

## **PART 2A OF FORM ADV: FIRM BROCHURE**

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This brochure provides information about the qualifications and business practices of Elanus Capital Management, LLC (“ECM”). If you have any questions about the contents of this brochure, please contact us at (212) 336-0828. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about ECM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. ECM’s CRD number is 167711.

## **Item 2 – Material Changes**

In January 2014, Elanus Capital Management, LLC (“ECM”) filed its initial application to register as an investment adviser with the SEC. Accordingly, pursuant to disclosure rules under the Advisers Act, this is the first Brochure compiled by ECM to provide new and prospective clients and investors with clearly written, meaningful, current disclosure of its business practices, conflicts of interest and background of its advisory personnel. We encourage all recipients of this Brochure to read it carefully in its entirety.

In the future, this Item will identify and discuss the material changes since the last annual update to assist investors and make them aware of certain information that has changed since the prior year’s Brochure and that may be important to them.

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## **Item 4 – Advisory Business**

Elanus Capital Management, LLC (“ECM” or “we”) is an investment advisory firm established in March 2011 and organized under the laws of Delaware. Elanus Capital Management, LLC is a Delaware limited liability company, and has its principal place of business in New York City. ECM provides discretionary advisory services to private investment vehicles (referred to hereinafter as a “Fund” or collectively as “Funds”) and Managed Accounts (together with Funds, collectively referred to as “Client(s)”). As of the date of filing its Form ADV with the SEC, ECM had seven (7) Clients and regulatory assets under management of approximately \$77,400,000, all of which is managed on a discretionary basis.

Elanus Holdings, LLC, a Delaware limited liability company (“Elanus Holdings”) owns 91% of the economic interests and 100% of the management interests in ECM. The Manager of Elanus Holdings is Matthew Moniot. Therefore, Matthew Moniot has indirect control of ECM.

Advisory services are generally not tailored to the individual needs of Fund investors and Fund investors are generally not permitted to impose restrictions on investing in certain securities or types of securities. However, with respect to Managed Accounts, Clients may obtain tailored advisory services and impose restrictions on investing in certain securities or types of securities, all of which would be detailed through a written investment advisory agreement.

More specifically, ECM provides investment advisory services to the following Clients:

- Elanus Capital Investments Master SPC, a Cayman Islands segregated portfolio company (the “Master Fund”)
- GBO Offshore Fund II LP, a Cayman Islands exempted limited partnership (“GBO Offshore”)
- GBO Fund II LP, a Delaware limited partnership (“GBO Domestic”)
- Elanus Capital Investments SPC, a Cayman Islands segregated portfolio company (“ECI SPC”)
- A platform of single-investor funds (the “Managed Accounts or Managed Account Platform”).

GBO Domestic and GBO Offshore are private investment funds formed for the purpose of investing primarily in credit-linked notes or similar securities or investment products (“Investments”) representing undivided interests in one or more defined portfolios of financial assets (collectively, “Reference Portfolios”) that are exposed to defined risks of realized credit losses within the relevant Reference Portfolio.

GBO Domestic and GBO Offshore invest substantially all of their respective assets in a segregated portfolio of the Master Fund through a “master-feeder” fund structure. GBO Domestic and GBO Offshore are shareholders of the Master Fund.

ECM also operates the Managed Account Platform consisting of single-investor private investment funds that invest in assets broadly similar to the assets proposed to be acquired by the Funds and may act as a co-investor in other investments with the Funds.

ECM does not offer or participate in any wrap fee programs.

## **Item 5 – Fees and Compensation**

### **Management and Performance Based Fees**

ECM is eligible to receive commitment, management, and performance fees in connection with its investment advisory services. The Funds and Managed Accounts pay quarterly commitment or management fees equal to 1.5% per annum of the Fund or Managed Account's net assets. The commitment or management fee is paid quarterly, in advance, based on the net assets as of the first day of the quarter; with the first fee payable on the date committed capital is drawn by the Fund or Managed Account. The first payment, if based on less than a full period, will be pro-rated to cover the period from the investor's capital draw date through the end of that calendar quarter. No portion of the commitment or management fee shall be refundable. ECM, in its sole discretion, may waive or reduce its fees for any period of time, or agree to apply different fees for a respective Client.

ECM also charges performance based fees generally equal to 15% in excess of a preferred return of a 5% realized IRR threshold.

In certain circumstances, fees may be individually negotiated by the Fund and/or Managed Account. Negotiated fees may be higher or lower than those discussed above. Similar services may be available from other investment advisers at a lower cost. All commitment, management and performance fees are established at the inception of each Fund or Managed Account, and are disclosed to prospective investors in the applicable offering documents. Greater detail regarding the fees to the Funds and Managed Accounts may be found in the applicable offering documents.

### **Other Fees and Expenses**

Clients will also bear direct and indirect costs, fees and expenses incurred by or on behalf of such Clients including, among others:

- **Organizational/Formation Expenses**

Expenses that relate to or arise out of the formation of a Fund or Managed Account including, but not limited to, initial offering expenses, legal and accounting fees, marketing expenses, consulting fees, government filing fees (including "blue sky" filing fees) and structuring fees in connection with the formation of the Fund or Managed Account and offering of the Fund or Managed Account's interests. These organizational expenses shall not exceed an amount equal to one hundred (100) basis points of the Fund or Managed Account's aggregate capital commitments. Any organizational expenses in excess of this amount shall be borne by ECM.

- **Operating Expenses**

Expenses that relate to the operation of the Fund or Managed Account including, but not limited to, custodial fees, legal fees, valuation agent fees, accounting fees (including audit and tax preparation expenses), hedging fees, consulting, advisory, investment banking and other professional fees relating to particular investments or contemplated investments (sourcing, evaluation, development, negotiation, acquisition, implementation, ownership,

disposition, financing or any related travel expenses), and fees and expenses of third-party providers of risk management services (including, without limitation, the costs of software and database packages), administrator and administrative fees and expenses, expenses related to regulatory and compliance filings associated with the Fund or Managed Account and their investment activities, insurance costs, filing and registration fees.

Please refer to **ITEM #12 – BROKERAGE PRACTICES**, for additional information on brokerage and other transaction costs.

ECM may, in its sole discretion, pay for any Fund/Managed Account's organizational and/or operating expenses and waive the right to be reimbursed for such expenses. Investors should refer to the applicable Fund/Managed Account's offering document and other relevant documents for additional/supplemental information regarding a Fund or Managed Account as well as the fees and expenses associated with such Fund/Managed Account.

Neither ECM nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

As referenced in *ITEM #5 – FEES AND COMPENSATION*, ECM is eligible to receive performance based fees according to the terms set forth in a respective Fund or Managed Account's offering documents. ECM or its affiliates (including Elanus Partners and GBO GP Ltd.) may enter into agreements with certain Clients through which ECM or its affiliates may receive a performance based fee. However, because the actual performance fee charged to a specific Client may vary, there may be incentive for ECM to make investments that are riskier or more speculative than would be the case in the absence of such a compensation framework or to favor those Clients with higher performance based fees over Clients with lower performance based fees. ECM seeks to mitigate this risk by, among other things, seeking to allocate investments in a fair and equitable manner over time among all its Clients. For a more complete discussion on ECM's allocation procedure and performance based fees, please refer to the Fund or Managed Account's respective offering documents.

## **Item 7 – Types of Clients**

ECM will offer investment advisory services primarily to high net worth individuals, corporate and public pension and profit-sharing plans, foundations and endowments, fund of funds, sovereign funds, corporations and other business entities, and other U.S. and international institutions.

Investor eligibility normally is limited to Accredited Investors, Qualified Purchasers, and Non-U.S. Persons. Minimum investments range from \$5,000,000 up to \$10,000,000. However, ECM may, in its sole discretion, waive the minimum investment amount. Prospective clients should refer to a Fund or Managed Account's respective offering documents for additional qualification requirements for investment.

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

**Investment strategy:** ECM's investment strategy is primarily focused on investments providing capital to banks and other financial services entities. Investments will typically be debt securities in the form of credit-linked notes or similar structured securities generally issued by banks or special purpose entities established by banks. These Investments will indirectly provide collateralized credit default swaps to a bank linked to the performance of an underlying portfolio of its assets (collectively, "Reference Portfolios"). The bank assets that generally comprise the Reference Portfolios are loans (e.g., small and medium enterprise loans, large corporate loans, commercial and industrial loans). These transactions aim to reduce the risk-weighted assets and provide greater capital efficiency for the bank as it transfers a portion of the credit risk of a Reference Portfolio.

**Method of analysis:** ECM performs a fundamental business, financial and credit analysis on each counterparty bank or financial institution. Additionally, we monitor and analyze macroeconomic conditions in multiple regions in order to determine probable economic and business cycle scenarios, and evaluate each Reference Portfolio based on the size and transparency of underlying obligations. ECM generally analyzes individual credits when and where appropriate and applies actuarial analysis on granular, less transparent Reference Portfolios. ECM relies on credit evaluations performed by counterparty banks, National Recognized Statistical Ratings Organizations (NRSROs), internal staff, and others where appropriate.

Investing in securities involves risk of loss that clients should be prepared to bear.

### **Investment Risks**

ECM's investment strategy involves the risk of loss to Clients through a myriad of channels including, but not limited to, market volatility, bankruptcy, foreign exchange translation, interest rate and credit spread volatility, settlement and clearing failure, securities custody, collateral custody, etc. Although ECM attempts to identify and moderate these risks, there can be no assurance that the investment activities will be successful or that investors will not suffer losses. Clients should therefore be mindful of the following risk factors:

**General Environment.** Our investments may be affected by general economic and investment conditions including, inflation rates, economic uncertainty, changes in regulation and policies. These factors could affect the level and volatility of securities prices and the liquidity of Clients' investments. Unexpected volatility or illiquidity can result in temporary or permanent losses.

**Market Conditions.** Conditions such as interest rates, credit spreads, equity market volatility, the availability of credit, etc. can result in temporary or permanent loss.

**Market Disruption and Geopolitical Risk.** General economic and financial conditions may affect the level and volatility of asset prices, interest rates, and the extent and timing of Client participation in the markets for both assets and securities. Unexpected volatility, illiquidity, government action, currency devaluation, or other events in global markets in which each Client

directly or indirectly holds positions could impair ECM's ability to conduct business and cause the funds to incur substantial losses.

Social and political tensions could increase market volatility, affect U.S. and worldwide financial markets and add to economic uncertainty. ECM cannot predict the timing or effects of these events on the U.S. and world economy and securities markets now or in the future. Given the risks described above, an investment in any Fund or Managed Account may not be appropriate for all investors. An investor should carefully consider his or her ability to assume these risks before making any such decision.

**Credit Risk.** The risk of loss of expected principal and interest payment caused by losses generated upon default of underlying exposures is the principal risk for the Funds and Managed Accounts. Events of default are correlated to the business cycle and frequency of default is a function of the creditworthiness of underlying borrowers. Additionally, investments may be subject to the credit risk of the counterparty bank or financial institution.

**Liquidity Risks.** The Funds/Managed Accounts generally invest in securities distributed to a highly limited group of investors. As such, the securities are generally regarded as illiquid. An investment in a Fund/Managed Account that in turn invests in illiquid securities may not be appropriate for all investors. An investor should carefully consider his or her ability to assume these risks before making any such decision.

**Valuation Risk.** There is often no active market for the securities in which the Fund/Managed Account invests. As such, valuations are based primarily on modeled results and not observed transactions. The value assigned to such securities for purposes of determining shareholder percentages or net profits and losses may differ from the value the Fund/Managed Account is ultimately able to realize.

**Government Policies.** Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during recent years have led to increased regulatory scrutiny of the private investment fund industry. Certain legislation proposing greater regulation of the industry periodically is considered by the U.S. Congress and foreign governments. It is impossible to predict what, if any, regulatory changes would be applicable to ECM, ECM's Clients, the markets in which we trade and invest, and our counterparties. ECM can also not predict what regulations may be instituted in the future. Any such regulation could have a material adverse impact on the profit potential of our Clients. Regulations designed to address turmoil in financial markets may have a negative impact on Clients' investments ability to achieve investment objectives.

**Foreign Currency Risks.** Exposures to investments in securities denominated in foreign currencies may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and USD. Changes in foreign currency exchange rates influence values of securities in a portfolio, as well as the value of dividends and interest earned, gains and losses realized on the sale of securities and net investment income and gains, if any. The rate of exchange between USD and other currencies is determined by supply and demand in foreign exchange markets, which are in turn affected by international balances of

payments and other economic and financial conditions, government intervention, speculation and other factors.

**Concentration of Investments.** Due to the nature of the investment strategy, the investments may be concentrated in a limited number of issues or classes. Thus, the investment vehicles may have limited diversification. Although ECM may have limitations on the concentration of holdings in any vehicle, ECM reserves the right to purchase a single issue or class of investments over any limits if it determines in its sole discretion that such investments are appropriate.

**Default and Counterparty Risk.** To the extent that Funds/Managed Accounts' investments or hedges are acquired in "over-the-counter" or "interdealer" markets, they will be subject to default and other counterparty risks. Participants in such markets typically are not subject to the same credit evaluation and regulatory oversight as participants in exchange-based markets. This exposes the Funds/Managed Accounts to the risk that counterparties will not settle transactions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund/Managed Account to suffer a loss. In addition, in the case of a default, Funds/Managed Accounts could be subject to adverse market movements while replacement transactions are executed. Such counterparty risk is accentuated for contracts with longer maturities where events may prevent settlement or where the Fund/Managed Account has a single or small group of counterparties. Funds/Managed Accounts face increased risk of losses by transacting business with one or a small number of counterparties, without any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement.

**Leverage.** Funds/Managed Accounts may face additional risks by using leverage or engaging in repurchase financing. For example, if the seller of securities under a repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of bankruptcy or otherwise, the counterparty may seek to dispose of the securities, which could involve costs or delays and require the Fund/Managed Account to sell investments at a loss, if it is able to sell them at all. If the seller under a repurchase agreement becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Fund/Managed Account's ability to dispose of the underlying securities may be restricted. If the seller fails to repurchase the securities, the Fund/Managed Account may suffer a loss to the extent that proceeds from the sale of the underlying securities are less than the repurchase price. Similarly, reverse repurchase agreements involve the risk that the market value of the securities retained in lieu of sale by the Fund/Managed Account may decline below the price of the securities the Fund/Managed Account has sold but is obligated to repurchase. If the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the Fund/Managed Account's obligation to repurchase the securities and the Fund/Managed Account's use of the proceeds of the reverse repurchase agreement may effectively be restricted pending a decision. Repurchase and reverse repurchase agreements tend to be short-term in nature and can be withdrawn on minimal notice.

While borrowing and leverage present opportunities for increasing total return, they have the effect of potentially increasing losses as well. If income and appreciation on investments made

with borrowed funds are less than the cost of the leverage, the value of the Fund/Managed Account's net assets will decrease. Any event that adversely affects the value of an investment by the Fund/Managed Account would be magnified by the leverage employed. The cumulative effect of the use of leverage in a market that moves adversely to a leveraged investment could result in a substantial loss, which would be greater than if leverage were not used. Further, most leveraged transactions involve the posting of collateral. Increases in the amount of margin the Fund/Managed Account is required to post could result in a disposition of fund assets at times and prices, which could be disadvantageous to the Fund/Managed Account and could result in substantial losses. A creditor's claim on the Fund/Managed Account would be senior to the rights of the Fund/Managed Account and its investors.

**Highly Volatile Markets.** The prices of securities and other financial instruments in which a Fund/Managed Account's assets are invested can be highly volatile and influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Fund/Managed Accounts also are exposed to the failure of any of the exchanges on which their investments trade, and to the failure of their clearinghouses.

**Speculative Investments.** The Funds/Managed Accounts will make certain speculative purchases and/or sales of securities that ECM believes to be undervalued or overvalued. There can be no assurances that securities that ECM believes to be undervalued are in fact undervalued, or that undervalued securities will in fact decrease in value. Further, in such cases, a substantial period of time may elapse between a Fund/Managed Account's purchase of the securities and the actual increase in value of such securities. The same is true for speculative purchases of securities that ECM believes to be overvalued. During this period, a portion of a Fund/Managed Account's capital would be committed to the securities purchased and/or sold, and a Fund/Managed Account may finance such transactions with borrowed money on which it would have to pay interest.

**Hedging Transactions.** The Partnership may utilize financial instruments such as futures and options, credit default swaps and financial guaranties to seek to hedge against fluctuations in the relative values of its portfolio positions, to hedge against other portfolio investments and to hedge the credit risks represented by particular Reference Obligations or categories of Reference Obligations or correlations or concentrations among Reference Obligations. Such hedging strategies do not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline or are subject to credit losses, but establish other positions designed to gain from those same developments, thus potentially moderating any losses or decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase or the hedged credit losses are not realized. The Investment Manager is not obligated to establish hedges for portfolio positions and may not do so. To the extent that hedging transactions are effected, their success is dependent on the Investment Manager's ability to correctly predict movements in the direction of such factors as currency and interest rates, and the credit markets and credit quality migration of particular Reference Obligations.

**Derivative Transactions.** Funds/Managed Accounts may engage in derivative transactions such as swaps, collars, caps, floors, credit default swaps and other credit derivatives, and forwards both for hedging purposes and as an alternative to direct investments in the underlying securities.

Risks associated with derivative transactions are potentially greater than those associated with the direct purchase or sale of the underlying securities because of the additional complexity and potential for leverage. In addition, derivatives may create credit risk (the risk that a counterparty on a derivative transaction will not fulfill its contractual obligations), as well as legal, operational, reputational and other risks beyond those associated with the direct purchase or sale of the underlying securities to which their values are related.

**Swaps.** The use of swaps is a highly specialized activity; the investment techniques and risks are different from those of ordinary securities transactions. Successful use of swap agreements will depend on the ability of ECM to value and trade swaps properly in light of interest rates and other applicable factors. Even if ECM is correct in its valuations and trading, the risk remains that a swap position may correlate imperfectly with the price of the asset or liability being hedged. Moreover, the Fund/Managed Account bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of the swap counterparty.

**Futures.** The Fund/Managed Account may engage in transactions in commodity futures contracts, options on futures contracts and in other products traded on commodities exchanges, regulated by the Commodity Futures Trading Commission (the “CFTC”) or international exchanges. Trading in futures and options on futures involves significant risks, including: (i) futures contracts and options on futures are volatile in price; (ii) futures trading is highly leveraged; and (iii) futures trading involves high transaction costs.

**Forward Trading.** Forward contracts and options, unlike futures contracts, are not traded on exchanges and are not standardized; banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and the markets can experience long periods of illiquidity. There have been times when participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Fund/Managed Account due to unusually high trading volume, political intervention or other factors. The imposition of controls by government authorities might also limit such forward (and futures) trading to less than that which ECM would otherwise recommend, to the possible detriment of the Fund/Managed Account. Market illiquidity or disruption could result in significant losses for the Funds/Managed Accounts.

**Trading in Options.** Funds/Managed Accounts may purchase and sell (“write”) options on securities, currencies and commodities on national and international exchanges and over-the-counter markets. Trading in options may be used to reduce the risks attendant to short selling, to

reduce overall market exposure, or to establish or increase long or short positions. Options trading is speculative and involves a high degree of risk.

The seller (“writer”) of a put option which is covered (e.g., the writer has a short position in the underlying instrument) assumes the risk of an increase in the market price of the underlying instrument above the sales price (in establishing the short position) of the underlying instrument, plus the premium received, and gives up the opportunity for gain on the underlying instrument below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying instrument, the loss on the put will be offset in whole or in part by any gain on the underlying instrument.

The writer of a call option which is covered (e.g., the writer has a long position in the underlying instrument) assumes the risk of a decline in the market price of the underlying instrument below the value of the underlying instrument less the premium received, and gives up the opportunity for gain on the underlying instrument above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying instrument, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying instrument. Options may be cash settled by physical delivery or by entering into a closing transaction. In entering into a closing purchase transaction, the Fund/Managed Account may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written. In addition, the correlation between option prices and the prices of underlying securities may be imperfect and the market for any particular option may be illiquid at a particular time.

**Private Placements and Unregistered Securities.** Funds/Managed Accounts may purchase convertible securities and fixed income obligations regulated by the Securities Act of 1933, as amended. The market to resell these securities may be illiquid and the Funds/Managed Accounts may need to hold them for a long time. If the Funds/Managed Accounts are forced to liquidate their positions in these securities, the selling price may be at a substantial discount to the underlying value and result in a total loss on the investment.

**Non-U.S. Securities.** Funds/Managed Accounts may sell or purchase securities of non-U.S. issuers and transact in other financial instruments denominated in various currencies from issuers in any country, developed or undeveloped. To hedge foreign currency exchange rate risks or for other reasons related to the Funds/Managed Accounts’ business, Funds/Managed Accounts may invest in foreign currencies and foreign currency related products. These types of investments entail risks in addition to those involved in investments in securities of domestic issuers due to exchange rate fluctuations, possible exchange controls, less publicly-available information, different accounting and auditing standards, more volatile markets, less securities regulation, less favorable tax provisions (including possible withholding taxes), political and social upheaval,

war or expropriation. Non-U.S. securities also may be less liquid and more volatile than U.S. securities and may involve higher transaction and custodial costs.

**Limited Liquidity of Some Investments.** Some investments may be or become relatively illiquid, because they are thinly traded, subject to transfer restrictions, or subject to practical or regulatory limits on the Fund/Managed Account's ability to liquidate or acquire them in the market quickly; for example, if the Fund/Managed Account holds a large block. Funds/Managed Accounts may not be able promptly to liquidate or purchase those investments if the need should arise, and the ability to realize gains or avoid losses in periods of rapid market activity may be limited.

**Loans of Portfolio Securities.** Funds/Managed Accounts may, from time to time, lend securities from the portfolio to brokers, dealers and financial institutions and receive collateral in the form of cash or securities in an amount equal to at least 100% of the current market value of the loaned securities, including any accrued interest or dividend receivable. The Funds/Managed Accounts will retain all rights of beneficial ownership, including voting rights and rights to interest or other distributions, and will have the right to regain record ownership of loaned securities to exercise such beneficial rights. Such loans will be terminable at any time. Funds/Managed Accounts may pay finders', administrative and custodial fees to unaffiliated persons who arrange the loans.

**Overall Investment Risk.** All securities investments risk the loss of capital. The nature of the securities to be sold short, purchased or otherwise traded, and the investment techniques and strategies to be employed by ECM, may increase this risk. The use of leverage by ECM generally enhances and magnifies this risk. While ECM will use its best efforts in the management of the Fund/Managed Account's portfolio, there can be no assurance that the Fund/Managed Account will not incur losses. Unforeseeable events, including actions by various government agencies, and domestic and international economic and political developments, may cause sharp market fluctuations that could adversely affect Funds/Managed Accounts' end performance.

**Portfolio Turnover.** Funds/Managed Accounts may not have limits on the rate of portfolio turnover, and portfolio securities may be sold without regard to the time they have been held when, in the opinion of ECM, investment considerations warrant. High portfolio turnover increases the expenses of Funds and Managed Accounts.

**Insolvency of Brokers and Others.** Funds/Managed Accounts will be subject to the risk of failure of brokerage firms who execute trades, clearing firms that brokers use, or clearing houses of which clearing firms are members.

## **Item 9 – Disciplinary Information**

There are no legal or disciplinary events that are material to a Client's, prospective client's, Fund investor's or prospective Fund investor's evaluation of ECM's advisory business or the integrity of ECM's management.

## **Item 10 – Other Financial Industry Activities and Affiliations**

ECM and its management persons are not registered and do not have any application pending to register as representatives of a broker-dealer.

ECM and its management persons are not registered and do not have any application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor and are not associated persons of the foregoing entities.

ECM and its management persons do not have any relationship or arrangement with any related person that is material to its advisory business or its clients. ECM has existing relationships with certain banking counterparties, accounting firms and law firms that do not give rise to any material conflicts.

ECM and its management persons do not recommend or select other investment advisers or receive compensation directly or indirectly from any advisers for its Clients. Additionally, there are no other business relationships with any adviser(s) that create a material conflict of interest.

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

ECM has a written Code of Ethics (the “Code”) in compliance with Securities and Exchange Commission (“SEC”) Rule 204A-1. The Code will be updated by ECM from time to time to reflect new legislation or regulations, or to otherwise reflect evolving best practices. ECM’s employees and any future employees will be required to read the Code as part of ECM’s overall Compliance and Employee Manual (the “Manual”), and annually acknowledge compliance with the policies and procedures set forth therein. ECM will provide a copy of its Code of Ethics, as contained in the Manual, to any client or prospective client upon request.

The Code holds individuals to the highest standards of ethical conduct and places upon them a duty to act for the Client’s benefit as well as to place the financial interests of ECM’s Clients ahead of their own interests at all times. The Code also sets forth trading restrictions and/or prohibitions on certain types of securities for personal accounts, requires mandatory pre-clearance of certain securities, and mandates reporting of initial holdings information upon employment and periodic transaction reporting thereafter. ECM reviews these reports to ensure compliance by employees with the firm’s policies and procedures regarding trading activities.

ECM and/or its principals and affiliates may on occasion own, buy and/or sell securities which ECM recommends to its clients, subject to the personal trading limitations noted above. Such transactions may also include trading in securities in a manner that differs from or is inconsistent with advice given to clients. ECM recognizes that potential conflicts will arise from such transactions and will take reasonable measures to mitigate such conflicts.

## **Item 12 – Brokerage Practices**

### **General Practices and Execution Quality**

ECM will have sole discretion in the selection of brokers and dealers for transaction execution. ECM's policy is to seek the best execution of orders at the most favorable price in light of the overall quality of brokerage. In selecting a broker for any transaction, ECM may consider a number of factors, including, for example, the broker's reputation, financial strength, stability and market access, efficiency of execution and error resolution, the size of the transaction and the net price or spread. We generally approach primary market makers for transactions in the over the counter market except in those instances where ECM believes more favorable execution or price is obtainable elsewhere.

ECM monitors transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers it may use, to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those brokers and dealers in light of all the factors described above.

Each Client is responsible for the payment of standard custodian fees for the custody of its assets. Custodian fees are paid at market rates and are not material to the Fund or Managed Account. Each Client incurs standard transaction costs associated with acquiring and selling securities and the brokerage commissions are negotiated at arm's length on behalf of each Fund/Managed Account. ECM will not receive any rebates in respect of brokerage commissions or custody fees. ECM is not affiliated with any other brokers or service providers.

### **Soft Dollars Arrangements**

ECM does not have any soft dollar arrangements, and any forthcoming decisions involving soft dollars will be made in accordance with the requirements of the safe harbor provided by Section 28(e) of the Exchange Act. Furthermore, ECM will not enter into any third-party soft dollar arrangements without the express approval of its Chief Compliance Officer. ECM has no incentives in selecting or recommending any particular broker-dealer. Within our last fiscal year, ECM and our related person did not acquire any products or services with client brokerage commissions.

### **Brokerage for Client Referrals**

ECM does not receive client referrals from broker-dealers or third parties and as such, does not pay cash compensation to any broker-dealers or third parties for client referrals. ECM also does not direct any client transactions to a particular broker-dealer in return for client referrals.

### **Directed Brokerage**

ECM does not receive client referrals from broker-dealers or third parties and as such, does not pay cash compensation to any broker-dealers or third parties for client referrals. ECM also does not direct any client transactions to a particular broker-dealer in return for client referrals.

### Aggregation of Orders

Where available and appropriate, ECM may aggregate sale and purchase orders for various Funds and/or Managed Accounts if, in ECM's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to all affected based on an evaluation that the Funds and/or Managed Accounts have benefited by relatively better purchase or sale prices, lower commission expenses or a combination of these and other factors. In many instances, the purchase or sale of securities for the Funds will be effected simultaneously with the purchase or sale of like securities for such other Accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, and at ECM's sole discretion, the funds may be charged or credited, as the case may be, the average transaction price.

### **Item 13 – Review of Accounts**

Client accounts are reviewed and monitored on a routine basis by ECM's Investment Management Team which is led by Matthew Moniot, the CIO of ECM. Reviews may be triggered by, among other factors, changing market conditions, news concerning specific holdings, or at the request of a Client. ECM provides quarterly written summaries of each Client's performance and a written summary of allocation changes and market views.

Managed Accounts receive transaction confirmations and quarterly statements from custodians and brokers, as well as quarterly reports listing the holdings, market value, cost and other information concerning the Account. Fund investors receive quarterly account statements listing the value of their investment. Fund investors also receive an annual K-1, if applicable, and a copy of the annual audit for each Fund in which they are invested.

Taxable accounts receive an annual tax summary.

Certain private Funds advised by ECM have retained the services of a third party administrator to act as administrator, share registrar, and transfer agent. The Administrator is generally responsible for producing and distributing monthly account statements and other information as specified above to investors. Also, due to legal/regulatory constraints that must be followed by some of our Clients/underlying Fund investors and/or the specific needs and requests by certain Clients/Fund investors, ECM may, at its discretion, agree to provide certain Clients/Fund investors more frequent reports and/or certain other reports than those described above. Certain information is only provided after the Client/Fund investor has signed a confidentiality agreement.

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

As noted in *ITEM #12 – BROKERAGE PRACTICES* of this brochure, ECM does not intend to compensate any broker-dealers or third parties for client referrals. ECM may, from time to time, enter into arrangements with placement agents to solicit investors for the Funds. If ECM does engage placement agents, they would be subject to a conflict of interest because they would be compensated by ECM in connection with those solicitation activities. Investors solicited by any such placement agents would be advised of any compensation arrangements relating to their solicitation. Additionally, the CCO must review all placement agent arrangements to ensure that they comply with the requirements set forth in ECM's Compliance Manual, and determine whether the solicitation agreement is subject to regulation under state law. ECM will also only compensate placement agents if the agent has met all necessary requirements set forth in ECM's Compliance Manual.

## **Item 15 – Custody**

Client assets are held in each Client's name with such Client's qualified custodian. Each Client's qualified custodian will provide monthly account statements to ECM and/or directly to the Client. In turn, ECM provides quarterly written account updates to its Clients. Clients should carefully review any statements or reports provided by the Fund's administrator as well as the Fund's audited financial statements. The Funds are audited annually and Fund investors receive a copy of the annual audit within 120 days' of a Fund's year-end.

With respect to such funds and/or securities held by Managed Account Clients, such Clients will have access to account statements prepared by a qualified custodian. Such account statements will be updated at least quarterly. Managed Account Clients will also receive account statements from ECM, and such Clients are urged to compare the account statements received from the qualified custodian with those received from ECM.

## **Item 16 – Investment Discretion**

ECM has discretionary authority over its Clients' assets pursuant to the investment advisory agreements it enters into with such Clients. ECM normally makes all investment decisions and takes all actions that are, in its reasonable judgment, necessary or desirable and in the best interests of the Client. This means that ECM may place trades in its Clients' accounts without contacting the Client prior to any trade to obtain the Client's permission. Our discretion may be limited pursuant to the terms and conditions of the applicable advisory relationship, provided that the restrictions are essentially consistent with the ECM's investment process.

## **Item 17 – Voting Client Investments**

ECM has certain proxy voting policies and procedures (the “Proxy and Corporate Action Policy”) to comply with Rule 206(4)-6 under the Investment Advisers Act and its associated recordkeeping requirements. The Proxy and Corporate Action Policy applies to Client accounts (i) that contain voting securities; and (ii) for which ECM has authority to vote Client proxies. ECM will review the Proxy and Corporate Action Policy periodically and update it as necessarily to address new or revised proxy voting issues. Other, similar rights such as consent rights shall be evaluated on a case-by-case basis.

Although infrequent, when necessary, ECM will vote Client proxies/corporate actions as part of its authority to manage, acquire and dispose of Clients’ accounts. The proxies/corporate actions are reviewed and analyzed by the CCO. When voting proxies for Client accounts, ECM’s primary objective is to make voting decisions solely in the best interests of Clients for which we manage assets. In fulfilling its obligations to clients, ECM will act in a manner deemed to be prudent and diligent and which is intended to enhance the economic value of the underlying securities held in Client accounts. In certain situations, a Client or its fiduciary may provide ECM with a statement of proxy voting policy. In these situations, ECM seeks to comply with such policy to the extent it would not be inconsistent with applicable regulation or the fiduciary responsibility of ECM.

ECM will maintain a written record of the proxy/corporate action vote on each occasion that a vote is required. Clients may obtain a copy of ECM’s Proxy and Corporate Action Policy and also information how the Client’s securities have been voted upon, free of charge from our CCO upon request.

In exercising any voting discretion, ECM and its employees will avoid any direct or indirect conflict of interest raised by such voting decision. ECM will provide adequate disclosure to its Clients if any substantive aspect or foreseeable result of the subject matter to be voted upon raises an actual or potential conflict of interest to ECM or any of its affiliates. After informing a Client of any potential conflict of interest, ECM will either request such Client’s consent to ECM’s vote recommendation or request that such Client vote the proxy directly or through another designee. If the Client is unreachable or the Client has not affirmatively responded before the response deadline for the matter being voted upon, ECM may: (a) engage a non-Interested Party to independently review its vote recommendation if the vote recommendation would fall in favor of its interest (or the interest of its affiliate), to confirm that the vote recommendation is in the Client’s best interest under the circumstances; (b) cast its vote as recommended if the vote recommendation would fall against its or its affiliate’s interest and such vote recommendation is in the Client’s best interest under the circumstances; or (c) abstain from voting if it determines that such action is in its Client’s best interest under the circumstances.

## **Item 18 – Financial Information**

ECM is a Delaware limited liability company and has no additional financial circumstances to report. A balance sheet is not required to be provided because ECM does not and will not require or solicit prepayment of more than \$1,200 in fees per client more than six months in advance of services rendered. ECM has never filed a bankruptcy petition.