



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

EJF Capital LLC (“EJF” or the “Firm”) is required to identify and discuss any material changes made to this brochure since the last up date. There have been no material changes to the Firm’s business or this brochure since its last update. EJF and its affiliates continued to provide investment management services to its clients throughout 2014, and expects to do so in calendar year 2015.

Item 3

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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 55% of EJF, and Neal Wilson, EJF's Chief Operating Officer, owns approximately 17% 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 two relying advisers, one located in Arlington Virginia, and the second in Houston, Texas.

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

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London, UK W1K 1RB

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

Kodiak Capital Management Company LLC
2107 Wilson Blvd
Suite 410
Arlington, VA 22201

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

Advisory Services

EJF provides discretionary investment advisory services to pooled investment vehicles and single investor funds (each, a "Fund", and 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 investments: 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 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; EJP Financial Services Fund, LP (“Financial Services”), a limited partnership formed in Delaware; Beltway Strategic Opportunities Fund LP, (“Beltway”), a limited partnership formed in the Cayman Islands; Beltway Direct Opportunity Fund Series LP (“Beltway Direct”), a limited partnership formed in the Cayman Islands; and EJP Concentrated Financial Opportunities Master Fund, LP, (“Concentrated Financial”) a limited partnership formed in the Cayman Islands. In addition to the Funds referenced above, EJP also manages a number of Funds that are currently closed to new investors and investments.

Armadillo Financial Partners, LLC (“Armadillo”), a relying adviser on EJP’s Form ADV, serves as the manager for the Armadillo Financial Fund LP (“Armadillo Fund”).

Kodiak Capital Management Company LLC (“Kodiak Capital”), a relying adviser on EJP’s Form ADV, serves as the manager for Kodiak Funding LP (“Kodiak”), 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” together with Funds, each, a “Client”, and collectively “Clients”). 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 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) are 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 Clients’ portfolios, EJP relies on investment research generated internally and research received from third-party broker-dealers or consultants (proprietary research). EJP’s portfolio managers for different Clients may share investment research and may have discussions regarding investment ideas. This practice may create a conflict between EJP’s Clients as resources, and investment opportunities could be allocated disproportionately. 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 EJJ may include, but are not limited to investments (domestic and foreign) in common stock, preferred stock, investment grade and non-investment grade corporate bonds, fixed income products, derivatives, and private securities. Funds and SMA clients may also purchase other securities such as: 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), forwards, swaps, municipal bonds, trust preferred securities, and warrants. With regard to one Fund, the investment program includes providing secured business loans, loans to law firms participating in mass tort litigation or other similar litigation.

EJJ 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. EJJ 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 may issue structured finance products and/or originate loans that invest in trust preferred securities. EJJ 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.

EJJ has agreed to provide certain investors with documents containing detailed information about certain Funds on a monthly basis. EJJ will provide such statements to investors in the Funds upon request, subject to such policies and conditions as may be established by EJJ from time to time in its sole discretion. EJJ 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 EJJ 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 EJJ receives a notice of termination. EJJ 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, 2014, EJJ had approximately \$8,211,623,023 in regulatory assets under management, including \$8,134,457,766 in assets managed on a discretionary basis and \$77,165,257 in assets managed on a non-discretionary basis.

Item 5 – Fees and Compensation

Funds

As the investment adviser responsible for managing the Funds, EJP charges a maximum management fee of 2% based on the assets under management in Funds. EJP may agree to charge certain Funds or certain Funds' investors management fees of less than 2% even if the assets are managed in a similar investment style. EJP 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, EJP may decide to negotiate its management fee because of an investor's asset level in the portfolio or an investor's special situation. Certain Clients may be invested in Funds managed by EJP, in which case those Clients will be placed in a non-fee paying class of the Funds in which they are invested.

Certain Funds that are open to new investors calculate and pay management fees to EJP 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, EJP 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 EJP'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 EJP personnel pursuant to EJP'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 EJP bank account.

Funds - Transaction/Trading Costs

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 EJP. 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 - Other Fees or Expenses Charged to the Funds

To the extent permitted under the applicable offering documents, as amended from time to time to one or more of EJP's Funds may bear some or all of the following expenses directly or indirectly: (i) fees or expenses associated with structured products or other securities in which the Funds invest, such as management fees associated with Collateralized Debt Obligations or Exchange Traded Funds; (ii) fees and charges of clearing agencies; (iii) interest and commitment fees on loans and debit balances; (iv) income taxes, withholding taxes, transfer taxes and other governmental charges and duties; (v) fees of legal advisors, independent auditors and fund administrators; (vi) directors' fees and expenses, if any; (vii) the costs of any liability insurance or

fidelity bonding obtained on behalf of or for the benefit of the Funds; (viii) the costs of maintaining the Funds' recognition, registered agents and registered offices in a variety of jurisdictions; (ix) the costs of any reports and notices to investors; (x) expenses relating to researching investments; (xi) offering expenses (including the costs of printing and distributing any offering documents); and (xii) fees for escrows, storage, custodians and other out of pocket expenses. A portion of these operating expenses may be shared with other Clients, EJJ or its affiliates.

Funds - Investors

Certain investors in certain classes of the Funds 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 or conducting business. 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 redemption fees, certain Funds may charge an investor if it 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.

SMAs

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 SMAs 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 SMAs pay any management fees in advance. Fees for SMAs 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 EJJ directly; other clients direct their custodian or a representative to pay the management fee to EJJ. EJJ 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 SMA

s 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.

Clients – Fee and Expense Allocation Generally

When EJJ incurs expenses on behalf of multiple client accounts, in accordance the applicable operating and investment management agreements, EJJ may allocate the expenses among the applicable Clients in a fair and reasonable manner. In some instances, it may not be possible or practical, in the Firm’s opinion, to allocate all expenses ratably across all of the Clients accounts. On such occasions, the Firm may allocate expenses disproportionately among Clients, or EJJ may assume a portion or all of certain Clients’ expenses.

Additional Compensation

Neither EJJ 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

EJJ may charge certain Clients performance-based fees. The receipt of performance-based fees may create a conflict of interest for EJJ. Since positive investment returns would likely increase the performance fee paid to EJJ by its clients, the Firm has an incentive to favor those clients that pay EJJ a performance fee or higher performance fees. For example, if EJJ allocated profitable trades exclusively to those clients that pay EJJ a performance based fee or the highest performance fee, EJJ would have a conflict of interest. EJJ manages this potential conflict of interest by creating, implementing, and enforcing trade allocation policies and procedures. EJJ 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, EJJ will bunch trade orders to minimize trade execution cost and to assist with obtaining best execution.

There may be occasions when EJJ 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, EJJ also charges its Funds and SMA clients an asset-based management fee.

As noted above, certain Funds managed by EJJ 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, as well as classes within Funds, are not subject to a high-water mark. Additionally, the Firm, in accordance with applicable provisions of the Fund's offering documents, may transfer investors between classes. 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 to open an SMA is generally \$50,000,000. EJP and its affiliates reserve the right to waive the minimum account size for investors in the Funds or individuals/entities opening SMAs.

EJP has a diverse and sophisticated client base, some of which may also have a nexus to the financial industry. As a result, EJP's Clients and investors, and their respective affiliates, may issue structured products, fixed income securities, investment companies, equities, or other securities. EJP may from time to time trade in such securities on behalf of its Clients' accounts. This may create a conflict of interest by placing Clients in securities issued by other Clients or Fund investors. Additionally, the Firm or its Funds may also pay to attend conferences or events sponsored by investors of Funds for marketing or research purposes. This situation may also create a conflict of interest between EJP Funds and certain Fund investors receiving payments from EJP.

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

EJP INVESTMENT STRATEGIES

All EJP Clients may utilize one or more of the following strategies in their portfolios in accordance with their respective mandates and the private placement memorandum, the organizational documents and/or in the Client's investment management agreement.

Fixed Income Strategy

EJP's fixed income strategy is designed to target attractive performance returns and to seek to produce long-term capital appreciation through direct and indirect investments in private and public debt markets. EJP's approach is to take advantage of its strength, experience, and expertise in analyzing investment opportunities across debt capital markets. This approach allows EJP to identify investment opportunities in relatively complex markets that strive to offer attractive absolute total returns. EJP'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, EJP 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 EJP.

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 Securities Act of 1933 ("Securities Act"), private investments in public equities, and assets currently held by the Treasury in connection with the Capital Purchase Program under the TARP. 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, Funds 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.

Public Equity Strategies

One of EJP'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. EJP 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, among other things, 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 TARP; and (4) FDIC assisted transactions.

Private Equity Strategies

A changing regulatory regime has resulted in banks and similar financial institutions deleveraging their portfolios and seeking 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.

Non-Marketable Loan Strategies

An investment objective under this strategy is to earn interest income by providing financing to plaintiff law firms participating in mass tort litigation or other similar litigation. The investment strategy may result in highly concentrated and illiquid positions.

This strategy seeks to provide loans to law firms; such loans are secured by the firms' interests in future award settlements from selected dockets (i.e., a group of cases against one defendant or group of defendants) of mass tort cases. The Firm will primarily focus on three areas of mass tort litigation: (i) pharmaceutical, (ii) medical devices, and (iii) asbestos/mesothelioma. Additionally, the Firm may take advantage of other similar opportunities in financing plaintiff law firms participating in other types of litigation.

Risks Relating to Investment Strategies

The investment strategy for each of EJJ's Clients involve a substantial degree of risk. The Firm has listed certain risks below; however, the list of risks is not comprehensive or complete. Clients and investors are strongly encouraged to review the risks of their investment strategy, as contained in the Client's private placement memorandum, the Client's organizational documents and/or as set forth in the Client's investment management agreement. In addition, while certain risks may be more important for certain investment strategies, certain risks may overlap and apply to multiple investment strategies.

Fixed Income Strategy Risk

EJJ's fixed income strategy is designed to maintain a security portfolio by position size, sector concentration, capital structure position, maturity, and rating. The overall strategy may be subject to such risks as, interest rate risk, credit risk, liquidity, market risk, default risk, concentration risk, geographic concentration and exposure, microeconomic and macroeconomic risk, prepayment risk, volatility, valuation, and inflation. Certain investments utilized in this strategy bear risks appurtenant to the type of security invested. Such examples include as: i) fixed income securities, which may be unrated by a credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities, ii) debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets, iii) debt securities which are not protected by financial covenants or limitations on additional indebtedness, iv) certain asset backed securities and other instruments that bear a higher than normal prepayment risk, and v) mortgage backed securities and other structured products that may bear lack of standardized terms, shorter maturities, real estate risk and volatile valuation.

EJJ is an active manager of risk and will use various techniques to lessen undesirable risk in this strategy. 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 investments, and volatility.

Public Equity Security Risk

EJJ's Public Equity Strategy is to seize improperly valued publicly traded securities in the market, and sectors EJJ deems an opportunity. The overall strategy may be subject to such risks as, the

fluctuation in securities prices interest rate movement in , the United States' and certain foreign countries' economic growth rates, and political events may have an impact on equity markets, concentration risk, liquidity risk, volatility, and valuation.

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.

Clients may have control positions in addition to advisory roles in private equity investments, along with certain contractual rights to protect its investments (including shareholder agreements, redemption rights and/or placement of a designee of the Firm or an affiliate on the boards of directors or as a board observer of portfolio companies), but such Clients may not always have control over its portfolio companies. A Client runs the risk of refusal of management or shareholders of portfolio companies to adopt the recommendations of such Client, disagreement with existing management and any resulting negative impact on the value of the portfolio company or such Client's ability to exit from such investment at a profit as a result of such refusal or disagreement. Should such a refusal or disagreement occur, EJJ or an affiliate may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect such Client's position in such companies.

Certain investments advised by EJJ will initially be a newly formed entity which has not commenced operations and therefore will have no operating history upon which an investor may evaluate its performance. The prior experience of the investment team or the performance of other investment vehicles does not provide assurance of future investment performance or returns.

Clients may be called upon to provide follow-on funding for its investments or may have the opportunity to increase its investment in private companies and other investments. There can be no assurance that a Client will wish to make such follow-on investments or have available capital to do so, and the inability to make such follow-on investments may have a substantial negative impact on a portfolio company or other issuer in need of capital or may diminish such Clients' ability to influence the portfolio company's or other issuer's future development.

Non-Marketable Loan Risk

The following risks are associated with the non-marketable loans:

- No guarantee that cases (collateral for loans) will be successful;
- Timing and amount of case settlements could be substantially different than expectations;
- Borrowing law firms could cease to operate or file for bankruptcy;

- Defendants could file for bankruptcy;
- Tort reform could reduce tort litigation or damages awarded to plaintiffs; and
- Potential for conflict with state ethics bar guidelines regarding confidentiality and lending relationships with borrowing firms.

Derivative, Futures, Forwards and Other Security Risk

Each of the strategies may use derivatives, futures, forwards, synthetic instruments or other instruments as supplemental instruments to implement leverage, hedges, protection or exposure to certain areas such as: currency, interest rates, geographic locations, sectors, credit, commodities, and other fields. There is no guarantee that use of such instruments will achieve their intended objective, and may create unintended consequences and risks for EJJ's Clients. Additionally, use of such instruments have inherent risks.

The use of such instruments involves a variety of material risks, including the possible use of leverage and the possibility of counterparty non-performance, as well as of material and prolonged deviations between the actual and the theoretical value of a derivative (e.g., due to nonconformance to anticipated or historical correlation patterns). In addition, the markets for certain instruments are frequently characterized by limited liquidity, which can make it difficult, as well as costly, for EJJ Clients to close out positions in order either to realize gains or to limit losses. Some of the instruments that EJJ Clients may trade are "principal-to-principal" or "over-the-counter" ("OTC") contracts between the Clients and third party dealer firms (typically major securities firms) entered into privately, rather than on an organized exchange. As a result, the Clients will not be afforded the regulatory and financial protections of an organized exchange or its clearinghouse (or of the government regulator that oversees such exchange and clearinghouse). In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. The Clients will, therefore, be exposed to greater risk of loss through default than if trading on its behalf were confined to regulated exchanges. While some derivatives have, following the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act, begun to be cleared, many contracts are still traded OTC. The OTC market consists of privately negotiated contracts, which for many derivatives contracts, are subject to a wide bid/ask spread. Those differences can result in an overstatement of a Client's net asset value and may materially adversely affect Clients in situations in which the Client is required to sell derivative instruments. Furthermore, there is no limitation on the daily price moves of these instruments and a dealer is not required to continue to make markets in such instruments. EJJ's Clients may have difficulty disposing of certain fixed-income securities because there may be a thin trading market for such securities.

Management Risk

EJJ'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 securities market as a whole. It is possible that some of EJJ'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. EJP 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, EJP'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 SEC and consented to the entry of an order by the SEC 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 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 SEC. Other sanctions were imposed in related civil injunctive proceedings filed by the SEC and the National Association of Securities Dealers (now known as Financial Industry Regulatory Authority).

Item 10 – Other Financial Industry Activities and Affiliations

Registered Individuals of a Broker-Dealer

EJP 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") in January 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") in January 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.

With regard to the Alternative Investment Fund Manager Directive ("AIFMD"), EJF has filed with and received approval from the Financial Conduct Authority ("FCA") in the United Kingdom. The filing with the FCA will continue to allow EJF to market certain funds to prospective investors in the United Kingdom.

Certain EJF Funds have been registered with the Financial Services Agency ("FSA") in Japan. The registration permits EJF to market these Funds in Japan through an investment advisory business domiciled in Japan and registered with the FSA. Prior to commencing its marketing efforts in Japan, EJF entered into a placement agent agreement with a brokerage firm so domiciled and registered.

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
35 Park Lane, 4th Floor
London, UK W1K 1RB

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

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 invest 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, collateralized debt obligations ("CDOs") and private funds managed by EJF. 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.

EJF has a 45% ownership interest in Armadillo. In accordance with the management agreement, Armadillo serves as the manager for Armadillo Financial which is a specialty lender to law firms engaged in selected areas of the mass tort industry. Among other things, EJF provides accounting, payroll, payroll taxes, employee benefits, billing/collections, and financial reporting services for Armadillo.

Broker-Dealers

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 from the Fund which the high net worth individual or entity invest.

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).

Pooled Investment Vehicles

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

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, Specialty Finance; EJF Select Maser Fund, SPC, and Series C Limited Liability Company Interest of EJF Sidecar Fund, Series LLC.

EJF manages multiple Client accounts with similar mandates, strategies and even similar holdings which may create conflicts of interest. The Firm is not obligated to devote any specific amount of time, resources, or effort in managing any Clients' accounts. Furthermore, Clients' accounts may compete for investment opportunities, research, internal resources, or even allocation of trades. Certain Clients' accounts may also restrict the trading of other Clients' accounts by availing themselves to non-public information in commonly held securities, or ownership limitations.

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 EJP 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, exchange-traded funds and interest in limited offerings. Transactions in exchange-traded funds and limited offerings are subject to pre-clearance (exchange-traded funds and transactions in a limited offering are not subject to pre-clearance if executed under a discretionary account agreement). 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, EJP is attempting to prevent employees from front-running client traded securities and causing EJP 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 EJP employee who also wishes to sell the same security. 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 (securities exempt from the pre-clearance requirement are also exempt from this requirement). EJP employees are not permitted to purchase any security that is offered in an initial public offering or sell any security short.

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

EJF 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.

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

EJF will provide a copy of the Code to any client/Fund investor 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 and private offerings 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 will 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. EJF employees are prohibited from shorting securities.

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.

Offshore Funds Board of Directors

Several of the Directors for offshore Funds, including but not limited to Messrs. Friedman and Wilson are investors in the Funds. Certain individuals may also serve on the Board of Directors for multiple Funds. One Fund Director also maintains an ownership interest in an EJF affiliated

entity for which he is paid a quarterly consultant fee of approximately \$20,000. Finally, a member of EJJ's management team and a Fund Director have each invested as minority members in a limited liability company, its primary purpose of which is to invest in real property.

Item 12 – Brokerage Practices

EJJ has an approval process that each broker-dealer must go through before EJJ's traders are allowed to execute trades for a client's account. EJJ 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). EJJ traders are responsible for negotiating commission rates charged by broker-dealers. After a broker-dealer is approved, EJJ's traders are free to place buy or sell transactions with the broker-dealer.

On a quarterly basis, EJJ 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. EJJ 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.

EJJ 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 firms, and financial responsibility. EJJ 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 EJJ. 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 EJJ with internally generated investment research; and
- A broker-dealer or an affiliate may provide custodian services to EJJ clients.

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

EJJ uses its order management system to monitor trade allocations made to clients. EJJ'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 optimal indication of best execution. EJF is not obligated to merely get the best price or lowest commission, but should also 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 EJF's employees the option to participate in or attend conferences, provide EJF employees access to issuers' management teams, present non-public investment opportunities such as equity or debt raises, or make prospective investor introductions.

Brokerage for Client Referrals

EJF does not use its client's brokerage commissions to pay for client referrals. However, EJF may conduct or execute trades on behalf of its Clients with broker-dealers that also receive placement agent fees.

Directed Brokerage

EJF 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. EJF 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.

EJF 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 EJF,

its affiliates, and their personnel may have a financial interest. EJP 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. EJP has developed allocation policies and procedures that describe how EJP will allocate investment opportunities in a manner it considers to be reasonable and equitable over time.

EJP 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. EJP 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, EJP will not make investment allocation decisions based on the allocation that generates higher fees for the Firm.

EJP may determine that an investment opportunity or purchases/sales are appropriate for one or more SMA clients, but not for a particular Fund. EJP 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. EJP may also decide that an investment is good for a Fund but in different sizes, terms, or timing than is appropriate for another account.

Initial Public Offerings

Initial public offerings (“IPOs”) are offerings of securities that may have limited availability. On occasion, an IPO may trade at a price above the offering price and may be considered favorable investments. If EJP managed Funds or SMAs are permitted to participate in an IPO, the offering will be made available to all Funds equitably, however the Firm, in its sole discretion, may elect that certain Funds or SMAs not participate in IPOs for various reasons. This may create a disproportionate allocation of IPOs among EJP’s Clients or a conflict of interest as certain Funds and subsequently influence the performance and fees of EJP Clients.

Conflicts of Interest

Employees of EJP may also have a conflict where they receive personal benefit by virtue of executing trades for Clients’ accounts with certain broker-dealers. Some of the Firm’s employees previously held positions at financial institutions, such as FBR, and as a result may have personal or familial relationships with personnel at such companies. Additionally, certain employees may maintain a legacy pecuniary interest in these institutions (e.g. employee stock). The Firm and its Compliance Department is cognizant of these conflicts and monitors Client trades, employee personal trades, and all communication between employees and brokers to mitigate the potential conflicts of interest.

Item 13 – Review of Client Accounts

EJP’s Chief Operating Officer conducts periodic reviews of security positions in Funds and SMAs. Additionally, EJP’s Chief Risk Officer provides analysis and reports used by the Firm to monitor portfolios. The Chief Risk Officer 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), EJF 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 EJF 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

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

EJF 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 EJF or the Funds. Placement fees are paid by the referred Fund investor in addition to the management/performance fees.

With regard to referred clients opening SMAs, EJF 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. EJF relies on the solicitor to provide the disclosure documents (referenced above) to the prospective SMA client, as described in Rule 206(4)-3. EJF maintains evidence to demonstrate that the required documentation was provided to the referred client.

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

No entity or individual provides EJF 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.

EJP does not have custody of SMA clients’ funds or securities. 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. When SMA clients receive statements from their custodians, 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 the issuer's delivery agent. 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 their clients to act in their best interest. EJF employees should therefore avoid conflicts of interest 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 interest 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.