



FORM ADV – PART 2A: Firm Brochure

**Item 1 – Cover Page**

**ESSEX ASSET ADVISORS, INC.**

**104 MAIN STREET, SUITE 1**

**IVORYTON, CT 06442**

**860-581-8437**

**[www.essexassetadvisors.com](http://www.essexassetadvisors.com)**

**March 2014**

This Brochure provides information about the qualifications and business practices of Essex Asset Advisors, Inc. (“Essex”, the “Company”, “us”, “we”, “our”). If you have any questions about the contents of this brochure, please contact us at 860-581-8437. 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. Our IARD firm number is 164076.

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. Additional information about Essex is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select “investment adviser firm” and type in our firm name). Results will provide you with both Parts 1 and 2 of our Form ADV.

## Item 2 – Material Changes

The only material information to report since the last annual filing dated March 2013 of Essex's Form ADV Part 2 or "Disclosure Brochure" is the management of a private fund which is described in details in Item 4, Item 5, Item 7, Item 8, Item 13, Item 14, Item 15, Item 16, and Item 17. In addition, we have a website. This Disclosure Brochure was developed in response to new requirements adopted and imposed by the SEC under the Investment Advisers Act of 1940 (Advisers Act).

For future filings, this section of the Disclosure Brochure will address only those "material changes" that have been incorporated since our last delivery or posting of this Disclosure Brochure on the SEC's public disclosure website (IAPD) at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

We may, at any time, update this Brochure and send to you an updated copy including a summary of material changes, or a summary of material changes that includes an offer to send you a copy [by electronic means (email) or in hard copy form].

If you would like another copy of this Brochure, please download it from the SEC website or you may contact Daniel C. Shane at 860-581-8437, or via email at [chris.shane@essexassetadvisors.com](mailto:chris.shane@essexassetadvisors.com)

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## **Item 4 – Advisory Business**

### **Firm Description**

Essex is a corporation organized under the laws of the State of Delaware on November 22, 2011. Essex is wholly owned by Daniel C. Shane, who is also the Chairman of the Board and Chief Compliance Officer (“CCO”) of the Company. We have chosen to register as an investment adviser with the SEC and to notice file with the state of Connecticut, in order to provide the investment advisory products and services described within this document. As of March 18, 2014 we have two (2) clients with \$100,000,000 of assets under management managed on a non-discretionary basis and \$4,500,000 managed on a discretionary basis.

We offer investment advisory services primarily to private funds, individuals including high net worth individuals (typically family and friends), pension plans, charitable organizations, insurance companies and other corporations or entities that qualify as Qualified Institutional Buyers (“QIBs”) as that term is defined in the Securities Act of 1933. This Brochure provides you with information regarding our qualifications, business practices, and the nature of advisory services that should be considered before becoming our advisory client.

Please contact Daniel C. Shane, Chairman and CCO, at 860-581-8437, or via email at [chris.shane@essexassetadvisors.com](mailto:chris.shane@essexassetadvisors.com), if you have any questions about this Brochure.

Mr. Shane is appropriately licensed and qualified as Investment Advisor Representatives (“IARs”) to provide advisory services on our behalf.

Below is a description of our services, including, but not limited to, our basic fee schedules; a description of how fees are charged, whether fees are negotiable, when compensation is payable, refund policies and other applicable information. For more detail on any product or service please reference the advisory agreement or speak with us.

### **Description of Advisory Services**

#### **Separately Managed Accounts**

Essex provides fixed income investment supervisory services and manages investment portfolios tailored to achieve its clients’ objectives and risk tolerance.

## **Ivoryton Opportunity Fund**

Essex is the Member Manager and Investment Adviser of the Ivoryton Opportunity Fund, LLC, which currently consist of a single pooled master-feeder investment vehicle comprised of one feeder fund and one master fund (together, the “Fund”).

The Fund is offered in LLC interests that are divided into Units (the “Units”) and the Fund may issue Units in classes or in series or sub-series. No Units will have any voting rights, except as described in Private Offering Memorandum or as provided in the LLC Agreement.

Essex makes all investment and trading decisions for the Fund. Essex may suggest to certain clients that they invest assets, not then being managed by Essex, directly in the Fund. All relevant information, terms and conditions relative to the Fund, including the fees to be paid to Essex, suitability, investment strategy, risk factors, and potential conflicts of interest, are set forth in the Private Offering Memorandum, LLC Agreement, and Subscription Agreements (“Offering Documents”), which each subscriber is required to receive and/or execute prior to being accepted as a Member.

### **How Advisory Services are Tailored to Individual Client Needs**

Essex manages portfolios in a manner that is consistent with each advisory contract and each client’s investment policies or objectives.<sup>1</sup> As applicable, the contract or an addendum, or the Offering Documents, will indicate any restrictions or limitations (as applicable) on certain securities or types of securities. These restrictions often are based on the client’s investment objectives, goals and risk profile and are driven by the nature of the operations of institutional clients (pension plans, charitable organizations, insurance companies, etc.) and by the investment goals and risk profile of individual clients (retirement, college, general savings, etc.). Once these conditions are known, Essex can design an appropriate investment strategy to manage the account or determine that due to particular conditions Essex cannot adequately implement its strategies. Essex generally manages investments on a discretionary basis.

### **Wrap fee programs**

Essex does not participate in wrap fee programs.

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<sup>1</sup> The Fund is considered a “client”.

## **Item 5 – Fees and Compensation**

### **How is Essex Compensated for Advisory Services**

#### **Separately Managed Accounts**

Essex charges an asset under management fee for all separately managed accounts. Clients will pay on an annual basis, a sum generally ranging from 0.50% to 2%. Fees are payable in quarterly arrears. At the end of each month market value is calculated and multiplied by 1/12 of the annual investment management fee and aggregated quarterly for payment. Fees may be negotiable based on previous relationships and other factors, such as aggregate level of assets within the business. In addition, Essex may charge a performance based fee that may range from 15% to 30% of net capital appreciation based on the size of the account, which will be paid annually in arrears.

Fees may be waived in whole or in part, for varying periods of time, at the sole discretion of Essex. Fees may vary based on the investment objective of the account, account type, size and other factors. You may terminate your agreement, without penalty, within five (5) days of execution of the advisory agreement. Thereafter, you may terminate the agreement by giving prior written notice of sixty days to the other party in which case fees will be prorated from the start of the current billing period through the termination date.

#### **Consulting Services**

Essex provides consulting services on a project by project basis and fees may vary greatly based on the scope of the arrangement. Essex will charge a flat fee that could range from \$10,000 to over \$100,000 depending on the scope of services. Flat rate projects will be invoiced quarterly in arrears. The fees charged are calculated as described above and are not charged on the basis of a share of capital gains or capital appreciation of the assets or any portion of the assets of an advisory client.

#### **Private Fund**

Essex will be paid, in arrears on the last Valuation Day (the last business day of the preceding calendar month) of each calendar quarter, a “Management Fee” equal to 0.25% (1% per annum) of the NAV of the Fund. No similar fee will be paid by the Master Fund.

In the event a Member subscribes for any Units on any Dealing Day (the first business day of each calendar month) other than the first business day of a calendar quarter, such Member will be charged a prorated Management Fee with respect to such Units.

In the event of the termination of the Fund or the Member Manager's role as member manager of the Fund, the Management Fee will be prorated for any period of less than three full months.

On the last Valuation Day of each calendar year, the Fund will specially allocate to Essex 20% of any New Net Profits (as defined in the Offering Documents) attributable to each unit as of such Valuation Day, which special allocation will constitute the Profit Participation Allocation.

The Offering Documents provide a detailed description of all fees and expenses.

#### **Deduction of Fees from Invested Assets**

Essex's fees will either be paid directly by the client or disbursed to the Company by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian, if responsible for the debiting and disbursement of fees, will deliver directly to the client a monthly and/or quarterly account statement showing all investment and transaction activity for the period, including fee disbursements from the account. In addition, Essex will provide each client an invoice disclosing the fee owed or to be debited and the calculation used to determine the fee.

#### **Other Compensation Received**

Essex is not paid any sales, service, or administrative fees for the sale of any investment products.

#### **Other Types of Fees or Expenses**

Our fee is exclusive of, and in addition to, brokerage commissions, transaction fees, custodial costs and other related costs and expenses, which shall be incurred by you. Please also refer to Items 11 and 12 for additional discussion of our brokerage practices.

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

Essex is eligible to receive a performance or profit participation fee, as applicable, for managing certain client's accounts which could create an incentive for Essex to focus more on the performance fee structured account than a flat fee or assets under management (AUM) fee based account. Managing accounts that receive the same basic investment advice under two different fee based formats is often referred to as side by side management and doing so creates some conflicts of interest. For example, because the advisory fees payable to Essex by the account charged a performance fee may exceed advisory fees payable in other formats, Essex may be viewed as having an incentive to favor one account (the performance fee account) over other accounts in its trading activities. Essex's activities on behalf of the performance fee account may increase the level of competition among client accounts for the execution of the same or similar transactions. Essex believes it has created and implemented internal allocation policies and procedures to address these conflicts. Please reference Item 12 for a description of Essex's allocation procedures.



## Item 7 – Types of Clients

Essex provides separate account investment advisory services to individuals and institutions. These may include:

- High net worth individuals and families,
- Endowments,
- Foundations,
- Other charitable organizations,
- Public/government-related clients,
- Pension and profit sharing plans,
- Insurance companies,
- Corporations,
- Individual retirement plans,
- Trusts,
- Estates, and
- Other taxable individual accounts.

Although we generally target institutional or high net worth clients with a minimum of \$5,000,000 million of investable assets, from time to time we will waive the account minimum depending on the client relationship, client service requirements and certain circumstances.

In addition, Essex's clients consist of the Fund, which is structured as a single pooled master-feeder investment vehicle. Each investor in the Fund must be a sophisticated investor who is (i) an "accredited investor" within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act and (ii) a "qualified purchaser," within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Investment Company Act"). The minimum initial investment in the Fund by an investor is \$1,000,000; provided that the Fund, in the absolute discretion of Essex, may accept a lesser initial investment amount.

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

### **Method of Analysis and Investment Strategy**

Essex employs a rigorous investment process to evaluate potential opportunities and investments and may use a variety of proprietary and non-proprietary research models and methods in its analyses. Essex's investment process includes the following:

- Reading through confidential information memorandums and other information on proposed investments.
- Gathering additional due diligence information from external public sources in reference to the prospective investment.
- Evaluating the credit, the borrower, deal structure, financial performance and other risks and mitigants in a transaction.
- Maintain ongoing dialogue with industry participants in order to answer critical due diligence questions that will determine Essex's level of interest
- Working to determine the level of interest in a deal and appropriate commitment amount, given specific deal metrics and current portfolio concentrations.

For all portfolios, Essex applies top-down and bottom-up analysis on every security that is a candidate for investment based on clients' investment policies and restrictions and limitations. Top-down analysis is done to establish the sector outlook, originator/servicer profile and relative value. The fixed income team uses bottom-up analysis to review the individual characteristics of a given security. These characteristics include the type of collateral supporting the security, the prepayment and default characteristics of the underlying collateral, and the deal structure. Essex reviews various interest rate scenarios to estimate how a given security will react and the risk that the security's average life will extend or shorten. For asset-backed securities, the team examines: distributions to identify any outliers in distribution; collateral characteristics to identify any underwriting "drift;" and collateral characteristics to peer deals to determine if risk is adequately priced in the market. The goal is to determine: what level of loss results in reduced yield and lost principal; historical experience of the sector and originator, whether the level of credit enhancement appears consistent with collateral risk and consistent with peers, and what combination of characteristics and scenarios impact ratings. Essex also applies quantitative and qualitative methods to ensure performance of the portfolio, including analyzing trends, monitoring commentary, investigating discrepancies in remittance reports, and monitoring collateral characteristics.

Essex is responsible for initial investment due diligence, proper allocation of investments, monitoring of investments (e.g., - as applicable -collateral review, model creation, interest diversion and coverage, ratings of holdings, etc.), and processing of transactions.

## The Private Fund

The investment objective of the Fund is to maximize returns while targeting and minimizing associated credit risks and market volatility. To meet the Fund's investment objective, Essex utilizes a proprietary strategy to disaggregate the risks associated with the various types of asset-backed securities instruments into categories that are independent of asset class and rating and employs proprietary trading strategies that attempt to achieve superior risk-adjusted returns for each such category.

The Fund will be invested primarily in asset-backed securities instruments rated by at least one of the three largest Nationally Recognized Statistical Rating Organizations (each, an "NRSRO"), or unrated asset-backed securities instruments deemed by the Member Manager to possess similar characteristics. The Fund may also invest in other securities and financial instruments, including bonds and other fixed-income securities, securities of non-U.S. issuers and money market instruments, and may also engage in short-selling and other hedging and investment strategies.

The Fund intends to trade on margin and may employ such amounts of leverage as are deemed appropriate by Essex to increase the Fund's net exposure to asset-backed securities instruments or to meet the Fund's fees and expenses.

Please reference the Offering Documents for more detail on the Fund's investment objectives and strategy.

## **Risk of Loss**

### General

All markets fluctuate substantially over time. 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 which Essex manages that may be out of our control. Essex cannot guarantee any level of performance or that clients will not experience a loss of their account assets. There is no assurance that Essex will be able to generate returns or that the returns will be commensurate with the risks inherent in our investment strategy. The marketability and value of any such investment will depend upon many factors beyond the control of Essex. Therefore, a client should only invest if

the client can withstand a total loss of its investment. Past investment performance cannot be taken to guarantee future results of any account.

### The Private Fund

An investment in the Fund entails a high degree of risk and therefore should be undertaken only by investors capable of evaluating the risks of the Fund and bearing the risks such investments represent. The Fund's Offering Documents include more detailed disclosure of the risks of investing in the Fund; any prospective Fund investor should carefully read such documents before considering an investment. Set forth below is a non-exhaustive list of risk factors and types of securities or strategies that could result in losses to the Fund, as detailed in the Offering Documents:

Illiquid Markets	Tax and Regulatory Change	Risks Associated with Variation of Portfolio Value
Liquidity of Investments	Failure of the Prime Broker	Securities Selection
Lack of Liquidity of Fund Assets	Effect of Substantial Redemptions	U.S. Government Securities
Lack of Diversification	Credit Risk	Mortgage-Related and Other Asset Backed Securities
Credit Rating and Unrated Securities	Derivatives Risk	Corporate Debt Securities
Duration of Investment	Currency Risk	High Yield Securities
Leverage	Temporary Defensive Strategies	Variable and Floating Rate Securities
Past Performance	Changes in Investment Objectives and Policies	Foreign (Non-U.S.) Securities
Exchange Rate Fluctuations	Valuation	Repurchase Agreements
Trading Costs	No Public Market for Units	Reverse Repurchase Agreements, Dollar Rolls and Other Borrowings
Short Selling	Payment of Fees Regardless of Profits	Credit Default Swaps
Trading in Forward Contracts	Liability of Members for	Loans of Portfolio Securities

	Return of Capital	
Volatile Markets	Potential Mandatory Withdrawal	Portfolio Turnover
Dependence on Key Personnel	Lack of Investment Opportunities	Other Investments and Techniques
Profit Participation Allocation	Lack of Regulatory Oversight	Multi-Class/Series Structure

The securities markets fluctuate substantially over time. As a result, there is a risk of loss of the assets which Essex manages that may be out of Essex's control. Essex cannot guarantee any level of performance or that investors in the Fund will not experience a loss of their account assets. There is no assurance that the Fund will be able to generate returns or that the returns will be commensurate with the risks inherent in their investment strategy. The marketability and value of any such investment will depend upon many factors beyond the control of the Fund. The expenses of the Fund may exceed their income, and an investor in a Fund could lose the entire amount of its contributed capital. Therefore, an investor should only invest in a Fund if the investor can withstand a total loss of its investment. The past investment performance of the Fund cannot be taken to guarantee future results of the Fund or any investment in the Fund.

## **Item 9 – Disciplinary Information**

We do not have any legal, financial or other “disciplinary” items to report. We are obligated to disclose any disciplinary event that would be material to you when evaluating a client/adviser relationship.

## Item 10 – Other Financial Industry Activities and Affiliations

Neither Essex nor any of our management persons are registered, or have an application pending to register, as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser or an associated person (or registered representative) of the foregoing entities.

In addition, neither Essex nor any of our management persons have any relationship or arrangement with a related person and any type of person listed below that is material to our advisory business or the Company's clients:

- Broker-dealer, municipal securities dealer, or government securities dealer or broker;
- Other investment adviser or financial planner;
- Investment company or other pooled investment vehicle;
- Futures commission merchant (or commodity pool operator or commodity trading advisor);
- Banking or thrift institution;
- Accountant or accounting firm;
- Lawyer or law firm;
- Insurance agency;
- Pension consultant; or
- Real estate broker or dealer.

As discussed in Item 4, Essex is the Member Manager and Investment Adviser to the Fund.

We do not receive compensation directly or indirectly from other investment advisers nor have other business relationships with other investment advisers for whom we have referred our clients.

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

### **A. Code of Ethics**

Essex has in place a Code of Ethics and Insider Trading policies and procedures (the “Rules”), which covers insider information, personal trading, conflicts of interest, information barriers (also known as Chinese walls) and confidentiality. The Rules also establish policies regarding other matters such as outside employment, the giving or receiving of gifts, and safeguarding portfolio holdings information.

The Rules are designed to ensure that Essex personnel:

- Observe applicable legal and ethical standards (including compliance with applicable state and federal securities laws) in the performance of their duties;
- At all times place the interests of Essex’s clients first;
- Disclose to all clients actual or potential conflicts;
- Adhere to the highest standards of loyalty, candor and care in all matters relating to its clients;
- Conduct all personal trading consistent with the Rules and in such a manner as to avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility; and
- Not use any material non-public information in securities trading.

Under the Rules, Essex personnel must act with integrity and honesty at all times, and must apply the following principles:

- Must not use their position to gain an unfair advantage for themselves or another person or cause detriment to Essex’s clients;
- Act in the best interests of Essex, and where there is a conflict of interest, give priority to the interests of Essex's clients;
- Must not trade in any financial products or procure another person to trade in financial products while in possession of material non-public information;



- Must not communicate or disseminate material non-public information to another person;
- Avoid and/or disclose any conflicts between their personal interests and Essex clients;
- Uphold fiduciary responsibilities;
- Ensure personal trading is on a scale that reflects the individual's financial ability and does not conflict with their normal employee duties; and
- Ensure personal trading does not contravene other legal requirements.

Essex has implemented a personal trading policy as part of the Rules setting out the procedures to be followed in relation to trading financial products in a personal capacity:

- Access Persons (defined as investment personnel which includes Investment Committee members, officers of Essex, and other designated persons) must report all personal transactions in securities not otherwise exempt under the Rules; and
- Personnel must also comply with the Essex Code of Ethics.

The Code of Ethics is available to clients and prospective clients from Essex upon request. You may contact Daniel C. Shane at 860-581-8437 or [chris.shane@essexassetadvisors.com](mailto:chris.shane@essexassetadvisors.com).

## **B. Material Financial Interests of Essex or a Related Person**

Essex does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Essex does not recommend any securities to advisory clients in which it has some proprietary or ownership interest. However, IARs may buy or sell for their own accounts, securities that are also held by their clients. Conversely, they may buy and sell securities for client accounts which they themselves may own. Such transactions are permitted if in compliance with our Policy on Personal Securities Transactions and the clients' orders will take precedence when investing at the same time. Reports of personal transactions in securities by our IARs are reviewed by the firm's CCO quarterly or more frequently if required.

## **C. Conflicts of Interest Created by Contemporaneous Relationships and Allocation of Investment Opportunities**

### **1. Allocation of Investment Opportunities**

When orders are generated, the decision on which accounts should participate, and in what amount, is based on the type of security or other asset, the present or desired structure of the various portfolios and the nature of the account's goals. Other factors include risk tolerance, tax status, permitted investment techniques, the size of the account and settlement and other practical considerations.

## **D. Principal and Cross Transactions**

It is Essex's policy that the firm will not make any principal or agency cross securities transactions for client accounts. However, the firm may direct a "cross trade" of securities between client accounts.

Cross trade definition: Essex may arrange for one client account to purchase a security directly from another client account through a broker-dealer. Essex will seek to obtain a price for the security from one or more independent sources. Our firm is not a broker-dealer and receives no compensation from a cross trade. However, the broker-dealer facilitating the cross trade normally charges administrative fees to the clients' accounts.

Essex may direct a cross trade when the firm believes that the transaction is in the best interest of our clients, that no client is being disfavored by the transaction, and that the transaction receives the best execution.

## **Item 12 – Brokerage Practices**

### **Broker Analysis**

Essex continuously monitors and evaluates the performance and capabilities of brokers that we utilize for our client accounts to ensure consistent quality.

In certain instances, Essex will recommend to clients certain custodians based on the needs of the individual client, taking into consideration the nature of the services required, the experience of the custodian, the cost and quality of the services, and the reputation of the custodian. The final determination to engage a custodian recommended by Essex will be made by and in the sole discretion of the client. The client recognizes that custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by the custodians.

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

Essex does not accept soft dollar benefits.

### **Brokerage for Client Referrals**

Essex does not direct brokerage in exchange for client referrals.

### **Directed Brokerage**

Occasionally, clients may direct Essex to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. Clients who designate the use of a particular broker-dealer should be aware that such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. This may subject the client to inferior trade execution prices as well as higher commissions.

### **Trade Aggregation**

Essex may aggregate trades (i.e., block trading). We will be doing block trading where possible and when advantageous to you. Block trading permits the trading of aggregate blocks of securities composed of assets from multiple accounts so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading allows us to execute trades in a more timely, equitable and efficient manner and to seek to reduce overall commission charges to you.

## Item 13 – Review of Accounts

### **Monitoring of Accounts**

The CCO/Chairman is responsible for reviewing and monitoring the portfolios/accounts investments on a daily basis. He responsible for identifying, evaluating, structuring and negotiating investments, overseeing the ongoing management of the investments, and any possible oversight of financings, recapitalizations, securities and dispositions. This includes determining whether the Fund's portfolio is being managed in a manner that is consistent with the Funds' investment objectives, guidelines, and/or restrictions, as disclosed in the Offering Documents.

### **Review triggers**

Essex continually monitors each client's performance and investments.

### **Reports to Clients**

Essex expects to meet as needed with clients to review each of the following elements:

- a. review your goals, objectives and risk tolerance;
- b. evaluation of the strategy which has been employed; and
- c. evaluation of performance.

The Fund's investors generally receive the following reports: (i) annual audited financial statements of the Fund, (ii) quarterly unaudited financial statements, including estimates of the valuations of the assets in the Fund, and (iii) such other information as is necessary for the preparation of tax returns.

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

Essex may compensate third parties for referrals of clients. Essex may pay placement fees, certain expenses, and servicing fees to third parties, acting as placement agents that place investors in the Fund, as described in the Offering Documents. These fees may be based on a percentage of the assets initially invested, or remaining invested over time, from the investor, or based upon fees received by Essex, in respect of investors placed by that placement agent.

For separately managed accounts, Essex does not receive an economic benefit from a non-client for providing investment advice or other advisory services to our separate account clients, or pay referral fees to third parties related to our separate accounts.

## Item 15 – Custody

### Separate Accounts

We do not have custody of client funds or securities; however, upon written consent to the custodian from you, the custodian can pay us the fees from your account. We will send you an invoice identifying the advisory fee and the calculation used to reach that fee. In addition, the custodian will send to you monthly and/or quarterly an account statement identifying the amount of funds and each security in the account at the end of period and setting forth all transactions in the account during that period including the amount of advisory fees paid directly to us. Clients should carefully review the statements received from the custodian with those you receive from us. Clients should immediately inform us of any discrepancy noted between the custodian records and the reports clients receive from us.

### The Private Fund

Due to Essex's role as a Member Manager, Essex is deemed to have custody. Essex is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"); however, under the pooled vehicle annual audit exception (the "Audit Exception"), Essex is not required to comply with some of the requirements of the Custody Rule. Essex complies with the Audit Exception and in connection therewith, the Fund is audited at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and its audited financial statements are provided to investors within 120 days of the end of the Fund's fiscal year.

## Item 16 – Investment Discretion

### Separate Accounts

Upon receiving written authorization from you, we shall supervise and direct the investments of and for the account on a discretionary basis without prior consultation with you; subject, however, to such limitations and restrictions as you may impose in the Investment Advisory Agreement, or may hereafter impose by written notice to us.

Generally, there are no limitations on:

- The securities we will purchase or sell,
- The amount of the securities we will purchase or sell,
- The broker or dealer we will use to execute a transaction, and
- Commission rates paid (as applicable).

Our discretionary authority over your account(s) excludes withdrawal authorization of cash and/or securities from the account(s). Account(s) withdrawal can only be authorized by your Letter of Instructions.

### The Private Fund

Essex has discretionary authority to manage investments on behalf of the Fund. As a general policy, Essex does not allow investors to place limitations on this authority, provided that the Offering Documents of the Fund may impose certain restrictions on investing in certain types of securities. Pursuant to the terms of the Offering Documents, however, Essex may enter into “side letter” arrangements with certain investors whereby the terms applicable to such investor’s investment in the Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Essex assumes this discretionary authority pursuant to the terms of the Offering Documents and subscription documents executed by the investors of the Fund.

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

Unless otherwise directed, Essex Asset Advisors will vote all proxies on behalf of its clients. Consideration will be given to both the short and long-term implications of the proposal to be voted on when considering the optimal response. Each proxy is cast in what Essex Asset Advisors believes to be in the best interest of the applicable client. At any time, clients may request a copy of our voting policies as well as our actual voting records.



## **Item 18 – Financial Information**

Essex does not require or solicit prepayment of fees in excess of \$1,200 and six months or more in advance. The Company is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to our clients. In addition, we are not currently, nor at any time in the past ten years been the subject of a bankruptcy petition.

## **Item 19 – Requirements for State-Registered Advisors**

We are an SEC registered investment adviser so this section is not applicable.