



# EJF Capital LLC

## Firm Brochure

Form ADV, Part 2A

2107 Wilson Boulevard, Suite 410

Arlington, VA 22201

703.875.9121

703.351.7901 Fax

[www.ejfcap.com](http://www.ejfcap.com)

Dated 3.30.22

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: [JPollard@ejfcap.com](mailto:JPollard@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. Registration with the SEC does not imply that EJF Capital LLC or its employees possess 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](http://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 update. Unless otherwise indicated, all information included in this Brochure is as of December 31, 2021 and you should not assume that valuations of investments, regulatory assets under management or other matters are current as of any later date.

The recent COVID-19 pandemic has had serious and adverse consequences to business conditions in North America and Europe, the principal geographic areas in which the Firm operates and invests, including limitations on travel, transportation, and businesses operations generally. Further, equity, credit, and other securities markets have experienced significant volatility, with substantial movements throughout the year. Although the long-term economic fallout of COVID-19 is difficult to predict, the challenging business conditions currently faced are highly likely to have adverse effects on operations and performance, and could adversely impact valuations of client investments for future periods, which may be material.

EJF and its affiliates continued to provide investment management services to its clients.

### Item 3 – Table of Contents

#### Contents

Item 1 – Cover .....	1
Item 2 – Material Changes.....	2
Item 3 – Table of Contents .....	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation.....	9
Item 6 – Performance-Based Fees and Side by Side Management .....	14
Item 7 – Types of Clients .....	16
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	16
Item 9 – Disciplinary Information .....	30
Item 10 – Other Financial Industry Activities and Affiliations.....	31
Item 11 – Code of Ethics .....	37
Item 12 – Brokerage Practices.....	40
Item 13 – Review of Client Accounts .....	46
Item 14 – Client Referrals and Other Compensation .....	46
Item 15 – Custody.....	47
Item 16 – Investment Discretion .....	48
Item 17 – Voting Client Securities .....	48
Item 18 – Financial Information.....	49



## **Item 4 – Advisory Business**

### **The Company**

EJF is an employee-owned alternative asset management firm headquartered outside of Washington, DC. EJF manages assets across a diverse group of alternative asset strategies that specialize in the financial industry. EJF was founded in 2005 by Emanuel J. Friedman and Neal Wilson along with a small team of professionals from Friedman, Billings, Ramsey Group, Inc. (“FBR”). EJF and its subsidiaries currently employ approximately 75 professionals across three offices globally (Arlington, VA, London, United Kingdom and Shanghai, China).

Prior to launching EJF, Mr. Friedman was the co-founder and Co-CEO of FBR for more than fifteen years. Mr. Friedman possesses more than 40 years of experience in the U.S. securities industry with a particular expertise in banks and financials. Mr. Wilson previously managed both the Alternative Asset Investments and the Private Wealth Management groups at FBR, and served as a Branch Chief with the U.S. Securities and Exchange Commission in Washington, DC.

EJF is an investment advisory firm that started its investment advisory operations in September 2005. EJF’s principal owner and Co-Chief Executive Officer, Emanuel J. Friedman, owns approximately 61% of EJF, and Neal Wilson, EJF’s Co-Chief Executive Officer, owns approximately 19% of the Firm. Other employees own approximately 20% of EJF. A third-party investor, Kudu Investment Management LLC (“Kudu”), which is registered with the SEC as an investment adviser, owns a minority stake in EJF. EJF has two affiliated entities; one entity is located in London, United Kingdom, and one is located in Shanghai, China. EJF also has four relying advisers, three operated out of Arlington, Virginia,

Contact information for EJF’s headquarters, its affiliated entities, and the relying advisers is as follows:

EJF Capital LLC  
2107 Wilson Boulevard, Suite 410  
Arlington VA 22201

EJF Capital Ltd  
35 Park Lane, 4<sup>th</sup> Floor  
London, UK W1K 1RB

EJF Shanghai Adviser Ltd.  
8th Floor, Phase 2  
Shanghai International Finance Center



8 Century Avenue  
Pudong, Shanghai 200120 People's Republic of China

EJF CDO Manager LLC  
2107 Wilson Blvd, Suite 410  
Arlington, VA 22201

EJF Investments Manager LLC  
2107 Wilson Blvd, Suite 410  
Arlington, VA 22201

Rocade Capital Partners LLC  
2107 Wilson Boulevard, Suite 410  
Arlington, VA 22201

Armadillo Financial Partners LLC  
2107 Wilson Boulevard, Suite 410  
Arlington, VA 22201

### **Advisory Services**

EJF provides discretionary investment advisory services and sub-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 Income Fund, LP (“Income Fund”), a limited partnership formed in Delaware; EJF Financial Services Fund, LP (“Financial Services”), a limited partnership formed in Delaware; and, EJF Tactical Opportunities Fund LP (“Tac Ops”), an exempted limited partnership formed in the Cayman Islands, Seneca Mortgage Investments LP (“Seneca”) a limited partnership formed in Delaware, EJF Silvergate Ventures Fund LP (“Ventures”), a limited partnership formed in Delaware, EJF OpZone Fund II LP (“OpZone II”), a limited partnership formed in Delaware, EJF European Opportunities Designated Activity Company, a company formed in Ireland. In addition to the Funds referenced above, EJF also manages a number of Funds that are currently closed to new investors and investments.

Rocade Capital LLC, (“Rocade”), is the sole managing member of Armadillo Financial Partners, LLC (“Armadillo”), is a relying adviser on EJF’s Form ADV, serves as the investment manager for the Rocade Capital Fund IV LP (“Rocade IV”) a limited partnership formed under the laws of the State of Delaware, and Rocade Capital Offshore Fund IV LP (“Rocade IV Offshore”) an exempted limited partnership limited liability company formed in the Cayman Islands.



Armadillo Financial Partners LLC, a relying adviser on EJF’s Form ADV, serves as the manager for the Armadillo Financial Fund LP, a limited partnership formed under the laws of the State of Delaware (“Armadillo Fund”); Armadillo Financial Fund II LP, a limited partnership formed under the laws of the State of Delaware (“Armadillo II”); Armadillo Financial Fund III LP, a limited partnership formed under the laws of the State of Delaware (“Armadillo III”); Armadillo Financial Offshore Fund III LP, an exempted limited partnership limited liability company formed in the Cayman Islands (“Armadillo III Offshore”); and EJF Sidecar Fund, Series LLC – Series F (“Sidecar F”).

EJF Investments Manager LLC (“EJFIM”), a relying adviser on EJF’s Form ADV, serves as the manager for EJF Investments Limited, a closed-ended investment company incorporated with limited liability in the Bailiwick of Jersey, and EJF Investments LP, a Delaware limited partnership.

EJF CDO Manager LLC (“CDO Manager”), a relying adviser on EJF’s Form ADV, serves as collateral manager for Attentus CDO I, LTD., Attentus CDO III, LTD., Kodiak CDO I, Inc, Kodiak CDO II, Inc., TruPS Financials Note Securitization 2017-2, Ltd., TruPS Financials Note Securitization 2018-1, Ltd., TruPS Financials Note Securitization 2018-2, Ltd., TruPS Financials Note Securitization 2019-1, Ltd, TruPS Financials Note Securitization 2019-2, Ltd, TruPS Financials Note Securitization 2020-1, Ltd., and TruPS Financials Note Securitization 2020-2, Ltd.

EJF is subject to investment guidelines/restrictions with respect to the Funds. These investment guidelines/restrictions (if any) are described in each Fund’s offering documents (or a separate document) and are monitored in EJF’s portfolio management system (to the extent practicable).

EJF also provides discretionary investment advisory services and sub-investment advisory services to separately managed accounts (“SMAs,” together with Funds, each a “Client”, and collectively “Clients”). With regard to 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, a limit on the percentage of an SMA client’s assets which are invested in a particular asset class, limitations of portfolio leverage or turnover, or a limitation on the financial institutions where transactions may be executed. 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 or corresponding document. All changes to the investment guidelines/restrictions are reviewed with the Client and the product’s portfolio management team (or a designee) before they are implemented. In the sub-advisory context, EJF will receive any investment restrictions prior to accepting the Client’s account, and will manage the account in accordance with those restrictions.



To assist with this review, each SMA client's investment guidelines/restrictions are placed in EJF's portfolio management system (to the extent practicable), where proposed trading activity is compared to the Client's instructions.

To manage Clients' portfolios, EJF relies on investment research generated internally and research received from broker-dealers (proprietary research) or consultants. EJF's portfolio management teams for different Clients sometimes share investment research and have discussions regarding investment ideas. This practice may create a conflict of interest between EJF's Clients as resources and investment opportunities could be allocated disproportionately. EJF does not offer for sale any proprietary investment research or research generated internally. However, the Firm occasionally produces "white papers" which are made available to certain existing and prospective Clients or Fund investors.

The portfolios for Funds and SMAs managed by EJF include, but are not limited to: investments (domestic and foreign) in common stock, preferred stock, convertible preferred equity, SAFE notes, digital assets, forward purchase agreements, units, investment grade and non-investment grade corporate bonds, fixed income securities, structured products, swaps, options, derivatives, and private securities. Clients also invest in other securities such as: U.S. Government and agency securities, convertible securities (including convertible preferred stocks and convertible corporate bonds), real estate and real estate investment trusts, private placement securities, private funds, triple net lease products, insurance-linked securities, industry loss warranties, mortgage servicing rights, futures (tangible and intangible), forwards, municipal bonds, trust preferred securities, and warrants. With regard to several Funds, the investment program includes providing secured business loans, and loans to law firms participating in mass tort litigation or other similar litigation.

EJF offers advice on 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 of domestic and foreign issuers. EJF also provides advice on investments in entities that elect to be taxed as real estate investment trusts for U.S. federal income tax purposes. These entities issue structured finance products and/or originate loans that invest in trust preferred securities. EJF provides advice on different tranches of structured and securitized debt and equity securities such as: mortgage pool residual interests, bank loans, trade claims, derivatives, equity securities received in connection with debt restructurings, and private investments in public equities.

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



such statements will be required to execute a confidentiality agreement prior to receiving such statements.

On behalf of certain Clients, EJF will invest in securities issued SPACs which are formed for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses in various industries. These companies may ultimately merge with businesses not within the financial industry. Additionally, EJF has a wholly owned subsidiary that has sponsored a SPAC ("EJF SPAC") and may continue to sponsor more SPACs in the future. Certain clients may participate in an investment in the sponsor of a SPAC or an EJF SPAC. Additionally, EJF's clients may enter into a forward purchase contracts or private placements of various SPACs including EJF SPACs. The EJF SPAC executed an agreement and plan of merger with a financial technology company where a Fund entered into a subscription agreement in connection therewith. The Firm is subject to a number of actual or apparent conflicts of interest in associated with its sponsorship of the affiliated SPAC and the Fund's investment.

### **Termination of SMA Agreement**

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

### **Wrap Programs**

Additionally, EJF provides discretionary investment management services as part of a wrap-fee program ("Wrap Program") offered by an investment adviser/broker-dealer ("Sponsor"). Under this arrangement, the Sponsor provides various services, which typically include investment management, trade execution, custody, performance monitoring, reporting, and other services for an all-inclusive fee. EJF does not act as Sponsor for any Wrap Program; Clients can obtain a detailed description of services offered under their specific Wrap Program from the Sponsor of such program or from the Sponsor's Form ADV, specifically Schedule H. Contractual agreements for Wrap Programs are typically between the client and the Sponsor because of the Sponsor's all-inclusive fee arrangement. The Sponsor, in turn, contracts EJF for its investment advisory services. EJF receives a portion of the fee received by the Sponsor.

Under the Wrap Program, the Sponsor is responsible for defining the Client's investment objectives, selecting EJF as sub-advisory investment manager to manage the Client's account and contacting the Client to ascertain whether there has been any change in the Client's financial circumstances or objectives. Although EJF does not typically have direct Client contact, the information obtained by the Sponsor is expected to be sufficiently detailed so that EJF is able to provide individualized investment management services to each Client.





EJF will evaluate each Client's investment objectives and other individual circumstances and reasonable restrictions. In addition, EJF makes itself reasonably available to the Sponsor and the Client, for joint consultations, to ensure EJF's ability to maintain individualized investment management services.

In evaluating a Wrap Program, Clients should consider a number of factors. A Client may be able to obtain some or all of the services available through a particular Wrap Program on an "unbundled" basis through the Sponsor of that program or through other firms and, depending on the circumstances, the aggregate of any separately paid fees may be lower (or higher) than the single, all-inclusive (or "wrap") fee charged in the Wrap Program.

### **Regulatory Assets under Management**

As of December, 31, 2021, EJF had approximately \$10,284,607,630 in regulatory assets under management ("AUM"). All assets are managed on a discretionary basis.

### **Item 5 – Fees and Compensation**

The fees and compensation applicable to each Client is set forth in detail in each Client's offering documents or investment management agreement, as amended from time to time. A brief summary of such fees is provided below. Clients generally pay an asset-based management fee in connection with EJF's advisory services. Clients may also pay a performance-based compensation, generally at the end of the year, based on a percentage of the increase in the value of each Client's investment, subject to certain limitations and discounts. On occasion, certain Clients will pay fees to EJF for investments where other Clients will pay lesser or no fees for the same or substantially similar investments.

### **Funds**

As the investment adviser responsible for managing the Funds, EJF charges a maximum management fee of 2% based on AUM, and a maximum performance-based compensation of 20% of the Funds' profits, or 25% of the Funds' profits over a stated return. EJF could agree to charge certain Funds or certain Funds' investors lower management fees and performance-based compensation, even if the assets are managed in a similar investment style. This may include, on certain occasions, some Clients paying different fees or amounts for the same holdings. EJF may also decide to waive all or a portion of the Firm's negotiated fees for a given period or for a particular Client. For example, EJF may decide to negotiate its management fee because of the timing of an investor's subscription to the Fund, the amount of investor's assets within in the portfolio, or other relationship to the Firm. Certain Clients are invested in Funds managed by EJF,



in which case those Clients will be placed in a non-fee paying class of the Funds in which they are invested (certain EJF employees are in a non-fee paying class).

Certain Funds calculate and pay management fees to EJF monthly in arrears, and several Funds calculate management fees on a quarterly basis in arrears. A small number of funds calculate and pay management fees to EJF in advance. In addition, EJF manages several Funds that are closed to new investors and do not pay any management fees. Certain investors in the Funds have special management fee arrangements that are provided for in the Funds' offering documents.

Certain Funds that are open to new investors calculate and pay performance-based fees at the end of the Fund's fiscal year and several Funds calculate and pay performance-based fees at the dissolution of the Fund. These fees may be subject to preferred return hurdles, catch-up allocations and/or claw-backs, depending, among other things, on the strategy of the Fund.

#### **Funds - Deduction of Management Fees**

Management fees for all Funds are deducted either monthly, quarterly, or nearly semi-annually from each Fund's portfolio. Management fees are first segregated into an escrow account by EJF personnel pursuant to EJF's written money transfer policies and procedures. Management fees remain in the escrow account until the Fund's administrator verifies the amounts. After the administrator verifies the management fee amounts, the administrator moves the assets to an EJF bank account. For those Funds which EJF provides sub-advisory services to, EJF deducts fees either monthly, or quarterly from certain Funds' portfolios.

#### **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 EJF. In addition to transaction costs, certain Funds also pay expenses that include but are not limited to: organization costs, modeling expenses, custodian fees, legal and audit expenses, taxes, pricing services, 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, Funds advised or sub-advised by EJF 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, exchange-traded funds, money market mutual funds, or other securities; (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, or other service providers that facilitate administrative services for the Fund; (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 current and potential investments (and associated travel and entertainment with research); (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, EJF or its affiliates.

It should be noted that EJF, or its affiliates, acts as administrator for some Clients' accounts, and it receives a fee for performing such services. It should also be noted that Clients may invest in securities such as structured products and SPACs that are issued or managed by entities that are owned by affiliates of EJF or other Clients. In such cases Clients may be paying management or performance fees, or economic compensation to other Clients or other affiliates of EJF, that are dilutive to Clients' returns.

In connection with its marketable loan strategy (described below), EJF has commissioned the development of a system to improve the administration, tracking, processing and analysis of loans, collateral underlying such loans, and various due diligence and valuation mechanics. The development of this technology platform as well as the ongoing maintenance, may be allocated to the applicable funds in this strategy.

In connection with Clients which invest in Mortgage Servicing Rights, Clients pay a fixed oversight fee per Mortgage Service Right to Seneca Mortgage Services LLC ("Servicer"). Servicer is a licensed mortgage servicer with various state and mortgage agencies and is wholly owned by EJF. Servicer utilizes third party service providers to perform sub-servicing of the Mortgage Servicing Rights held by Clients or investors of Funds which will be paid from the oversight fee born by Clients. Servicer will retain any excess from fixed oversight fees not paid to third parties.

## **Funds – Investors**

Certain Fund investors in certain classes of Funds are subject to additional up-front fees of up to 2.5%, as well as ongoing fees of up to 0.5% per annum. These additional fees are ultimately paid to placement agents. 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 ultimately paid by the Fund investor. In certain circumstances, EJF will pay a portion of its management fee and/or performance-based fee to placement agents in connection with their services for referring investors to the Funds. In these instances, an investor may be placed in a higher or lower paying fee class of the Fund than if the investor came to EJF directly. With regard to redemption fees, certain Funds could charge an investor if it redeems from the Fund prior to the one-year anniversary of each subscription date. EJF may also waive all or a portion of a certain investor's redemption fees. 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 until the lockup period has expired.

Where applicable, investors subscribing for interests at subsequent closings of a closed-ended Funds generally will participate in existing investments, diluting the interest of existing investors therein. Although such investors generally will contribute their pro rata share of previously made draws (plus an additional amount to existing investors, including affiliated investors thereon), there can be no assurance that this payment will reflect the fair value of such investment vehicle's existing investments at the time such additional investors subscribe for interests.

## **SMAs**

As noted above, EJF manages a number of Discretionary SMAs (defined below) and SMAs on a sub-advisory basis. The maximum management fee charged by EJF to Discretionary SMAs is 1.25% (on an annualized basis), payable monthly in arrears, and a 15% performance-based fee, generally payable, when applicable, at fiscal year-end. The management fee charged is based on AUM. For SMAs that are sub-advised by EJF and its affiliates, EJF will receive a portion of the management fee from the SMA's investment adviser, but EJF will not charge the individual client any management or performance fee. Furthermore, EJF does not charge any expenses to SMAs that are sub-advised by EJF or its affiliates. None of EJF'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 could 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.

Certain SMAs calculate and pay performance-based fees at the fiscal year end while other SMAs pay performance-based fees at the liquidation of certain investments or strategies. These performance-based fees may be subject to preferred return hurdles, catch-up allocations and/or claw-backs, depending, among other things, on the strategy of the SMA.



### **SMA - Deduction of Management Fees**

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

### **SMA - Other Fees or Expenses Charged to SMAs**

SMA clients are generally charged a brokerage commission or other form of transaction cost for trades executed in their accounts. For example, equity securities are generally charged a brokerage commission while fixed income securities incorporate a markup/markdown into the execution price. Fixed income securities trade at a bid/ask spread and have no explicit brokerage expense. Although there is no formal brokerage expense, the SMA clients will incur the implicit trading cost reflected in the broker-dealer spreads.

In connection with SMAs for which EJF acts as a sub-adviser to a Wrap Program, certain accounts will be enlisted in such Wrap Program for which there is a “fee in lieu of commission” or similar “wrap fee” arrangement. In most circumstances EJF will direct transactions for such accounts to the Sponsor in recognition that commissions are often included in the price of this “wrap fee”.

In addition, SMA clients could 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**

Occasionally, EJF will incur fees or expenses that are associated with the management of a Client’s account. If permissible, in accordance with applicable operating and investment management agreements, EJF will allocate the fees or expenses to the Client or seek reimbursement from the Client’s account. When EJF incurs expenses on behalf of multiple Client accounts, in accordance with the applicable operating and investment management agreements, EJF allocates the expenses among the applicable Clients in a fair and reasonable manner. In some instances, it is not possible or practical, in the Firm’s opinion, to allocate all expenses ratably across all of the Clients’ accounts. On such occasions, the Firm allocates fees or expenses disproportionately among Clients, or EJF assumes a portion or all of certain Clients’ fees or expenses. Accordingly, certain Clients will receive more favorable fee and expense treatment over other Clients’ accounts.

In addition to organizational fees and expenses associated with Funds or SMA operational management, Clients may incur additional fees or expenses as they invest in special purpose



vehicles, pass through vehicles, or other special investment vehicles. EJF will seek to minimize any redundant fees or expenses where possible and occasionally absorb certain organizational costs. This practice can disproportionately benefit certain Clients, especially when such costs are related to co-investment opportunities of other Clients.

Expenses related to investment sourcing and diligence in a particular strategy include fees, costs and expenses of identifying, investigating (including conducting diligence with respect to), evaluating, structuring and negotiating potential investments for such strategy. A large category of sourcing and diligence expenses are those expenses incurred with respect to the pursuit of particular investments that are never actually consummated. Examples of such “broken deal” expenses include fees and expenses of any legal, financial, accounting, consulting or other advisors or lenders investment banks and other financing sources in connection with arranging financing for transactions that are not consummated; any travel and accommodation expenses; and any deposits or down payments that are forfeited in connection with, or amounts paid as a penalty for, unconsummated transactions. These expenses are borne by Clients that conduct the majority of the origination activity for such strategy, however other Clients in the strategy may receive economic interest or investment rights in the consummated investments but did not bear the broken deal expenses.

### **Additional Compensation**

Neither EJF nor any of its employees or affiliates is paid additional compensation, such as brokerage commissions, for purchasing or selling securities placed in a Client’s portfolio. It should be noted that EJF, or its affiliates, acts as administrator for at least one Client’s account, and it receives a fee for performing such services. Additionally, there are instances where an EJF affiliate, owned by EJF and/or Clients and controlled by EJF or its affiliate, may receive fees such as collateral management fees, and loan or property management fees in connection with such services. EJF will receive a share of such fees proportionate to EJF’s ownership interest in the affiliate, where applicable.

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

EJF charges certain Clients performance-based fees. The receipt of performance-based fees creates a conflict of interest for EJF. Since positive investment returns would likely increase the performance fee paid to EJF by its Clients, the Firm has an incentive to favor those Clients that pay EJF a performance fee or higher performance fees. For example, if EJF allocated profitable trades exclusively to those Clients that pay EJF a performance-based fee or the highest performance fee, EJF would have a conflict of interest. EJF manages this potential conflict of interest by creating, implementing, and enforcing trade allocation policies and procedures. EJF believes that it has policies and procedures that will result in fair trade allocations to Clients over time, even though a particular trade allocation appears to benefit one or more accounts when



viewed individually. Whenever possible, EJF will bunch trade orders to minimize trade execution cost and to assist with obtaining best execution.

There could be occasions when EJF does not allocate a particular security to a Client in the same investment strategy as another Client that received a trade allocation. Reasons for not allocating a security to a Client 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 contain the prescribed limits 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 a different risk/return profile than another account, the Client has materially different tax consequences than another account, the Client has unique investment goals; the Client has different liquidity requirements; 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 could result in different investment holdings, and performance returns for Clients with assets in the same investment strategy and managed by the same portfolio management team.

As stated in Item 5, EJF also charges its Clients an asset-based management fee.

As noted above, certain Funds managed by EJF are charged an annual performance fee. This fee is up to 25% 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 25% performance fee charged by the Funds. In addition, certain Funds are subject to claw-back provisions with regard to performance fees. Generally, performance fees are not finally determined with regard to private equity funds until the Fund is closed and assets are returned to Fund investors.

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

With regard to certain SMA clients for whom EJF acts as investment adviser, not in sub-advisory capacity, EJF is entitled to receive an annual performance fee of up to 10% of any realized and unrealized capital appreciation of AUM (at least one SMA client may pay a performance fee that is less than 15%), subject, in certain cases, to a threshold amount.

Performance-based fees are negotiable.

EJF 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**

In addition to Funds, EJF has SMA clients and Fund investors that include but are not limited to the following categories: foundations, trusts, estates, IRAs, retirement plans, funds of funds, endowments, pensions, profit sharing plans, business entities, sovereign wealth funds, high net worth individuals, and family offices. As EJF continues to do business, additional categories will be included if appropriate.

The minimum investment amount for investors in any of the Funds is generally \$100,000; with regard to offshore 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, and for those SMAs in which EJF acts as sub-investment adviser, the minimum investment amount is \$100,000. EJF and its affiliates reserve the right to waive the minimum investment amount for investors in the Funds or individuals/entities opening SMAs.

EJF has a diverse and sophisticated client base, some of which have a nexus to the financial industry which could create various conflicts of interest. For example, EJF's Clients and Fund investors, and their respective affiliates, may issue structured products, fixed income securities, investment companies, equities, or other securities. EJF from time to time trades in such securities on behalf of other Clients' accounts. This could create a conflict of interest by placing Clients in securities issued by other Clients or Fund investors, or may impact the performance of such securities by virtue of the issuer's investment in an EJF Fund. Additionally, EJF's Clients may issue shares or fixed income products to investment advisers or institutions within the financial industry, which EJF on behalf of other Client accounts may trade with or compete against in similar strategies. This can create a conflict where such third persons' activities can benefit one Client account and harm another client account.

The Firm or its Funds from time to time pay to attend conferences or events sponsored by investors in Funds for marketing or research purposes. This situation may also create a conflict of interest between EJF Funds and certain Fund investors receiving payments from EJF. Certain EJF employees have invested in securities issued by investors in Funds, which could create a conflict of interest between EJF Funds and certain Fund investors receiving payments from EJF.

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

All EJF Clients 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**

EJF's fixed income strategy is designed to target attractive performance returns and seeks to produce long-term capital appreciation through direct and indirect investments in private and public debt markets. EJF's approach is to take advantage of its strength, experience, and expertise in analyzing investment opportunities across debt capital markets. This approach allows EJF to identify investment opportunities in relatively complex markets that strive to offer attractive risk-adjusted returns. EJF's fixed income strategy looks for specific events to improve a security's price or liquidity in order to make an investment. As a result, much of the expected performance return for the most essential positions in a portfolio could 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.

In certain situations, EJF will short securities in the portfolio and trade individual names, index credit default swaps, currency swaps and other derivatives to hedge certain exposures. The fixed income strategy occasionally borrows as determined by the Fund's portfolio management team. Borrowing is achieved through the use of repo financing, warehouse financing and margin; all methods involve pledging collateral against the financed amount. Borrowing is provided by qualified custodians such as regulated financial institutions and registered broker-dealers, including prime brokers used by EJF.

The fixed income strategy uses debt, equity and hybrid investments in public and privately held companies. Private transactions include but are not limited to, securities offered pursuant to Rule 144(a) under the Securities Act of 1933 ("Securities Act"), securities offered pursuant to Section 4(a)(2) of the Securities Act, securities offered pursuant to Regulation D under the Securities Act, private investments in public equities, trust preferred securities, surplus notes, and bank loans. The strategy could 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, high-yield debt, convertible debt, options, notes, warrants, equity swaps, credit default swaps and futures. The Strategy will also invest in distressed products such as bankruptcy claims, insurance claims, trade claims, and litigation recoveries. Investment grade, senior, mezzanine, and junior tranches of securities issued by collateralized debt obligations, and other asset backed securities or securitization vehicles, including those sponsored by EJF and issued by an affiliate of EJF, are used in the strategy. In this strategy, Funds purchase securities issued by domestic or foreign entities.

In another fixed income strategy, a Fund focuses on a variety of niche fixed income markets where it is believed attractive risk-adjusted returns can be generated. 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, and trade claims, securities issued by financial institutions, and net lease loans and properties.

### **Public Equity Strategies**

One of EJF's equity strategies is designed to pursue absolute returns, and to achieve medium to long-term capital appreciation from investments providing exposure to securities issued by companies in certain regions of the world. EJF uses an equity long/short strategy for Funds, and long strategy for a Fund and sub-advised SMAs, that primarily seek to invest in securities that are listed, quoted, or traded on stock markets domestically and internationally.

EJF may also apply a strategy in which it uses special situations equity, such as "orphaned" securities previously issued by companies under Rule 144(a). Securities in this strategy are 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 could include the purchase or sale of put or call option contracts, shorting shares of common stock or debt, and other securities that EJF finds appropriate.

In another equity strategy, EJF will generally emphasize individual security selection ("bottom-up" investing) and considers a wide range of factors in determining whether a security is overvalued or undervalued. EJF takes 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 could allocate a substantial portion of a Fund's assets to one or more concentrated positions that it believes are undervalued or overvalued, and may engage in activist dialogues with the company's management or take an active role in influencing a company's board of directors and/or management team to extract value for shareholders. EJF hedges its equity position by allocating a portion of a given portfolio to cash and by taking short positions.

### **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 "capital-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 financial industry and



related sectors as a result of these changes and, potentially, other market opportunities that become available in the financial industry.

In this strategy, the Firm will seek to achieve its objective in the financial industry by focusing on the following:

- Equity and warrants;
- Debt, hybrid debt securities, and collateralized debt obligations;
- Real estate related loans and leases; and
- Cash and short-term investments.

Similarly, EJF also believes that specialty finance companies, challenger banks, REITs and other financial companies stand to benefit from the increased market share left by the void of larger banks and lending institutions. EJF will invest or partner with operators in the appropriate markets to capitalize on these opportunities which may result in Clients investing in equities that are not publicly traded.

Periodically, EJF affiliates managing private equity funds may come into possession of material non-public information that restricts other EJF affiliates from investing in, or engaging in purchase and sale transactions with certain public issuers.

### **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 could 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 strategy will primarily focus on lending in three areas of mass tort litigation: (i) pharmaceutical, (ii) medical devices, and (iii) other product liability including asbestos/mesothelioma. Additionally, the strategy may take advantage of other similar opportunities in financing plaintiff law firms participating in other types of litigation.

### **Real Estate Strategies**

EJF's real estate investment strategy is designed to take advantage of certain opportunities arising recent tax reform in the country and can invest in a broad range of real estate and real estate-related investment opportunities. This strategy seeks to maximize value through acquisition or funding of ownership interests in individual real estate assets, joint ventures, special purpose vehicles related to real estate or real estate related assets. Such investments are anticipated to be longer-term in



nature and will involve developers or other third parties. This strategy will primarily focus on investments operating in qualified opportunity zones that can provide potential tax benefits to investors.

### **Mortgage Servicing Rights Strategy**

EJF's mortgage servicing rights ("MSR") strategy is to provide indirect exposure to the contractual rights to streams of cash flows in connection with the servicing of mortgage loans, including the rights to the cash flows payable to the actual mortgage servicer of a pool of mortgage loans to the extent such cash flows do not exceed a reasonable amount of consideration for normal servicing activities ("Base MSRs"), and the rights to any amount of cash flows in excess of Base MSRs ("Excess MSRs"). EJF's Clients receive economic exposure to these Base MSRs and Excess MSRs by entering into Reference Spread Payment Agreements, and True Excess Servicing Spread Acquisition Agreements respectively with EJF's affiliate that is licensed to own and service MSRs.

### **Venture Capital Strategy**

EJF's venture capital strategy seeks to achieve attractive risk-adjusted returns, principally through venture capital investing in equity, equity related investments, SAFE notes, forward purchase agreements, convertible preferred equity, debt, convertible debt, digital assets, warrants, options, and other derivatives issued by early-stage private companies related to the financial sector positioned for growth. The strategy seeks to invest in disruptive companies that aim to bridge the gap between legacy financial institutions and the financial services ecosystem of the future. The strategy may invest on an opportunistic basis and, as such, may seek to make venture or venture-like investments in sectors and industries both related and unrelated to the financial services industry and/or the technology sector, including nascent industries that are emerging or that may emerge over the life of the strategy.

### **Risks Relating to Investment Strategies**

The investment strategy for each of EJF'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 private placement memorandum, in 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. For example, on certain occasions EJF and/or its related persons may engage in transactions where EJF and/or its related persons will provide liquidity for certain Clients through conflicted or cross transactions. Such transactions present the risk of costing Clients potential future investment income. On such occasions, EJF strives to provide disclosure to the Client prior to the transaction.

### **Fixed Income Strategy Related Risk**

EJF'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, extension 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: i) fixed income securities, which may be unrated by a credit-rating agency or rated 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 lack of standardized terms, have shorter maturities, bear real estate risk and have volatile valuation.

EJF 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 Strategy Related Risk**

EJF's Public Equity Strategy is to seize improperly valued publicly traded securities in the market, and sectors EJF deems an opportunity. The overall strategy may be subject to such risks as fluctuation in securities prices and interest rates, movement in the United States' and certain foreign countries' economic growth rates, political events that may have an impact on equity markets, concentration risk, macroeconomic risks, contagion risk, liquidity risk, volatility, and valuation.

### **Private Equity Strategy Related 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 could have control positions in addition to advisory roles in private equity investments, along with certain contractual rights to protect their 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 do not always have control over their 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, EJF 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 EJF will initially be in a newly formed entity which has not commenced operations and therefore will have no operating history upon which an investor can 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.

A Client 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 could 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 Strategy Related 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, dissolve, or file for bankruptcy;
- Borrowing firms may divert proceeds from cases to other creditors;
- Delayed payments may cause accrued income to exceed available collateral;
- 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.



## **Real Estate Related Risk**

EJF's strategy is based, in part, upon the premise that real estate businesses and assets will be available for purchase that are considered favorable. The strategy relies, in part, upon local market conditions throughout the term of the investment. No assurance can be given that real estate businesses and assets can be acquired or disposed of at favorable prices or that the market for such assets will remain stable, recover, or continue to improve since this will depend upon events and factors outside of EJF's control. Additionally, there can be no assurance that market conditions may not deteriorate during the Client's investment period, which could have a materially adverse effect on the Client's assets. Actual or perceived trends in real estate markets do not guarantee, predict or forecast future events, which may differ significantly from those implied by such trends.

The activity of identifying, completing and realizing attractive real estate investments that fall within a Client's investment objective is highly competitive, and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. In particular, in light of changes in such conditions, including changes in long-term interest rates, certain types of investments may not be available to a Client on terms that were as attractive as the terms on which opportunities were previously available to the Client or other Clients.

Additionally, any guidance from the Treasury may have an impact on the strategy, which could cause the Firm to revise its investment strategy. The Firm in its sole discretion may elect to change the investment strategies and/or practices in order to satisfy the provisions of the tax law. Such changes may cause the Firm to incur significant cost and/or avoid or execute on transactions it otherwise would not have, which could impact performance.

## **MSR Strategy Related Risk**

The mortgage market in the United States has experienced and may experience a variety of difficulties and challenging economic conditions. Residential and commercial real estate prices in many parts of the United States have declined or have ceased appreciating. Any deterioration of the U.S. mortgage market and declines in real estate prices could result in increased delinquencies or defaults on the mortgage loans underlying MSRs or require advances in respect of such delinquencies or defaults that may not be recovered. An increase in defaults and delinquencies or unrecovered advances could reduce MSR cash flows, which would have a material adverse effect on the value of the Excess MSRs in the Cohort.

The geographic concentration of the mortgaged properties securing the mortgage loans related to the MSRs in a Cohort may expose the Excess MSRs to an increased risk of loss due to risks associated with certain regions. Certain regions of the United States from time to time will experience weaker economic conditions, higher unemployment and lower property values or might experience weaker housing markets or inflated housing prices and, consequently, will experience





higher rates of delinquency, foreclosure and loss than on mortgage loans nationally, which may result in lower servicing fee collections.

In addition, if mortgage loan interest rates fall, an increasing number of homeowners will seek to refinance and prepay their mortgage loans. When a mortgage loan is prepaid, it will no longer produce any MSR-related revenue for the Funds. Therefore, a sustained decline in mortgage loan interest rates will generally result in a reduction in servicing income to the MSR Funds. Because the value of MSRs is a function of the anticipated stream of revenues generated by servicing the mortgage loans, the value of MSRs will decline as mortgage loan interest rates fall and more prepayments are anticipated. Conversely, an increase in mortgage loan interest rates is likely to result in a decreased number of refinancings. The Funds may attempt to hedge against the risks involved from interest rate changes by purchasing and/or selling certain financial instruments. While the Funds may hedge against any losses of servicing income and loss of value of the MSRs that may be incurred from interest rate fluctuations, there can be no assurance that such actions will be effective.

### **Venture Capital Strategy Related Risk**

Making venture capital investments tends to be more speculative than later-stage investments and there is a greater risk of loss of up to the entire amount invested because the investments are generally attempting to do business in nascent or developing areas (where business models are not yet proven) and the competition for gaining market share or a proven product may be particularly intense. The securities in which the strategy will invest will generally be among the most junior in a company's capital structure, and thus subject to the greatest risk of loss. The strategy's investments will generally be in minority positions in companies, in many cases without power individually to exert significant control over such companies' boards of directors and management, although on occasion a majority position of the securities of a company may be purchased. While the strategy may seek to get the appropriate governance and exit rights at the time of making minority investments, there may be instances in which EJF may not be able to exercise control over such company. In addition, in certain situations, including where the businesses are in bankruptcy or undergoing a reorganization, minority investors may be subject to the decisions taken by majority investors, and the outcome of the Client's investment may depend on such majority-controlled decisions, which decisions may not be consistent with the Client's objectives.

Generally, the companies will be at a relatively early stage of development, thus entailing significant operating and financing risk. In many instances, a venture capital investment may require additional infusions of capital in order to protect earlier investments, although there is no guarantee that such additional investments will lead to a successful investment or be available to the same Client who made the initial investment.

Many financial technology companies are subject to extensive governmental regulation which may limit the proposed services and profitability of such companies. Profitability is largely dependent



on the ability of such newly-formed companies to develop technology that is widely adopted and difficult for competitors to replicate, as well as the financial health of financial services companies that are likely to purchase technology or enter into service agreements with such financial technology companies. As the technologies and services offered by financial technology companies expand and mature, they are likely to become more exposed to well-established competitors.

The financial technology companies in which the strategy may invest, as well as the third-party purchasers (including, without limitation, banks and other financial institutions) of products developed by such financial technology companies, operate within a highly regulated environment and may, depending on the scope of services provided and/or technology being developed, be directly or indirectly subject to extensive federal, state and international legal and regulatory restrictions and limitations, as well as supervision, examination, licensing and enforcement by regulatory authorities. The application of such laws and regulations, whether directly or indirectly, to EJF's investments may materially impact the business and profitability of such financial technology companies. Moreover, such laws and regulations are complex and may lack clear judicial or regulatory interpretation or guidance. Violation of such laws and regulations could result in significant fines and penalties to financial technology companies and/or banks and financial institutions with which such companies transact, which in turn could have an adverse effect on the strategy.

### **Force Majeure Events; Public Health Crisis**

Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19 have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity, all of which may result in significant losses to a Client. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and contributed to both volatility and declines in markets for financial assets as well as commodities and other assets. Among other things, these unprecedented developments have resulted in material reductions in demand across some, many or all categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, and strain and uncertainty for businesses and households. The financial industry is likely to be particularly acutely impacted due to its reliance on other industries success. The COVID-19 crisis and any other public health emergency could result in significant adverse impacts on our Clients.

The extent of the impact of any such emergency depends on many factors, all of which are highly uncertain and cannot be predicted, which may impact our ability to source, diligence and execute new investments and to manage, finance and exit investments in the future on behalf of our Clients, or cause significant changes or reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. Likewise, social or governmental mitigation actions may (among a wide variety of other potential effects) constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy Clients intend to pursue, all of which could adversely affect Clients' ability to fulfill their investment objectives. They may also impair the ability of Clients' investments or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, our operations and the operations of our Clients and their investments may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other social, political, financial, legal, regulatory and other factors related to an actual or threatened public health emergency (such as COVID-19), including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

### **Derivative, Futures, Forwards and Other Security Risk**

Each of the strategies could 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 their use may create unintended consequences and risks for EJF's Clients. Additionally, use of such instruments has 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 EJF Clients to close out positions in order to realize gains or to limit losses. Some of the instruments that EJF Clients 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 could 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. EJF's Clients may have difficulty disposing of certain fixed-income securities because of a thin trading market for such securities.

### **Management Risk**

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

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

### **Market Liquidity**

In some circumstances the markets can be illiquid, making it difficult to acquire or dispose of investments at the prices quoted on the various exchanges or at normal bid/offer spreads quoted off exchange. During periods of limited liquidity, the strategies' ability to acquire or dispose of investments at a price and time that the strategies deem advantageous may be impaired. As a result, in periods of rising market prices, the strategies may be unable to participate in price increases fully to the extent that they are unable to acquire desired positions quickly; conversely, the strategies' inability to dispose fully and promptly of positions in declining markets will cause their NAV to decline as the value of unsold positions is marked to lower prices. In addition, given the sizeable positions held by various Clients, EJF may be limited in its ability to efficiently and/or profitably exit particular positions or strategies or reduce the strategies' exposure to particular positions or strategies.



## **Risks Related to the Discontinuance of IBORs, in particular LIBOR**

The London Inter-Bank Offered Rate (“LIBOR”) is an estimate of the rate at which a sub-set of banks (known as the panel banks) could borrow money on an uncollateralized basis from other banks. The U.K. Financial Conduct Authority (“FCA”), which regulates LIBOR, has announced that it will not compel banks to contribute to LIBOR after 2021. It is likely that banks will not continue to provide submissions for the calculation of LIBOR after 2021 and possibly prior to then. It is uncertain whether or for how long LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR, or what the effect any such changes may have on the financial markets for LIBOR-linked financial instruments. Similar statements have been made by regulators with respect to the other Inter-Bank Offered Rates (“IBORs”). EJF has invested and may continue to invest Client assets in instruments that are valued using LIBOR or other IBOR rates or enter into contracts which determine payment obligations by reference to LIBOR or one of the other IBORs. Until their discontinuance, EJF may continue to invest in instruments that reference IBORs. In advance of 2021, regulators and market participants are working to develop successor rates and transition mechanisms to amend existing instruments and contracts to replace an IBOR with a new rate. Nonetheless, the termination of LIBOR and the other IBORs presents risks to Clients in the Fixed Income Strategy. It is not possible at this point to identify those risks exhaustively, but they include the risk that an acceptable transition mechanism may not be found or may not be suitable for Client accounts.

## **Cybersecurity and Cloud Infrastructure Risk**

As part of its business, EJF processes, stores and transmits large amounts of electronic information, including information relating to the transactions of its clients. Similarly, EJF’s service providers and its clients may process, store and transmit such information. Some information is stored on off-site servers (the “cloud”) by certain vetted cloud-based service providers. EJF has controls, procedures and systems in place designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to EJF may be susceptible to compromise, leading to a breach of EJF’s network. EJF’s systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by EJF to its clients may also be susceptible to compromise. Breach of EJF’s information systems may cause information relating to clients (including client transactions) to be lost or improperly accessed, used or disclosed.

EJF’s service providers and its Clients are subject to the same electronic information security threats as EJF. If a service provider fails to adopt or adhere to adequate data security policies, or



in the event of a breach of its networks, information relating to Clients (including Client transactions) may be lost or improperly accessed, used or disclosed. The loss or improper access, use or disclosure of EJF's or its Clients' proprietary information may cause EJF or its Clients to suffer, among other things, financial loss, business disruption, liability to third parties, regulatory intervention or reputational damage. Any such event could have a material adverse effect on Clients and their investments.

### **Fraud**

In making certain investments, EJF may rely upon the accuracy and completeness of representations made by the issuer of such investment, but it cannot guarantee the accuracy or completeness of such representations. The issuer of an investment may make a material misrepresentation or omission with respect to the issuer of the investment. Such inaccuracy or incompleteness may adversely affect the strategies or the valuation of any investment. Instances of fraud and other deceptive practices committed by senior management of certain companies in which the strategies may invest may undermine the ability of EJF to conduct effective due diligence on, or successfully exit investments made in, such companies. In addition, financial fraud may contribute to overall market volatility, which can negatively impact the strategies' investment programs. Under certain circumstances, payments to Clients may be reclaimed if they are later determined to have been made with an intent to defraud creditors or make a preferential payment, which can result in a mismatch of remedy to those harmed if Fund investors reduce or redeem their investment before such payment is received by the Fund.

### **Failure of Custodians**

The custodians and/or the banks or brokerage firms selected by EJF, may become insolvent, causing the strategies to lose all or a portion of the funds or securities held by the custodian, secondary custodian or such banks or brokerage firms or other counterparty acting as a custodian or to encounter delays recovering assets. A Client's assets deposited with a bank or brokerage firm as margin (or collateral) in respect of noncleared derivative contracts such as OTC currency forwards are not currently required under CFTC regulations or any other regulations to be held in a segregated account for the benefit of the Client. Consequently, assets deposited by EJF or a Client with a bank or brokerage firm as margin in respect of non-cleared derivative contracts may be indistinguishable, for insolvency purposes, from the proprietary assets of such bank or brokerage firm and therefore may be subject to creditors' claims in the event of the insolvency of such bank or brokerage firm, and may not be available for timely recall by EJF or its Clients.

### **Environmental, Social, Governance Risks**

The Firm recognizes the importance of considering environmental, social and governance ("ESG") factors and is developing an ESG policy to inform conduct of business with regard to these factors.



The Firm will seek to understand the impact that certain investments have on the environment, society, and governance. The Firm may evaluate the importance of these risks differently between Clients and strategies.

## **Item 9 – Disciplinary Information**

More than ten years ago, a disciplinary action was taken against Emanuel Friedman, EJF’s Co-Chief Executive Officer. In accordance with the instructions for this brochure, Rule 506(e) of the Securities Act, and other applicable regulations, 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**

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

### **Other Registered Entities**

EJF's registration as a commodity pool operator and a commodity trading advisor was effective with the Commodities Future Trading Commission ("CFTC") 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, a number of its employees are registered with the NFA as associated persons, and several associated persons and certain other employees are classified as principals with the NFA.

The Adviser has established the EJF Capital Ltd. (the "UK Affiliate") in the United Kingdom ("UK"). The UK Affiliate was formed for purposes of conducting regulated activities in the UK, including investment, research activities, marketing activities or performing other functions.

With regard to the Alternative Investment Fund Manager Directive ("AIFMD"), EJF has made notice filings in a number of foreign jurisdictions. These notice filings allow EJF to market certain Funds to prospective investors in the countries where the filings have occurred.

### **Relationships Material to Advisory business**

EJF has a number of affiliated entities; these entities are:

EJF Capital Ltd  
35 Park Lane, 4<sup>th</sup> Floor  
London, UK W1K 1RB

EJF Shanghai Adviser Ltd.  
8th Floor, Phase 2  
Shanghai International Finance Center  
8 Century Avenue  
Pudong, Shanghai 200120 People's Republic of China





EJF has a 100% ownership interest in EJF Investments Manager LLC (“Investments Manager”). In accordance with a management agreement, Investments Manager serves as the manager of EJF Investments Limited, as well as EJF Investments LP. As of December 2021, EJF Investments Manager owned 51% of EJF CDO Manager LLC.

EJF has over 50% ownership interest in Armadillo. In accordance with the management agreement, Armadillo serves as the manager for Armadillo Fund, Armadillo II, Armadillo III, Armadillo III Offshore, and Sidecar F, which are specialty lenders 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, compliance, and financial reporting services for Armadillo.

Also, as noted previously, Kudu, an investment adviser registered with the SEC, owns a minority stake in EJF. Kudu’s investment is passive and non-controlling, and the Firm does not believe it presents a material conflict of interest with any Client.

### **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 invests. These broker-dealers may issue, underwrite, sponsor or facilitate certain securities in the capital markets for themselves or the benefit of their clients. EJF will purchase and sell such securities for Client accounts as an investment for their account. While these investments are made independent of the aforementioned relationship, they nonetheless present a conflict of interest for EJF.

EJF also has arrangements with broker-dealers that receive a placement fee for placing investors in certain EJF Funds. The broker-dealer placement agent could 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 ultimately paid by the client). The broker-dealer placement agent may also receive an ongoing fee up to 0.5% per annum of assets invested in a Fund by the placed investor (this fee is also ultimately paid by the client). It should be noted that an investor’s account can be charged higher or lower Management and/or Performance-based fees of the Fund than if the investor came to EJF directly. A full description of applicable fees can be found on the applicable Fund’s offering memorandum, EJF’s subscription documents, as well as the investor’s account statements. EJF may maintain placement agent agreements with broker-dealers that may also act as executing brokers, prime brokers, custodians, trustee, or other vendors of Clients. EJF does not believe such relationships are material, but could pose a conflict of interest for its Clients.





Additionally, EJF also issued notes, bonds and other borrowing facilities with certain lending institutions that are affiliated with broker-dealers or other financial institutions. EJF does not believe such relationships are material, but will pose a conflict of interest for its Clients and will restrict Clients from owning such securities.

### **Pooled Investment Vehicles**

EJF has an interest in the following Funds (which are open to new investors): Debt Opportunities; Income Fund; Financial Services; EJF Funding Offshore LP; EJF Tactical Opportunities Fund LP; Rocado IV; Seneca; Ventures; and OpZone II .

EJF also has an interest in the following Funds (which are closed to new investors): EJF Trust Preferred Fund LP, EJF Trust Preferred Fund II LP; Small Financial Equities Series Limited Liability Company Interest of EJF Sidecar Fund, Series LLC; EJF Specialty Finance Solutions Fund; EJF Investments Limited, Armadillo Fund; Series E Limited Liability Company Interest of EJF Sidecar Fund, Series LLC EJF Small Financial Equities Fund III LP; EJF OpZone Fund I LP, EJF SPAC Investments Fund LP.

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 may also invest in different parts of the capital structure of the same issuer, which may advance or conflict with interests of other Clients, and may directly or indirectly provide economic benefit to other Clients. These transactions impact the valuation, solvency, liquidity and ultimately the performance of Client accounts, and subsequently EJF's fees, which poses a conflict of interest. Certain Clients' accounts also restrict the trading of other Clients' accounts by availing themselves of non-public information in commonly held securities, or ownership limitations. Alternatively, where appropriate and in the best interest of its Clients EJF may implement information barriers between individuals within the Firm to prevent adversely impacting the ability of persons at EJF, especially persons who are involved in trading or the making of trading recommendations, to perform their usual functions.

Given the industry in which EJF performs advisory services, EJF interacts with various entities in many different capacities on behalf of its Clients. Certain managers of pooled investment vehicles, and their affiliates, may act as: competitor, partner, purchaser, seller, investor, co-investor, counterparty, financier, or trader with EJF's Clients at various points and in different capacities. While EJF does not retain any material relationships with such entities, such interactions could present a conflict of interest.



## **Banking or Thrift Institutions**

As a result of the sector-focused investment strategy of certain EJF strategies, EJF Clients maintain an outsized exposure to a significant portion of the U.S. banking and financial industry. As a result of such ownership and concentration in the U.S. banking sector and the close relationships between EJF and its personnel and affiliates, on the one hand, and portfolio companies in the U.S. banking sector, on the other hand, EJF may be incentivized to take into account such relationships when making decisions on behalf of its Clients. EJF often has or obtains data, information and expertise in the course of managing client accounts that provide a material benefit to EJF, other EJF accounts and/or their portfolio companies. Moreover, EJF may be incentivized to pursue and manage investments for its Clients that have data, information and other benefits that can be utilized in a manner that benefits EJF, other EJF accounts and/or their portfolio companies. EJF's clients will not receive any compensation or other benefits in respect thereof. Notwithstanding these potential conflicts of interest, EJF will seek to make investments for its Clients in a manner that is consistent with its fiduciary obligations. In addition, EJF will use reasonable efforts to mitigate any potential conflicts of interest that arise as a result of the level of EJF concentration in the U.S. banking sector described herein, but may not be able to entirely mitigate the outsized influence of certain existing portfolio companies as a result thereof.

Additionally, there are various business relationships between investors in several EJF Funds and the investments of other EJF Clients. For example, a portfolio company of a Client may be a service provider to one or more of EJF's Clients investments, including, with respect to the provision of lending, financing or brokerage services. In addition, in certain cases, portfolio companies of one Fund may compete with portfolio companies of another EJF Client (e.g., for clients and market share). In making decisions to take or refrain from taking certain actions on behalf of certain Clients, EJF will also face conflicts of interest associated with the relationships described above. For example, EJF may be incentivized to cause or encourage existing or future investments of a Client to receive services of a portfolio company of another EJF account. The performance of such portfolio companies, and in turn, EJF Clients, will be impacted by the performance of such service provider portfolio company of the other EJF Client. However, EJF will only make investment decisions for a Client in good faith and in a manner that is consistent with its fiduciary obligations to the Client.

One or more portfolio companies of a Client may also, from time to time, acquire securities issued by EJF. For example, EJF has issued debt securities of EJF, which may be traded on secondary markets. It is possible that financial institutions that are portfolio companies of Clients will from time to time acquire such debt securities without the prior knowledge, or approval, of EJF or any of its affiliates. As such, the performance of any portfolio company of a client that acquires debt securities of EJF may be impacted by the performance of EJF. In particular, in the event that EJF defaults on its obligations in respect of the debt securities of EJF held by portfolio companies, such clients may be adversely impacted. In addition, certain banks and other financial institutions that



are portfolio companies of EJF Funds are expected to seek to invest in other EJF accounts (including potentially by investing capital obtained from the Client investments), which may create certain additional conflicts of interest for EJF. Moreover, EJF may be inclined to cause Clients to make an investment in a portfolio company in order to incentivize such portfolio company to make an investment in another EJF Client account. Such portfolio companies may hold significant investments in such other EJF accounts and may serve on an advisory panel of such other EJF account of EJF Fund, which may exacerbate such conflicts. The performance of such portfolio companies, and in turn, EJF Clients, will be impacted by the performance of such other EJF Client account. Notwithstanding the foregoing, EJF will act in accordance with its fiduciary duties to its Clients.

### **Lawyers or Law Firms**

An external owner of Armadillo (“External Owner”) is the owner of a law firm and was classified as a creditor of another law firm. Armadillo III and Armadillo III Offshore had an outstanding loan to one of these law firms and Armadillo III and Armadillo III Offshore or other Funds managed by Rocado may make additional loans in the future. Making a loan to the law firm could cause a conflict of interest between Clients and this law firm in the form of favorable loan terms, forgiveness of obligations or debts, or other instances where Rocado or EJF could exercise its discretion over its clients. Armadillo Fund, Armadillo II, Armadillo III, and Sidecar F also use the legal firm as a source of collateral valuation, as well as due diligence for current and prospective loans, which may do business with one of the aforementioned law firms and also act as a handler of court awarded proceeds to potential borrowing law firms. This can cause a conflict of interest by granting favorable valuations to the affiliated law firm or other firms, which among other things can ultimately improve the borrowing capacity or lending terms of these borrowing firms, increase the management fee of Armadillo, impact the timing of Armadillo’s incentive allocation, assist associated law firms to avoid triggering detrimental covenants such as loan-to-value covenants or other penalizing covenants for non-performance of these borrowing firms. Rocado’s clients and Armadillo Fund, Armadillo II, Armadillo III, Armadillo III Offshore, or Sidecar F could also lend to law firms that are clients of the affiliated law firms, which can create a conflict of interest in the form of favorable loan terms, forgiveness of obligations or debts, or other instances where Armadillo or EJF has discretion. On August 21, 2020 the External Owner resigned from his position at AFP to engage in new business ventures (“Business Ventures”) which may transact in similar lines of business as AFP such as financing or intermediating the financing of law firms. These Business Ventures may compete with AFP, its Clients, or its affiliates and their Clients. There can be no assurance that any of the conflicts described herein will be resolved in favor of Armadillo Fund, Armadillo II, Armadillo III, Armadillo III Offshore, or Sidecar F.



## **Service Providers**

EJF has engaged Arcesium LLC (“Arcesium”) to provide certain technology and services related to various middle- and back-office functions necessary to maintain Clients’ accounts. Under the engagement with Arcesium, certain Clients pay fees and expenses associated with services performed on their account by Arcesium. The affiliate of a significant institutional investor in several of EJF’s Funds owns a minority interest in Arcesium. Although this raises a potential conflict of interest, EJF believes that this engagement is in the best interest of its Clients.

## **Special Purpose Acquisition Companies**

In connection with the completion of an EJF SPAC’s business combination, EJF’s Clients may acquire securities issued by the subsequent publicly-traded company, to the extent the Firm allocates a portion of such investment opportunity to EJF Clients in accordance with the Firm’s allocation policies and such other requirements or conditions that may be imposed as part of the business combination process. An EJF SPAC may also seek to acquire interest in a security or an issuer in which our Clients already holds an investment.

The value of EJF’s sponsor equity held by the Firm’s affiliate is directly tied to the completion of a successful business combination of an EJF SPAC. The Firm’s incentives to facilitate a successful business combination through an investment by its Clients in PIPEs or other securities issued in connection with an EJF’s SPAC’s proposed business combination may present a conflict on the part of the Firm in determining whether the Clients should participate in any PIPE opportunity pertaining to the EJF SPAC. However, the Firm and its affiliates have substantial incentives to see that the assets of its and their clients appreciate in value, and merely because an actual or potential conflict of interest exists does not mean that it will be acted upon to the detriment of clients.

In the course of its activities for an EJF SPAC, the Firm may become aware of investment and business opportunities which may be appropriate for Clients and for the EJF SPAC, and the Firm may be subject to a conflict of interest in determining to which entity a particular business or investment opportunity should be allocated. Investment opportunities will generally be allocated to and among those Clients or entities for which participation in the respective opportunity is considered appropriate in accordance with the Firm’s allocation policy.

Following the completion of a successful business combination of an EJF SPAC in which a client holds a PIPE investment, the Client and the Firm (or its affiliates) will hold sizable positions in the same issuer. The Firm, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for the Client. These activities may adversely affect the prices and availability of other securities held by or potentially considered for purchase by the Client.



## **Data Providers and Data Management**

EJF receives or obtains various kinds of data and information in the course of managing Clients, or other non-Client accounts (“Other EJF Accounts”), including data and information relating to business operations and functionality, investment research, trends, budgets, customers and other metrics, some of which is sometimes referred to as “big data.” EJF may be better able to anticipate macroeconomic and other trends, and otherwise develop investment themes, as a result of its access to (and rights regarding) this data and information from the investment activities of Clients, Other EJF Accounts. Although EJF believes that these activities improve EJF’s investment management activities on behalf of the Clients and Other EJF Accounts, information obtained from the Clients and Other EJF Accounts also provides material benefits to EJF or Other EJF Accounts without compensation or other benefit accruing to the Clients or their investors. For example, information from portfolio entities owned by the Clients may enable EJF to better understand a particular industry and execute trading and investment strategies in reliance on that understanding for EJF and Other EJF Accounts that do not own an interest in the portfolio company, without compensation or benefit to the Clients or their portfolio entities.

Furthermore, except for contractual obligations to third parties to maintain confidentiality of certain information, and regulatory limitations on the use of material nonpublic information, EJF is generally free to use data and information from the Clients’ activities to assist in the pursuit of EJF’s various other activities, including to trade for the benefit of EJF or an Other EJF Account. For example, EJF’s ability to trade in securities of an issuer relating to a specific industry may, subject to applicable law, be enhanced by information of a portfolio company in the same or related industry. Such trading could provide a material benefit to EJF without compensation or other benefit to the Clients or their investors.

The sharing and use of “big data” and other information presents potential conflicts of interest and the Client investors acknowledge and agree that any benefits received by EJF or its personnel (including fees (in cash or in kind), costs and expenses) will not be subject to the management fee offset provisions or otherwise shared with the Clients or their investors. As a result, EJF has an incentive to pursue investments that have data and information that can be utilized in a manner that benefits EJF or Other EJF Accounts.

## **Recommending/Selecting Investment Advisers for Clients**

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

## **Item 11 – Code of Ethics**

EJF has a code of ethics (the “Code”) that outlines its policies regarding personal trading and various other conflicts of interest that may arise while servicing a Client’s account. Under the

Code, each employee is required to certify that he or she has read the Code after the individual joins EJF and on an annual basis thereafter. The Code also requires all employees to disclose all brokerage accounts (open-end mutual fund accounts are not reportable) 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 in an account in which they have a beneficial interest. Employees are allowed to purchase mutual funds (open-and closed-ended), exchange-traded funds and unit investment trusts, Treasuries (including futures on Treasuries), and interest in limited offerings. Transactions in exchange-traded funds, unit investment trusts, closed end mutual funds, and limited offerings are subject to pre-clearance (exchange-traded funds, closed end mutual 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 Compliance Department. The pre-clearance process is designed to compare an employee's proposed transaction against trades considered or executed for the Firm's clients. By pre-clearing employee trades, EJF is attempting to prevent employees from front-running Client traded securities and causing EJF to violate its fiduciary duty to its Clients. Employees are generally not allowed to purchase the same securities that are held by a Client. However, there may be occasions when a new employee joins the Firm and holds in a personal brokerage account a security which is also held by a Client. The new employee is not required to liquidate the security position; however, the new employee will be subject to a 7-day blackout period if a Client sells the security before the EJF employee who also wishes to sell the same security on the same day. A new EJF employee is not allowed to purchase an additional interest in a security that was held by the employee prior to employment with EJF and is also held by an EJF Client (as previously noted, employees are only allowed to purchase certain securities). EJF 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). EJF employees are not permitted to purchase any security that is offered in an initial public offering, sell any security short, or place a limit order.

Employees that maintain discretionary accounts managed by third parties must ensure that monthly/quarterly statements are provided to the Firm's Compliance Department. Employees that maintain discretionary accounts are also subject to periodic certifications.

All employees that maintain brokerage accounts are required to instruct their respective brokerage firms to provide EJF's Compliance Department with duplicate brokerage account statements and trade confirmations in paper or electronic format. The Firm's electronic pre-clearance system reviews this information to determine if an employee has violated any provision of the Code.





Violations of the Code must be reported to the Global Chief Compliance Officer. Successive violations are subject to increasingly serious consequences, including termination of employment.

A section of the Code addresses EJF'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 record information in the Firm's electronic database used to track gifts accepted or given to individuals or entities that are conducting business with EJF or seeking to conduct business with EJF. Employees are generally not permitted to accept or give gifts that exceed a certain dollar value. In addition, the Code requires certain employees to post information in the Firm's electronic database when they entertain or are being entertained by individuals or entities conducting business with EJF or seeking to conduct business with EJF. 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 EJF or the employee. The Code also describes when a normal entertainment event is classified as a gift by the Global 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 engaging in 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 training classes and are provided compliance alerts, compliance emails, and news updates addressing compliance issues.

EJF maintains a restricted/watch list. The restricted/watch list is loaded into the database used by the Firm to pre-clear personal securities transactions. Securities pre-cleared by an employee are compared to the Firm's restricted/watch list.

EJF will provide a copy of the Code to any SMA client/Fund investor upon request. Such requests should be directed to EJF Capital LLC, Attention: John D. Pollard, 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 can purchase exchange-traded funds and unit investment trusts, closed end mutual funds, and private offerings after they are pre-cleared by the Firm's Global Chief Compliance Officer or his designee; open ended mutual funds, Treasuries, and futures on Treasuries can 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 blackout period if the employee wishes to sell the security held in his/her personal brokerage account. The blackout 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. Securities exempt from the pre-clearance requirement are also exempt from these requirements. Employees are allowed to enter into a relationship with a third-party vendor that will advise and 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. However qualified EJF employees are permitted to invest in Funds managed by EJF.

As previously mentioned, EJF has in the past and may in the future sponsor SPACs. EJF's Clients may also invest in securities issued by the SPAC itself or the sponsor entity of an EJF SPAC. It is anticipated that EJF employees and affiliates will also own shares, warrants or units of an EJF SPAC, or the sponsor entity and as a result may trade alongside, compete with, or dilute EJF's Clients' returns when liquidating such investments.

### **Board of Directors & Master Oversight Board**

EJF Funds will frequently establish a master oversight board or a board of directors (collectively the "Boards") to review and approve certain actions. The composition of the Boards may include EJF officers, directors, employees or affiliates. Several individuals that serve as directors of the Boards, including but not limited to Messrs. Friedman and Wilson are also investors in the Funds. Certain individuals may also serve on the Boards for multiple Funds. Additionally, certain Boards include directors appointed by a company which has several affiliated entities and employees. From time-to-time EJF has engaged these affiliates to perform legal, regulatory, or consulting purposes. EJF does not believe any of these engagements to be material or influential on the Boards.

### **Item 12 – Brokerage Practices**

EJF has an approval process that each broker-dealer must go through before EJF's traders are allowed to execute trades through that broker-dealer for a Client's account. EJF conducts due



diligence on broker-dealers by reviewing items such as their financial status and disciplinary history, if one exists. The Global Chief Compliance Officer or his designee 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. EJF's traders are responsible for negotiating commission rates charged by broker-dealers. After a broker-dealer is approved, EJF's traders are free to place, buy, or sell transactions with the broker-dealer.

On a quarterly basis, EJF has a best execution committee meeting. In addition to other issues, the best execution committee meeting is designed to determine and analyze where trades are executed and the commission rates charged for the transactions. EJF has also employed the services of a third-party vendor to assist with the best execution analysis for equity securities. The vendor conducts an analysis of execution performance by broker and by security.

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

- The broker-dealer (that provides trade executions) or an affiliate serves as the prime broker for a Fund's assets;
- The broker-dealer (that provides trade executions) or an affiliate refers prospective investors to the Funds;
- The broker-dealer (that provides trade executions) or an affiliate provides trade executions for Funds or SMA clients;
- The broker-dealer (that provides trade executions) or an affiliate provides pricing information for Funds;
- The broker-dealer (that provides trade executions) or an affiliate conducts underwriting or investment banking activity for EJF or its affiliates;
- The broker-dealer (that provides trade executions) or an affiliate provides EJF with internally generated investment research; and
- The broker-dealer (that provides trade executions) or an affiliate provides custodian services to EJF clients.

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



EJF's order management system assists traders in calculating the appropriate trade allocations between multiple Clients. EJF's staff will monitor trade allocations to determine if decisions are consistent with its policies and procedures.

### **Best Execution**

EJF seeks to obtain the best available price for the orders placed by its portfolio management team. 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 require specific services that are not available at the lowest possible commission rates.

EJF may use the services of a third-party vendor to assist the Firm with its best execution analysis for equity securities. The vendor provides the Compliance Department 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 pays 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 could 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 (EJF or an affiliate may occasionally purchase proprietary research to assist with the decision-making process). Aside from broker-dealer proprietary research, EJF does not use its commission dollars to obtain research products and services through third party vendors. In addition to proprietary research, certain broker-dealers 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 occasionally executes trades on behalf of its Clients with broker-dealers that also receive placement agent fees from Fund investors.



## **Directed Brokerage**

EJF may have SMAs with directed brokerage arrangements. In some circumstances, clients can designate a particular broker-dealer through which trades are to be executed, typically under such terms as the client negotiates with the particular broker-dealer. Clients may be incentivized to engage in such arrangements for various reasons such as participating in a rebate or commission recapture program. In those instances where a client directs or influences EJF to execute transactions on behalf of its account with or away from a particular broker-dealer, EJF is not in a position to negotiate commissions or select brokers-dealers based on their ability to provide best execution to such client. Under these circumstances a disparity typically exists between the commissions and execution price between clients who direct brokerage transactions and other EJF clients who do not instruct EJF to use a particular broker-dealer. As a result, EJF may be unable to achieve most favorable execution of client transactions.

Directed brokerage transactions may disadvantage clients as EJF may place directed brokerage transactions after aggregated block transactions (see below). Accordingly, transactions for clients that direct brokerage can be subject to price movements of other Clients, which may be more acute in illiquid securities or large orders. Ultimately clients with directed brokerage arrangements can result in less favorable net prices than might be the case if EJF were able to negotiate commission rates or select brokers or dealers based on best execution.

Similarly, certain SMAs where EJF acts as sub-adviser may also instruct EJF not to execute transactions on its behalf with a particular broker-dealer. Clients may desire to instruct EJF in order to avoid certain conflicts of interest that can be created by executing such transactions. By limiting EJF's ability to execute trades with certain broker-dealers, EJF's ability to perform its best execution duties may be diminished and potentially result in less favorable prices, which could ultimately impact performance.

## **Wrap Program Trading**

Wrap fee account transactions are typically executed with the Sponsor due to the all-inclusive fee structure. The Sponsor's ability to execute transactions may be vastly different than that of broker-dealers EJF selects to execute on behalf of its other clients. This disparity can affect timing, pricing and ultimately performance of Client accounts. Only in very limited circumstances will EJF trade away from the Sponsor, for example when the Sponsor does not have the capability to execute the transaction in a particular security or size.

Commissions, and other expenses, incurred in connection with any transactions executed with broker-dealers other than the Sponsor, are typically borne by the client. Therefore, it is important for clients who enroll in a Wrap Program where EJF serves as the investment adviser to satisfy themselves that the program is suitable for them due to the additional commission incurred by



them when EJF trades away from the Sponsor. When execution occurs through the Sponsor, EJF does not have the ability to negotiate commissions or other costs for the execution of transactions in the client's account since such execution costs are included in the all-inclusive fee charged by the Sponsor. Therefore, it is essential the clients in a Wrap Program satisfy themselves that the Sponsor is able to provide best price and execution of orders.

### **Brokerage Aggregation/Allocation**

Purchases and sales of securities for a Client could be aggregated or bunched when an order is placed with a broker-dealer. EJF may not bunch or aggregate orders if the portfolio management team's 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 management teams are not received at approximately the same time.

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

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

EJF could determine that an investment opportunity or purchases/sales are appropriate for one or more SMA clients, but not for a particular Fund. EJF may also determine that one Fund may participate in a transaction, but based on guidelines/restrictions, cash availability, or duration of investment another Fund may not purchase a particular security. EJF could also determine that an investment is good for one Client but may be appropriate for another Client in different sizes, terms, portion of the capital structure, or at a later time. Such determinations by EJF can result in Clients having differing or even adverse positions in the same security, conflicting rights in the security, or proceeds indirectly exchanged between Client accounts. EJF is keenly aware of potential conflicts of interest associated with trading allocations and routinely monitors for such conflicts and mitigate them wherever possible.



EJF does not anticipate aggregating any orders of Discretionary SMAs that are sub-advised by EJF with any orders that are on behalf of a Fund it manages.

### **Cross-Trades**

On occasion, EJF and its affiliates engage in transactions in which it causes one of its Clients to purchase securities or other investments from, or sell securities or other investments to, other Clients advised by EJF and/or its affiliates (“Cross-trades”) for purposes of portfolio rebalancing, liquidation, loan syndication or for other reasons as may arise from time to time. EJF and/or its affiliates will not take brokerage commissions or otherwise be compensated for effecting Cross-trades. Prior to effecting any Cross-trade, EJF will make a good faith determination that the transaction is in the best interests of the relevant clients. As a general matter for determining valuation of the Cross-trade, EJF will reference the most recent valuation as calculated by EJF’s Valuations Policies and Procedures. Periodically, EJF will seek additional consent from Clients or their respective Boards or representative limited partners to effect the transaction.

### **Principal Transactions**

On occasion, EJF may determine that it is appropriate and in the best interests of its Clients if a Client purchases an investment from or sell an investment to EJF or its related persons. EJF may seek, when appropriate or required, Client preapproval for such transactions consistent with the respective Client’s Offering memorandum or governing documents and in accordance with Section 206(3) of the Investment Advisers Act of 1940.

### **Initial Public Offerings**

Initial public offerings (“IPOs”) are offerings of securities that have limited availability. An IPO may trade at a price above the offering price. If EJF’s Clients are permitted to participate in an IPO, the offering will be made available to all Clients equitably, however, the Firm, in its sole discretion, could decide that a certain Client not participate in IPOs for various reasons, including the aforementioned non-standard trade allocations referenced above. This creates a disproportionate allocation of IPOs among Clients which could materially impact the performance and subsequently fees paid by Clients, and ultimately pose a conflict of interest.

### **Conflicts of Interest**

Employees of EJF could 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 other financial institutions, and as a result may have personal or familial relationships with personnel at such companies. Additionally, certain employees maintain a legacy



pecuniary interest in financial institutions (e.g. employee stock). Additionally, EJF has also issued bonds to various financial institutions that are affiliated with broker-dealers, insurance companies, or other financial institutions. EJF does not believe such relationships are material, but could pose a conflict of interest for its Clients. The Firm's Compliance Department is cognizant of these conflicts and monitors Client trades, employee personal trades, and communication between employees and brokers to mitigate the potential conflicts of interest.

### **Item 13 – Review of Client Accounts**

EJF's Risk Committee conducts periodic reviews of security positions held by Clients. Additionally, EJF's Director of Risk Reporting provides analysis and reports used by the Firm to monitor portfolios. The other individuals responsible for account reviews are primarily investment professionals on the portfolio management team. If an SMA client places additional investment guidelines/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 occasionally enters 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 entities a percentage of the management fee and or incentive fee paid to EJF by the referred Fund investor or the SMA client. It should be noted that a Fund investor's account can be charged higher or lower Management and/or Performance-based fees within the Fund than if the investor came to EJF directly.

EJF also enters 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. Currently, only a few Funds are subject to these upfront and ongoing placement fees. Placement fees are paid by the referred Fund investor in addition to the management/performance fees. Such fees can be found on the applicable Fund's offering memorandum, EJF's subscription documents, as well as the investor's statements.



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.

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

### **Item 15 – Custody**

Neither EJF 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. With regard to the Funds, EJF 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. EJF 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 more than one public accounting firm.

EJF 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 monthly performance reports provided by EJF, if applicable. EJF does not have control over the SMAs in which EJF acts as sub-investment adviser or other client assets held by unaffiliated custodians.

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





## **Item 16 – Investment Discretion**

EJF manages all of its Funds and SMA clients' assets on a discretionary basis. With regard to the Funds, EJF observes the investment guidelines/restrictions placed on the management of the Funds in the offering documents, limited partnership agreements, or investment management agreements if applicable. With regard to SMA clients for which EJF exercises investment discretion, EJF enters into an investment management agreement with the client ("Discretionary SMAs"), which authorizes EJF to exercise investment discretion with respect to the SMA. The investment management agreement must be signed before EJF exercises 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 EJF from purchasing specific securities or specific types of securities. EJF employees periodically have conversations with SMA clients to review the SMA and its investment guidelines/restrictions.

In the case of SMAs where EJF acts as a sub-adviser, each Client account will execute an investment management agreement with its investment adviser, who then delegates such authority to EJF pursuant to a written agreement. EJF shall retain discretion over such sub-advised accounts, and each Client will have the ability to place reasonable restrictions on their account.

## **Item 17 – Voting Client Securities**

EJF portfolio management team votes 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 certain Clients' proxies when received from the issuer's delivery agent.

EJF's policies and procedures outline the general guidelines for voting client proxy statements. However, EJF could vote a proxy in a manner different from the established guidelines if circumstances warrant. For example, EJF might 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 has conflicting interests to those of the Client (e.g. management personnel of the issuer, EJF affiliates with conflicting interests, etc.). If any EJF employee determines that a material conflict of interest exists with respect to the voting of proxies, such employee shall inform the Compliance Department and a member of the Compliance Department 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.



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 should direct requests for information concerning EJF's proxy voting policies and procedures to EJF Capital LLC, Attention: John D. Pollard, 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 fees six months or more in advance and as a result, is not required to provide its financial information to SMA clients or Fund investors.