and a security may not perform as anticipated. In addition, an individual security's value may change more than the stock market as a whole. It is possible that some of EJF's estimates regarding a security's value may be wrong, or may take longer than anticipated to materialize even if correct.

Investing in fixed income/equity securities and futures involves risk of loss that clients should be prepared to bear. EJF does not guarantee positive performance results for any of its products.

Item 9 – Disciplinary Information

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

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

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

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

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

Item 10 – Other Financial Industry Activities and Affiliations

Registered Individuals of a Broker-Dealer

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

Other Registered Entities

EJF's registration as a commodity pool operator and a commodity trading advisor was effective with the Commodities Future Trading Commission ("CFTC") on January 1, 2013. The CFTC is an independent U.S. federal agency that is responsible for regulating the commodities futures and options markets. EJF also became a member of the National Futures Association ("NFA") on January 1, 2013. NFA is the self-regulatory organization for the U.S. futures market. As a result of EJF's registration with the CFTC and its membership in the NFA, several of its employees registered with the NFA as associated persons.

Relationships Material to Advisory business

EJF has established two affiliated research offices that provide the Firm with information that is used in the management of its clients' portfolios. These entities are:

EJF Capital Ltd
50 Broadway, Suite 628
London, UK SW1H 0RG

EJF Shenzhen Investment Consulting Ltd,
Anlian Plaza Suite 18A04
4018 Jintian Road Futian District
Shenzhen, PRC 518026

EJF has entered into a number of solicitation agreements with registered broker-dealers. Under the solicitation arrangements, broker-dealers refer to EJF high net worth individuals or entities that the broker-dealer has determined are qualified to invest in EJF's products. Broker-dealer solicitors are generally paid a percentage of the management fee and/or the performance fee received by EJF.

EJF also may have arrangements with broker-dealers that receive a placement fee for placing investors in certain of EJF's Funds. The broker-dealer placement agent may receive a fee that is up to 2.5% of the assets invested in the Fund by the placed client (this is a one-time fee paid by the client). The broker-dealer placement agent may also receive an on-going fee up to .5% per annum of assets invested in a Fund by the placed investor (this fee is also paid by the client)

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

EJF has a 100% ownership interest in Harbor Asset Management Company, LLC, which in turn has an 85% ownership interest in Kodiak Capital Management Company, LLC ("Kodiak Management"). In accordance with a management agreement, Kodiak Management serves as the manager of Kodiak Funding, LP ("Kodiak"), a Delaware limited partnership which invests in trust preferred securities, long-term junior subordinated debt and/or equity securities with characteristics very similar to trust preferred securities. Kodiak may also invest in debt securities, distressed real estate-related debt securities at discounted prices and collateralized debt obligations ("CDOs"). Among other things, Kodiak Management is responsible for: (1) the selection, purchase and sale of Kodiak's investments; (2) financing and risk management for Kodiak's activities, and (3) providing Kodiak with advisory services related to collateralized debt obligations issued to finance Kodiak's portfolio of investments and portfolios acquired from an unaffiliated third party.

On occasion, EJF may make an investment in an unaffiliated investment adviser. As a result of such an investment, EJF will not have control, voting rights, or company board representation with the investment adviser. In addition, EJF will not have access to any non-public information

relating to the investment adviser and will not see any of the investment adviser's trading documents.

EJF has a 50% ownership interest in Armadillo Financial Partners LLC ("Armadillo"). In accordance with the management agreement, Armadillo will serve as the manager for Armadillo Financial Fund LP, a Delaware limited partnership which is a specialty lender to law firms engaged in selected areas of the mass tort industry. Among other things, EJF will provide accounting, payroll, payroll taxes, employee benefits, billing/collections, and financial reporting services for Armadillo.

Arlington Financial Services LLC ("Arlington Financial") is an affiliated entity that may provide accounting and bookkeeping services to unaffiliated entities. Financial services provided and revenue generated by Arlington Financial are not material to EJF's advisory business.

Pooled Investment Vehicles

EJF has an interest in the following Funds (which are open to new investors): Debt Opportunities; Debt Opportunities II, Income Fund, Select Fund, China Fund, Financial Services, Specialty Finance, and the Armadillo Financial Fund.

EJF also has an interest in the following Funds (which are closed to new investors): Kodiak, EJF Crossover Master Fund, LP; EJF Long/Short Equity Master Fund, LP; EJF Opportunity Master Fund, LP; EJF 144A Master Fund, LP; and Series C Limited Liability Company Interest of EJF Sidecar Fund, Series LLC.

Recommending/Selecting Investment Advisers for Clients

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

Item 11 – Code of Ethics

EJF has a code of ethics (the "Code") that outlines its policies regarding personal trading and various other conflicts of interest that may arise while servicing a client's account. Under the Code, each employee is required to certify that he or she has read the Code after the individual joins EJF and on an annual basis thereafter. The Code also requires all employees to disclose all brokerage accounts in which they have a beneficial interest (this includes accounts of immediate family members living in the same household). Under the Firm's Code, employees are not allowed to purchase securities including but not limited to stocks, bonds, options, and futures. Employees are allowed to purchase mutual funds and exchange traded securities. Exchange traded securities are subject to pre-clearance. Employees are also allowed to sell stocks, bonds, options, and futures held in their personal brokerage account after having the security pre-cleared by the Chief Compliance Officer or his designee. The pre-clearance process is designed to compare an employee's proposed transaction against trades considered or executed for the Firm's clients. By pre-clearing employee trades, EJF is attempting to prevent employees from front-running client traded securities and causing EJF to violate its fiduciary duty to its clients. Employees are generally not allowed to purchase the same securities that are held by a client. However, there may be occasions when a new employee joins the Firm and holds in a personal

brokerage account a security which is also held by a client. The new employee is not required to liquidate the security position, however, the new employee will be subject to a 7 day blackout period if a client sells the security before the employee. A new EJP employee is not allowed to purchase an additional interest in a security that was held by the employee prior to employment with EJP and is also held by an EJP client. EJP employees are prohibited from purchasing a security and selling the same security within 30 days of the original purchase transaction. Additionally, employees are prohibited from selling a security and repurchasing the same security within 30 days of the original sell transaction. EJP employees are not permitted to purchase any security that is offered in an initial public offering.

All employees that maintain brokerage accounts are required to instruct their respective brokerage firms to provide EJP's Chief Compliance Officer or his designee with duplicate brokerage account statements and trade confirmations. EJP's Chief Compliance Officer or his designee is required to review these documents to determine if an employee has violated any provision of the Code. Violations of the Code must be reported to the Chief Compliance Officer. Successive violations are subject to increasingly serious consequences, including termination of employment.

A section of the Code addresses EJP's fiduciary duties, including placing the client's interest first and the handling of a client's confidential information. The Code also contains a gift policy that requires all employees to report to the Chief Compliance Officer gifts accepted or given to individuals or entities that are conducting business with EJP or seeking to conduct business with EJP. Employees are generally not permitted to accept or give gifts that exceed a certain dollar value. In addition, the Code requires certain employees to advise the Chief Compliance Officer when they entertain or are being entertained by individuals or entities conducting business with EJP or seeking to conduct business with EJP. The entertainment opportunities in which employees participate should not be so frequent or so expensive that it would cause one to question the integrity of EJP or the employee. The Code also describes when a normal entertainment event is classified as a gift by the Chief Compliance Officer. Finally, the Code discusses the sanctions that may be imposed if an employee fails to comply with the Code's guidance.

A non-EJP sponsored activity engaged in by an employee may create a conflict of interest. All EJP employees are required complete an outside business activity form prior to accepting any form of outside business activities (this includes but is not limited to, serving on the board of directors for an unaffiliated entity).

EJP employees are required to participate in the Firm's annual compliance meeting. Employees are also required to take computer based training classes and are provided compliance alerts and news updates addressing compliance issues.

EJP maintains a restricted list. The restricted list is reviewed by EJP's Chief Compliance Officer or his designee prior to pre-clearance of a personal securities transaction for an employee.

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

Recommendations to Clients

EJF does not allow employees to purchase securities such as stocks, bonds, options and futures (employees may purchase exchange-traded funds after they are pre-cleared by the Firm's Chief Compliance Officer or his designee; mutual funds may be purchased without pre-clearance). Employees are allowed to sell stocks, bonds, options, and futures held in their personal brokerage accounts after the transaction is pre-cleared. If a client is recommended the same security that an employee holds in his/her personal brokerage account, the employee would be subject to a 7 day black out period if the employee wishes to sell the security held in his/her personal brokerage account. The black-out period will not allow the employee to sell if the client executed a trade in the same security during the prior 7 days.

Employees are prohibited from purchasing a security and selling the same security within 30 days of the original purchase transaction. Additionally, employees are prohibited from selling a security and repurchasing the same security within 30 days of the original sale transaction. Employees are allowed to enter into a relationship with a third party vendor that will execute securities transactions for the employee on a discretionary basis.

Investment in Same Securities Recommended to Clients

Generally, neither EJF nor its employees are permitted to purchase in a personal brokerage account the same securities recommended to EJF's clients.

Item 12 – Brokerage Practices

EJF has an approval process that each broker-dealer must go through before EJF's traders are allowed to execute trades for a client's account. EJF conducts due diligence on broker-dealers by reviewing items such as their financial status and disciplinary history, if one exists. The Chief Compliance Officer or his designee may use the services of a third party vendor to obtain information relating to a broker-dealer that has been recommended for inclusion on the Firm's Approved Broker List (the Chief Compliance Officer may also conduct an internet search to determine if any negative, material information regarding the broker-dealer in question is available). EJF traders are responsible for negotiating commission rates charged by broker-dealers. After a broker-dealer is approved, EJF's traders are free to place buy or sell transactions with the broker-dealer.

On a quarterly basis, EJF has a best execution committee meeting. In addition to other issues, the best execution committee meeting is designed to determine where trades are executed and the commission rates charged for the transactions. EJF has also employed the services of a third party vendor to assist with the best execution analysis of equity securities. The vendor conducts an analysis of commission rates charged and determines if trades were executed within a certain range during the trading day.

EJF maintains an approved broker list which is generally designed to limit trading to those broker-dealers that are able to demonstrate knowledgeable sales coverage in the Firm's area of trading, quality research, access to securities not traded by other firm, and financial responsibility. EJF maintains relationships with a number of broker-dealers including some that have affiliated entities or a department within the same entity that may provide services to EJF. Examples of services provided by a broker-dealer or a broker-dealer affiliate include the following:

- A broker-dealer or an affiliate may serve as the prime broker for a Fund's assets;
- A broker-dealer or an affiliate may provide trade executions for Funds or SMA clients;
- A broker-dealer or an affiliate may provide pricing information for Funds;
- A broker-dealer or an affiliate may provide EJF with internally generated investment research; and
- A broker-dealer or an affiliate may provide custodian services to EJF clients.

Additionally, affiliates of certain brokers-dealers on the Firm's approved broker list may invest in the Funds.

EJF uses its portfolio management system to monitor trade allocations made to clients. EJF's staff will monitor trade allocations to determine if decisions are consistent with its policies and procedures.

Best Execution

EJF seeks to obtain the best available price for the orders placed by its portfolio managers. The objective is to obtain the most favorable total cost or proceeds with regard to the transaction. With regard to best execution, the lowest commission charged on a trade may not be the most optimal indication of best execution. EJF is not obligated to merely get the best price or lowest commission, but rather should determine whether the transaction represents the best qualitative execution for the account. Additionally, certain transactions may require specific services that may not be available at the lowest possible commission rates.

EJF uses the services of a third party vendor to assist the Firm with its best execution analysis of equity securities. The vendor provides the Chief Compliance Officer with several reports which are used to help determine if best execution was obtained by the Firm's traders.

Research and Other Soft Dollars

EJF uses broker-dealer proprietary research to assist with its investment decision-making process. To obtain broker-dealer proprietary research, EJF may pay a higher brokerage commission to execute a trade. Brokerage commissions paid to broker-dealers that do not provide investment research are generally lower than those paid to broker-dealers that do provide proprietary research. EJF may trade more through broker-dealers that provide EJF with proprietary research. By using proprietary research, EJF is receiving research that it does not have to produce internally or purchase from third party vendors. EJF does not use its commission dollars to obtain research products and services through third party vendors. In

addition to unsolicited proprietary research, certain broker-dealers may occasionally offer EJJ's employees the option to participate in or attend conferences, provide EJJ employees access to issuers' management teams, or make prospective investor introductions.

Brokerage for Client Referrals

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

Directed Brokerage

EJJ does not have any directed brokerage arrangements.

Brokerage Aggregation/Allocation

Purchases and sales of securities for a Fund and an SMA client may be aggregated or bunched when an order is placed with a broker-dealer. EJJ may not bunch or aggregate orders if the portfolio management decisions for different accounts are made separately, if the Firm determines that bunching or aggregating would be inconsistent with its investment management duties or with a client's direction, or if the orders from the portfolio managers are not received at approximately the same time.

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

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

EJJ may determine that an investment opportunity or purchases/sales are appropriate for one or more SMA clients, but not for a particular Fund. EJJ may also determine that one Fund may participate in a transaction but based on guidelines/restrictions or the lack of available cash, another Fund may not purchase a particular security. EJJ may also decide that an investment is good for a Fund but in different sizes, terms, or timing than is appropriate for another account.

Item 13 – Review of Client Accounts

EJJ's Chief Operating Officer conducts periodic reviews of security positions in Funds and SMAs. Additionally, EJJ's Risk Manager provides analysis and reports used by the Firm to

monitor portfolios. The Risk Manager may also review transactions executed in client accounts. The other individuals responsible for account reviews are primarily investment professionals at the portfolio manager level. If an SMA client places additional investment restrictions (or places investment guidelines/restrictions on the account for the first time), EJP will review the account to determine if/how the new investment guidelines/restrictions impact the account. In addition, SMA clients receive monthly account statements from EJP that includes but is not limited to the securities held in the portfolio, monthly trading activity, management/incentive fee calculations and performance information. SMA clients also receive statements from their custodian on at least a quarterly basis. SMA clients should compare the information appearing in the two documents.

Item 14 – Client Referrals and Other Compensation

EJP may occasionally enter into arrangements with unaffiliated third party broker-dealers to obtain client referrals. If applicable, the referral agreements will address the terms and conditions described in the Investment Advisers Act under Rule 206(4)-3.

Under certain referral arrangements, EJP agrees to pay the unaffiliated third party broker-dealer a percentage of the management fee paid to EJP by the referred Fund investor or the SMA client.

EJP may also enter into arrangements with unaffiliated third party broker-dealers to assist with the placement of units of the Funds. Under these arrangements, investors referred by these broker-dealers to certain Funds are subject to a one time upfront fee of up to 2.5% as well as an ongoing fee of up to 0.5% per annum. The upfront and ongoing placement fees are based on the assets invested by the referred investor. The Income Fund and certain classes of Debt Opportunities, China Fund, Select Fund, Financial Services, Debt Opportunities II, and Financial Opportunities are the funds which may be subject to these upfront and ongoing placement fees. The placement fees are the responsibility of the referred investor and are not an obligation of EJP or the Funds. The placement fees are paid by the referred client in addition to the management/performance fees.

With regard to referred clients opening SMAs, EJP will comply with the applicable sections of Rule 206(4)-3 under the Investment Advisers Act, including the delivery of a separate statement listing the name of the investment adviser, the name of the solicitor and a statement describing the relationship between the investment adviser and the solicitor. EJP relies on the solicitor to provide the disclosure documents (referenced above) to the prospective SMA client, as described in Rule 206(4)-3. EJP maintains evidence to demonstrate that the required documentation was provided to the referred client.

EJP has participated in a number of TARP auctions conducted by Treasury. EJP may pay certain broker-dealers a fee if the brokerage firm provides EJP with material assistance conducting due diligence on banks the securities of which are being auctioned off by Treasury and which EJP may seek to purchase. The fee paid to the brokerage firm by EJP will generally not exceed 1% and is based on the winning auction bid placed by EJP.

No entity or individual provides EJP with economic benefits such as sales awards or other prizes.

Item 15 – Custody

Neither EJP nor its affiliates provide custodial services to clients. Client assets may be held with several different qualified custodians including unaffiliated broker-dealers, savings associations, banks and registered futures commission merchants. EJP is a manager of Funds and SMAs. With regard to the Funds, EJP or an affiliated entity serves as the general partner of limited partnerships or the managing member of limited liability companies. Under Rule 206(4)-2 (the “Custody Rule”), an investment adviser that operates as a general partner or a managing member for a pooled investment vehicle is deemed to have custody. The Custody Rule provides an exemption for investment advisers that have custody of their clients’ assets because they or an affiliate operate as a general partner or a managing member of a fund. The Custody Rule allows an investment adviser to deliver audited financial statements to investors in limited partnerships and limited liability companies within 120 days of a fund’s fiscal year end. EJP is not required to comply with certain provisions of the Custody Rule (including the requirement to send quarterly brokerage statements to fund investors) with regard to the Funds, because it provides audited financial statements to Fund investors within 120 days of the Funds’ fiscal year end. The audited financial statements for the Funds are prepared by two different public accounting firms.

SMA clients’ assets are held by qualified custodians such as banks and registered broker-dealers, with whom the SMA client establishes and maintains a custodial relationship. SMA clients receive statements at least quarterly from their custodians, and such statements should be reviewed carefully and compared to the Fund-level monthly performance reports provided by EJP. EJP does not have control over the SMAs client assets held by unaffiliated custodians.

EJP does not deduct its management or performance fees directly from SMA client custodian accounts.

Item 16 – Investment Discretion

EJP manages all of its Funds and most of its SMA clients’ assets on a discretionary basis. With regard to the Funds, EJP observes the investment guidelines/restrictions placed on the management of the Funds in the offering documents. With regard to SMA clients for which EJP exercises investment discretion (“Discretionary SMAs”), EJP enters into an investment management agreement with the client, which agreement authorizes EJP to exercise investment discretion with respect to the SMA. The authority to manage the assets on a discretionary basis is addressed in the investment management agreement. The investment management agreement must be signed before EJP may exercise investment discretion with regard to the client’s assets. Clients with Discretionary SMAs have the ability to place investment guidelines/restrictions on the management of their account. The most common investment guidelines/restrictions are those which prohibit EJP from purchasing specific securities or specific types of securities. EJP employees may periodically have conversations with SMA clients to review the SMA and its investment guidelines/restrictions.

Item 17 – Proxy

EJF portfolio managers vote client proxies in the best interest of clients and in a manner that the Firm believes will benefit the economic value of a client's security holdings. EJF has been granted authorization to vote its Funds' and certain SMA clients' proxies when received from transfer agents or custodians. EJF does not vote proxies for SMAs managed on a non-discretionary basis.

EJF's policies and procedures outline the general guidelines for voting client proxy statements. However, EJF may vote a proxy in a manner different from the established guidelines if circumstances warrant. For example, EJF may not vote with management's recommendation in the case of a proxy fight or a merger.

EJF and its employees have a fiduciary duty to its clients to act in their best interest. EJF employees should therefore avoid conflicts of interests if possible. Persons involved with voting proxies should avoid discussing the proxy vote with anyone who may have conflicting interests to those of the client (e.g. management personnel of the issuer, EJF manages assets for the issuer, EJF affiliates with conflicting interests, etc.). If any EJF employee determines that a material conflict of interests may exist with respect to the voting of proxies, such employee shall inform the Chief Compliance Officer and he will implement an appropriate course of action to minimize the influence of any conflict. In the event that EJF votes a proxy for a security in which it has a conflict of interest, it will generally vote in accordance with its pre-established guidelines.

On occasions when EJF has investment discretion with regard to a client's account, it generally does not allow the client to direct how it should vote a particular proxy.

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

Item 18 – Financial Information

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