

Oak Hill Advisors, L.P. Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of Oak Hill Advisors, L.P. (“**OHA**” or the “**Registrant**”). If you have any questions about the contents of this brochure, please contact us at 212-326-1500 or at cg@oakhilladvisors.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Additional information about OHA is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

OHA's most recent update to Part 2 of Form ADV was made in July 2010. OHA's business activities have not changed materially since the time of that update. However, for 2011, the SEC adopted significant changes to the content and format of Part 2 of Form ADV. Accordingly, this brochure reflects those changes and is materially different from brochures used by OHA in prior years.

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Advisory Business

OHA provides investment advisory services to its advisory clients (collectively, "Clients") which include private investment funds such as credit hedge funds, distressed funds, opportunistic funds, structured products funds, collateralized debt and loan obligations and other pooled investment funds and separate accounts for which OHA and certain of its affiliates serve as the general partner and/ or investment adviser (or in a similar capacity). Investment advisory services provided to each Client are tailored to the Client's specific investment strategy, objectives and restrictions, as set forth in each investment advisory agreement, private placement memorandum, offering circular and/ or client constituent document. In addition, from time to time, OHA provides capital markets advisory services to certain public or private issuers of debt or equity securities and other clients.

The Registrant invests primarily in leveraged bank loans, high yield bonds, distressed securities, structured products (including collateral debt and loan obligations and residential mortgage backed securities), whole loans, specialty finance in areas where the Registrant has experience, such as aircraft finance, swap transactions including interest rate swaps, currency swaps, total return swaps and credit default swaps (including numerous index products) and equity securities (including common or preferred stock and warrants). The vast majority of investments are made in private securities and obligations, but the Registrant does also invest in publicly traded securities. The Registrant focuses primarily on issuers and companies headquartered and/ or doing business in the United States, Canada and Western Europe, but the substantial portion of investments are made in companies headquartered and doing business in the United States. The Registrant makes control and non-control investments and takes both long and short positions.

OHA (through a predecessor entity) was founded in 1991 and is primarily owned by Oak Hill Advisors Genpar, L.P. and iStar Alpha TRS Inc. As of December 31, 2010, OHA managed \$12,190,617,815 on a discretionary basis on behalf of approximately 49 Clients.

Fees and Compensation

The relationship between the Registrant and its Clients is governed by investment advisory agreements and/or other constituent documents of the Clients. Fees for advisory services are negotiable. In most cases, either the Registrant or the Client may terminate the investment advisory agreement, without penalty, upon 30-90 days' prior written notice to the other party. Certain Clients may be subject to termination fees if the account is closed prior to a defined commitment period as negotiated by the Registrant and the applicable Client. Fees are generally payable quarterly in arrears. However, certain Clients may be charged monthly or quarterly in arrears or in advance. Pursuant to the terms of applicable investment advisory agreements, Clients who pay fees in advance would be refunded a pro-rata portion of the fee if the advisory relationship is terminated prior to the end of the relevant billing period. Depending on the type of Client, fees are generally based on capital commitments, assets under management, the net asset value of a Client or a fixed fee. Also, separately managed account fee arrangements vary depending on the size of the account and the nature of the management services to be provided by the Registrant. Each of the investment advisory agreements or other constituent documents generally provides for a management fee of up to .50% per quarter of the basis of calculation. In addition, some Clients are subject to an incentive fee of up to 20% of all income, gains and losses derived from portfolio securities. Certain strategic investors may receive a portion of the carried interest or incentive allocation. Where applicable, investment advisory agreements or other constituent documents provide for a preferred rate of return or hurdle rate of return of up to 7-12% to the investors of each Client and some provide for a "high water mark." All compensation arrangements in which the Registrant receives a fee based on a share of capital gains or capital appreciation will comply with the requirements of Rule 205-3 of the Advisers Act.

The Registrant may charge Clients for custodial, investment and operating related expenses pursuant to the terms of applicable Client documents. Generally, such expenses include but are not limited to costs incurred in connection with:

- the evaluation of potential investments and the acquisition, monitoring and disposition of investments;

- the carrying or management of investments;
- legal and accounting services (including the allocated costs of in-house professionals);
- preparing and disseminating financial and tax statements and reports;
- annual meetings of Clients;
- insurance services;
- indemnification obligations of Clients; and
- travel and late car and late meal (after 8:00 pm) expenses for the Registrant's employees.

The Registrant allocates investment related expenses among Clients pursuant to its Expense Allocation Policy. In general, investment related expenses for a particular investment under \$2,000 per quarter and investment related expenses for transactions not consummated are allocated among all Clients pro-rata based on assets under management, and investment related expenses for a particular investment equal to or greater than \$2,000 per quarter are allocated among Clients holding securities or obligations of the issuer pro-rata based on invested assets or the expected allocation for transactions not consummated. Certain Clients pay expenses on a fixed fee basis. OHA pays the allocated portions of expenses for those Clients that it is not permitted to charge or for whom it waives such expenses. The Registrant or its related person General Partner has waived or reduced fees and/ or expenses for the Registrant's employees who invest in certain Client pooled investment funds and a limited number of strategic partners. Clients and investors may negotiate fees and/ or expenses. Clients may contact the Registrant for a copy of its Expense Allocation Policy.

All costs and expenses related to the acquisition, carrying or disposition of investments including, but not limited to, sales commissions, fund administrators, appraisal fees, taxes, brokerage fees, accounting, legal, investment banking, consulting, information services, software, professional fees, custodial, trustee, record keeping, insurance, telephone, travel and other such expenses are either paid by or reimbursed to the Registrant by the Clients. Some services may be provided at cost by the Registrant's employees (*e.g.*, legal and accounting), as further described below, or by OH Administration Corp. (*e.g.*, insurance, information technology and consultants), a separate firm in which OHA related persons may serve as a director and/ or officer. OH Administration Corp. also provide services to separate firms which bear the Oak Hill name, ultimately permitting OHA to achieve certain economies of scale.

OHA does not earn a profit for the services provided by in-house legal and accounting professionals. OHA's policy on charging for in-house legal and accounting professionals ensures that such expenses are at least as favorable had a third party performed the services. Specifically, OHA assesses Clients the lesser of (a) actual applicable cost (including allocated portions of compensation and benefits, overhead such as rent and executive, systems and general support staff and services and other indirect costs) or (b) an amount not to exceed the reasonable estimated cost had the service been performed by an outside firm of national reputation, as determined in good faith by OHA. Since OHA implemented this policy in 2005, the actual expenses of its in-house professionals (inclusive of allocated portions of compensation and benefits, overhead and other indirect costs) has been less than what the costs would have been had the services been performed by outside firms of national reputation. With respect to Oak Hill Special Opportunities Fund, the

policy set forth above includes in-house professionals of OHA and Oak Hill Capital Management, an unaffiliated investment advisor. In addition, the Registrant has engaged a senior employee of Oak Hill Capital Management to provide certain legal consulting to OHA and its Clients.

Also, certain office services are provided by Bass Enterprises Production Co., an unaffiliated service provider. Fees for these services are negotiated on an arm's length basis.

Performance Based Fees and Side-by-Side Management

OHA charges certain Clients performance based fees which are fees based on a share of capital gains on or capital appreciation of the Client's assets.

The fact that OHA is compensated based on the trading profits may create an incentive for OHA to make investments on behalf of Clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance based fee received by OHA is based primarily on realized and unrealized gains and losses. As a result, the performance based fee earned could be based on unrealized gains that Clients may never realize. Also, the Registrant could be incentivized to favor accounts that pay a performance fee over accounts that do not.

To mitigate these conflicts, the Registrant has implemented a Trade Allocation Policy, as described in the Brokerage Practices section herein, and has implemented controls to review investments for compliance with account guidelines and restrictions and to review the performance of accounts with similar investment objectives.

Types of Clients

OHA provides investment advisory services to private investment funds such as credit hedge funds, distressed funds, opportunistic funds, structured products funds, collateralized debt and loan obligations and other pooled investment funds and separate accounts for which OHA and certain of its affiliates serve as the general partner and/ or investment adviser (or in a similar capacity). The Registrant's clients and fund investors include pension funds, sovereign wealth funds, insurance companies, financial institutions, foundations, endowments, fund of funds and family offices. All investors are required to be "qualified purchasers" under the Investment Company Act of 1940) or otherwise be permitted to invest under applicable securities laws (such as employees who are deemed to be "knowledgeable employees").

The Registrant does not have a specified minimum dollar assets-under-management requirement with respect to managed accounts. Private investment funds for which the Registrant or an affiliate serves as general partner and/or investment manager generally impose a minimum investment requirement for admission as a limited partner or an equity investor, although in most cases the general partner of each of the funds may, in its sole discretion, accept commitments of lesser amounts. Additional suitability requirements for investment in each of the funds are more fully discussed in the subscription documents for each of the funds.

Methods of Analysis, Investment Strategies and Risk of Loss

Method of Analysis and Investment Strategies

The Registrant's investment analysis is typically based on: (i) intensive credit analysis; (ii) relative value analysis; and (iii) active portfolio management.

- *Intensive credit analysis* is the cornerstone of the Registrant's investment strategy and includes: (i) business analysis, which involves a comprehensive fundamental evaluation of a company and includes historical and projected financial modeling; (ii) capital structure analysis, which evaluates the terms and structure of a company's debt and equity securities relative to the company's business risk; and (iii) valuation analysis, which considers the enterprise value of a company in both the public and private markets.

The main sources of information OHA may use in conducting research and diligence include, without limitation:

- Annual and quarterly company reports, prospectuses and press releases
 - Credit Agreements, indentures, shareholder agreements, offering circulars and related documents
 - Bankruptcy and other court filings
 - Company books and records and corporate activities
 - Investment manager and trustee reports
 - Financial newspapers and magazines
 - Third party research and governmental agency reports
 - Corporate rating services
- *Relative value analysis* involves identifying relative value among industries, issuers and securities. This process focuses on evaluating the risks assumed by investors relative to the returns implied by asset prices. The Registrant believes that different industries possess different components of risk, which may include cyclical, technology, litigation, regulatory, valuation, financing and other risks. Further, the Registrant believes that different companies possess different components of risk, which may include competitive, financial, management, ownership and other risks. Finally, each security or layer in a company's capital structure has a different measure of risk based on collateral, subordination, covenants, liquidity, interest rate sensitivity, amortization and other considerations.
 - *Active portfolio management* involves the continuous integration of credit and relative value analyses combined with opportunistic management of the portfolio. The Registrant believes that active portfolio management will be an important component of its investment strategy because market conditions and companies' credit quality continually change.

In addition, the Registrant employs a common investment process across the various sectors within the structured products market. The investment process is based on: (a) collateral analysis;

(b) structural and documentation analysis; (c) collateral manager / servicer review; (d) scenario analysis; (e) relative value analysis; and/ or (f) surveillance and portfolio management.

- *Collateral analysis* is the cornerstone of the investment process and involves an extensive analysis and deep understanding of the underlying collateral for each structured product investment. Specifically, the analysis of the collateral pool is done largely on an asset-by-asset basis. The individual assets in the collateral pool are analyzed for historical and current performance, but most importantly, the assets are evaluated for future performance. For the portfolio assets, this analysis and evaluation focuses on their (i) future expected cashflow and value, (ii) default propensity, (iii) timing of potential default and (iv) potential loss severity.
- *Structural and documentation analysis* involves analyzing the structural elements of each investment and doing an in-depth review of the key governing transaction documents. The structural review includes a capital structure analysis, which evaluates the terms and structure of a transaction's various classes. The documentation review is performed by employees, and in certain instances is supplemented through review by outside counsel.
- *Collateral manager / servicer review* involves analyzing the motivations, historical performance, and general quality of a particular collateral manager or servicer. In RMBS transactions, a servicer is employed who, among other functions, collects payments from borrowers, manages delinquent borrowers and can modify the terms of mortgages in the underlying pool. The Registrant believes that an in-depth understanding of these organizations can materially impact investment returns and relies on both in-depth ongoing reviews and long-standing market experience in order to analyze collateral managers and servicers.
- *Scenario analysis* involves projecting the future cashflows of a collateral pool and modeling how the returns of a particular investment tranche vary as the projections of the underlying cashflows are modified under different scenarios. The scenarios can be varied due to asset-specific considerations as well as macro-economic factors. The scenario analysis attempts to integrate the analyses performed on the collateral, structure, documentation, and collateral manager / servicer, so that the boundaries of risk and return can be reasonably calculated and understood, prior to making an investment decision.
- *Relative value analysis* involves identifying relative value among different sectors in the structured products markets (i.e., CLOs vs. RMBS vs. CMBS, etc.) as well as within specific sectors. This process focuses on evaluating the risks assumed by investors relative to the returns implied by asset prices. This analysis also incorporates relative risk and return across the various tranches and capital structures available for investment in the structured products markets.
- *Surveillance and portfolio management* involves performing investment surveillance on each portfolio asset on a regular basis, in addition to monitoring overall portfolio risks. Generally, the performance to date of each investment is evaluated relative to projected performance at the time the investment was made. Taking into account current market pricing and expected ongoing collateral performance, future projected returns are

calculated and a buy/sell/hold decision is made. This process also allows relative value decisions to be made both among investments already in the portfolio and those available for purchase in the markets. Portfolio concentration risks and macro-economic risks are continually evaluated, and hedging strategies may be employed to mitigate certain of these risks.

The Registrant operates in three primary functions: research, trading and portfolio management.

- **Research:** Research professionals are responsible for all aspects of credit and structured products analysis and due diligence, as described above. In addition, as part of the research process, research professionals may: (i) conduct intensive diligence meetings with management, selected customers, suppliers, competitors and industry analysts regarding an issuer; (ii) engage outside consultants and legal and accounting experts, as necessary; and (iii) prepare internal research reports and recommendations for the portfolio manager. The industry-focused research professionals regularly monitor both existing and prospective investments as well as fundamental trends in their respective industry segments.
- **Trading:** Trading professionals are responsible for managing the trading process and for providing the investment process with insight on relative value and capital markets issues. The trading professionals also generate market-oriented investment ideas for the research group.
- **Portfolio Management:** The portfolio managers approve all investment decisions and supervise the research and trading professionals. The approval process is typically based on meetings with research and trading professionals on each investment. Investment decisions are based on, among other factors, credit analysis, relative value, diversification and/ or market conditions with the objective of maximizing risk adjusted returns.

Risk of Loss

The description contained herein is an overview of the risks to Clients entailed in the Registrant's investment strategy and is not intended to be complete. A detailed description of applicable risk factors are set forth in Client Private Placement Memoranda and/ or other Client constituent documents, which the Registrant will make available to Clients, investors and qualified prospective investors upon request. All investing involves a risk of loss and the investment strategy offered by the Registrant could lose money over short or long periods. Performance could be negatively affected by a number of different market risks including but not limited to:

A. Business Risks

Investment and Trading Risks. All investments in securities and obligations risk the loss of capital. The Registrant believes that the Clients' investment programs and research techniques may moderate this risk through a careful selection of securities, obligations and other financial instruments. No guarantee or representation is made that a Client's program will be successful. The Clients' investment programs may utilize such investment techniques as leverage, margin transactions, short sales, swaps, options on securities and forward contracts, which practices may, in certain circumstances, increase the adverse impact to which the Clients may be subject. The

Clients may invest in leveraged bank loans, high yield bonds, structured products, convertible securities, options, swaps and other securities with fixed-income characteristics. Such securities will primarily be below “investment grade” and face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer’s inability to meet timely interest and principal payments. The market prices of such securities are also subject to abrupt and erratic market movements and changes in liquidity and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets.

General Economic Conditions and Recent Events. Various sectors of the global financial markets have been experiencing an extended period of adverse conditions. Recently, market uncertainty in the United States has increased dramatically, and adverse market conditions have expanded to other markets. These conditions have resulted in reduced liquidity, greater volatility, general widening of credit spreads and a lack of price transparency. These difficult global credit market conditions have adversely affected the market values of fixed-income, equity and other securities and these circumstances may continue or even deteriorate further. The short and longer-term impact of these events is uncertain, but could have a material effect on general economic conditions, consumer and business confidence and market liquidity. Investments made by the Clients are expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer and business confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of the Clients and these or similar events may affect the ability of the Clients to execute their investment strategies.

High Yield Fixed Income Securities and Obligations. Risks associated with investing in high yield fixed income securities (*e.g.*, leveraged loans and high yield bonds) include:

- The issuer’s inability to pay interest or repay principal;
- illiquidity in the markets may make the securities and obligations difficult or impossible to sell;
- the issuer or company may repay the security or obligation prior to maturity;
- companies that issue such securities and obligations are often highly leveraged and may not have available to them more traditional methods of financing; and
- high yield issuers and companies generally do not issue publicly traded securities making it more difficult to hedge the risks associated with such investments.

Investment in bank loans and participations entails unique risks. The Registrant may invest for Clients in bank loans and participations. In addition to the risks for such fixed income obligations set forth above, bank loans and participations entail other risks such as (i) the invalidation of an investment as a fraudulent conveyance under creditors’ rights laws, (ii) environmental liabilities that may arise with respect to collateral securing the obligations (iii) limitations on the ability of the Registrant to directly enforce its rights with respect to participations and (iv) extended settlement periods.

Investments in high yield bonds unique risks. The Registrant may invest for Clients in high yield bonds, *i.e.*, bonds that are rated in the sub-investment rating categories by credit rating agencies. In addition to the risks for such fixed income securities set forth above, the market

values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Also, high yield bonds tend to be more volatile than higher-rated securities.

Lower Credit Quality Securities. There may be no restrictions on the credit quality of the investments of certain Clients. Securities in which certain Clients may invest may be deemed by rating companies to have substantial vulnerability to default in payment of interest and/or principal. Other securities may be unrated. Lower-rated and unrated securities in which the Clients may invest have large uncertainties or major risk exposures to adverse conditions, and are considered to be predominantly speculative. Generally, such securities offer a higher return potential than higher-rated securities, but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these securities (such as subordinated securities) also tend to be more sensitive to changes in economic conditions than higher rated securities. Declining real estate values, in particular, will increase the risk of loss upon default, and may lead to a downgrading of the securities by rating agencies. The value of such securities may also be affected by changes in the market's perception of the entity issuing or guaranteeing them, or by changes in government regulations and tax policies. In general, the ratings of nationally recognized rating organizations represent the opinions of these agencies as to the quality of securities that they rate. These ratings may be used by the Registrant as initial criteria for the selection of portfolio securities. Such ratings, however, are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of the securities. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events.

Illiquid investments are riskier than liquid investments. The investments in portfolio companies selected by the Registrant may be illiquid, due to transfer restrictions, the size of an interest held in a particular portfolio company or for other reasons. As a result, it may be necessary to hold these investments for an indefinite period of time. Generally, a less liquid investment bears more risk than a more liquid one. For example, if the Registrant is unable to liquidate an investment as its value declines, the Registrant will be unable to limit losses. Similarly, if an Registrant is unable to liquidate an investment at a time when cash is needed, the Registrant may miss other investment opportunities or be forced to sell other investments at unfavorable times.

Investments in Distressed Securities. The Clients may invest in securities of companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These investments involve a substantial degree of risk. Any one or all of the issuers of the securities in which the Clients may invest may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Registrant will correctly evaluate the value of the assets collateralizing the Clients' investments in distressed securities or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Client invests, the Client may lose its entire investment or may be required to accept cash or

securities with a value less than the Client's original investment. Under such circumstances, the returns generated from a Client's investments may not compensate the Client adequately for the risks assumed.

Restructuring situations could lead to bankruptcy or total loss of an investment. The Registrant may invest for Clients in companies that face financial or operational difficulties or are otherwise in need of restructuring. The Registrant may not be able to implement a restructuring in a timely manner or at all, and the companies may go out of business or become subject to bankruptcy proceedings. Previous payments from the company to the Registrant could be reclaimed if they are deemed to be fraudulent conveyances or preferential payments, and a bankruptcy court could disallow, subordinate or disenfranchise clients' claims to the company's assets. Other factors could adversely affect client investment in such a situation, including the Registrant's misjudgment of the time required to complete a restructuring, failing to adequately monitor the company and the creditors' committees or incurring liability as an insider or fiduciary of the company. Failure to successfully correct the company's problems could lead to a total loss of the invested capital.

Investments in Event-Oriented Situations. The price offered for securities of a company involved in an announced deal can generally represent a significant premium above the market price prior to the announcement. Therefore, the value of such securities held by the Clients may decline in the event the proposed transaction is not consummated and if the market price of the securities returns to a level comparable to the price prior to the announcement of the deal. Furthermore, the difference between the price paid by the Clients for securities of a company involved in an announced deal and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline, perhaps by more than the Clients' anticipated profit. In addition, when the Clients have sold short the securities it anticipates receiving in an exchange or merger, and the proposed transaction is not consummated, the Clients may be forced to cover its short position in the market at a higher price than its short sale, with a resulting loss. If the Clients have sold short securities that are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, the Clients also may be forced to cover its short position at a loss.

Opportunistic/Macro Investing. Clients may invest on an opportunistic basis, seeking to take advantage of trends in the market. Unlike traditional investing, in which investment decisions may be based entirely on the fundamental financial condition of an issuer, opportunistic investing relies on the ability of the Registrant to identify trends in the market and to invest in such trends before the rest of the market, and then sell before a trend ends. Opportunistic investing can be very volatile and involve heavy short-term trading. Short-term trading can generate high trading costs and produce gains taxable at higher rates.

Use of leverage increases the risk of loss and increases costs. The Registrant may use leverage in its investment program, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants. Leverage strategies increase the risk of loss. To the extent the Registrant purchases securities and obligations with borrowed funds, net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The interest costs

associated with such borrowing will reduce the Registrant's profits. If the interest expense on borrowings were to exceed the return on the investments made with borrowed funds, the use of leverage would result in a lower rate of return than if leverage was not used. Borrowings will typically be secured by the Clients' securities and other assets. Under certain circumstances, the lender may demand an increase in the collateral that secures the Clients' obligations and if the Clients were unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy the Clients' obligations to the lender. Liquidation in such manner could have extremely adverse consequences.

Litigation. Reorganizations can be contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. The Registrant anticipates that during the term of the Clients, the Registrant may be named as a defendant in civil proceedings. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments may be borne by the Clients.

Provision of Managerial Assistance. The Clients may obtain rights to participate substantially in and to influence substantially the conduct of the management of its issuers. The Clients may designate directors (and non-executive chairmen) to serve on the boards of directors of issuers. The designation of directors and other measures contemplated could expose the assets of the Clients to claims by an issuer, its security holders and its creditors. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability which the limited liability characteristic of business operations usually ignores. If these liabilities were to occur, the Clients could suffer losses in its investments. While the Registrant intends to manage the Clients in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Synthetic Securities. In addition to credit risks associated with holding non-investment grade loans and high yield debt securities, clients investing in synthetic securities will usually have a contractual relationship only with the counterparty of such synthetic securities, and not the issuer of the underlying or linked obligation (whether an equity, debt or other instrument). Clients generally will have no right to directly enforce compliance by that underlying or linked issuer nor any rights of set-off against the that issuer, nor have any voting rights with respect to the underlying or linked obligation. Clients will not benefit directly from the collateral supporting that obligation or have the benefit of the remedies that would normally be available to a holder of that obligation. In addition, in the event of insolvency of the counterparty to such a contract, clients will be treated as a general creditor of such counterparty. As a result, concentrations of synthetic securities in any one counterparty subject these investments to an additional degree of risk with respect to defaults by the counterparty as well as by the issuer of the underlying or linked obligation.

Structured Products. The Registrant may invest for Clients in structured products, such as equipment trust certificates, secured leases, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations or similar instruments. In addition, the performance of a structured product will be affected by a variety of factors, including, without limitation, its priority in the capital structure of the issuer, the availability of any credit

enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets.

Whole Loans. Whole loans mortgages generally are not government guaranteed or privately insured. A whole loan mortgage is directly exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying property, the creditworthiness of the borrower, and the priority of the lien are each of great importance. A decrease in real estate prices may reduce the equity component in real estate and may result in higher loan-to-value ratios. If the fair market value of the real property securing a mortgage loan falls below the remaining principal balance of the loan, the mortgage loan has greater risk of payment default as well as a risk that net proceeds of any foreclosure will not cover the entire mortgage loan. Whether or not the Registrant has participated in the negotiation of the terms of any such mortgages, there can be no assurance as to the adequacy of the protection of the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, claims may be asserted that might interfere with enforcement of the rights of the Clients. In the event of a foreclosure, the Clients may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the Clients. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

Aircraft. Commercial aircraft operators are engaged in economically sensitive, highly cyclical and competitive businesses. In connection with their acquisition of aircraft or aircraft-backed securities, the Clients are affected by all the risks facing a commercial aircraft operator, which are beyond its control. Its results of operations depend, in part, on the financial strength of its customers and its customers' ability to compete effectively in the market and manage their risks. These risks include, among others: general economic conditions in the countries in which its customers operate, including changes in gross domestic product and currency fluctuations; demand and rates for air travel and air cargo shipments; changes in interest rates and the availability and terms of credit; concerns about security, terrorism, war, public health and political instability; environmental compliance and other regulatory costs; labor contracts, labor costs and stoppages at commercial aircraft operators; aircraft fuel prices and availability; technological developments; maintenance costs; airport access and air traffic control infrastructure constraints; insurance and other operating costs incurred by commercial aircraft operators; industry capacity, utilization and general market conditions; and market prices for aviation equipment.

Non-U.S. Investments. Investments outside the United States or denominated in non-U.S. currencies pose currency exchange risks (including blockage, devaluation and non-exchangeability) as well as a range of other potential risks which could include, depending on the country involved, expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding non-U.S. investments and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Transaction costs of investing outside the U.S. are generally higher than in the U.S.

There is generally less government supervision and regulation of exchanges, brokers and funds than there is in the U.S. Non-U.S. investments pose certain legal risks, including that laws and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary appreciation or interpretation, both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries and the Clients may encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Clients' performance. Greater tax risks and complexities also may be associated with these investments.

Valuation. The Registrant is responsible for valuing the assets of certain Clients. Such valuation will affect reported Client performance. Although the Registrant will be performing its valuation of the assets of Clients pursuant to certain written guidelines, which generally involve current market price information, there will be investments as to which current or reliable market price information is unavailable, in which event the Registrant has discretion in determining the appropriate means of valuation. There can be no assurance that the value assigned to an investment at a certain time will equal the value that the Client is ultimately able to realize.

B. Client Risks

Dependence Upon Professionals. The success of the Clients is significantly dependent upon the expertise of the professionals of the Registrant, and any future unavailability of their services could have an adverse impact on the Clients' performance.

Reliance on the Registrant. Certain of the Clients' investments may be structured on terms negotiated by the Registrant. If the Registrant resigns or otherwise no longer serves as the advisor of the Client, such investments may be terminated or may otherwise no longer be available to the Client, which may have an adverse impact on the Client's investment performance. Moreover, subjective decisions made by the Registrant may cause the Client to incur losses or to miss profit opportunities on which it may otherwise have capitalized.

Business and Regulatory Risks of the Clients. The Registrant is part of a larger firm with multiple business lines in multiple jurisdictions that are governed by a multitude of legal systems and regulatory regimes, some of which are new and evolving. As a result, the Clients, the Registrant and/or their respective affiliates are subject to a number of unusual risks, including changing laws and regulations, developing interpretations of such laws and regulations, judicial decisions and increased scrutiny by regulators. Some of this evolution may result in scrutiny or claims against the Clients or the Registrant directly for actions taken or not taken by the Clients or the Registrant or result in ambiguity or conflict among legal or regulatory schemes applicable to their businesses, all of which could adversely affect the investment or trading strategies pursued by the Clients or investments or the value of investments. Thus, the Clients, the Registrant and/or their respective affiliates face the continuing risk of pending and potential litigation and regulatory action. These risks are often difficult or impossible to predict, avoid or mitigate in advance. The

effect on the Clients, the Registrant or any affiliate of any such legal risk, litigation or regulatory action could be substantial and adverse.

Material Non-Public Information. By reason of their responsibilities in connection with the Clients and other investment activities, and notwithstanding procedural safeguards including, but not limited to, information barriers and restricted securities lists, personnel of the Registrant may acquire confidential or material, non-public information that would limit the ability of the Clients to buy and sell certain of its investments. The Clients' investment flexibility may be constrained due to the inability of the Registrant to use such information for investment purposes. Moreover, the Registrant may be restricted from initiating transactions in certain securities or selling certain investments, due to its acquisition of confidential or material, non-public information, at a time when the Registrant would otherwise take such action.

Difficulty of Locating Suitable Investments. There can be no assurance that there will be a sufficient number of suitable investment opportunities that the Registrant will be able to identify to enable the Clients to invest in opportunities that satisfy the Clients' investment objectives or that such investment opportunities will lead to completed investments by the Clients. The activity of identifying, completing and realizing an attractive investment opportunity is highly competitive and involves a high degree of uncertainty. The Clients will compete for the acquisition of investments with many other investors, some of which may have greater resources than the Clients. Such competitors may include other private investment funds, as well as individuals, financial institutions and other institutional investors. Further, over the past several years, an ever-increasing number of private investment funds have been formed (and many existing funds have grown in size). Additional funds with similar investment objectives may be formed in the future by other unrelated parties. In addition, the availability of investment opportunities generally will be subject to market conditions, as well as, in some cases, the prevailing regulatory or political climate. Therefore, identification of attractive investment opportunities is difficult and involves a high degree of uncertainty, and competition for such opportunities may become more intense.

Misconduct of Employees and of Third-Party Service Providers. Misconduct by employees of the Registrant or by third party service providers could cause significant losses to the Clients. Employee misconduct may include binding the Clients to transactions that exceed authorized limits or present unacceptable risks and unauthorized trading activities or concealing unsuccessful trading activities (which, in either case, may result in unknown and unmanaged risks or losses). Losses could also result from actions by third party service providers, including failing to recognize trades and misappropriating assets. In addition, employees and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Clients' business prospects or future marketing activities. No assurances can be given that the due diligence performed by the Registrant will identify or prevent any such misconduct.

Adverse Affects of Negative Publicity. Public scrutiny with respect to the asset management industry, including matters relating to compensation, private investment fund business practices and other matters, has increased dramatically in the past several years. The financial crisis and the current political and public sentiment regarding the asset management industry has resulted in a significant amount of adverse press coverage, as well as adverse statements or charges by

regulators or elected officials. Press coverage and other public statements that assert some form of wrongdoing, regardless of the factual basis for the assertions being made, often results in some type of investigation by regulators, legislators and law enforcement officials or in lawsuits. If the Registrant were to be subject to such press coverage or other statements, responding to resulting investigations and, possibly, lawsuits, regardless of the ultimate outcome of the proceeding, would be time consuming and expensive and could divert the time and effort of the Registrant's investment professionals. Adverse publicity could also have a negative impact on the Registrant's reputation and on the morale and performance of the Registrant's investment professionals, which could in turn adversely affect the performance of the Clients' investments.

Disciplinary Information

OHA and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a Client's or a prospective client's evaluation of OHA or its personnel.

Other Financial Industry Activities and Affiliations

From time to time, certain of the Registrant's employees may serve on various creditor committees or as directors of privately held or publicly traded companies in which Clients invest. At the current time, Glenn R. August serves on the Boards of Directors of iStar Financial Inc. and Cooper-Standard Holdings Inc., Steven Wayne serves on the Boards of Directors of The Traxis Group, B.V. and Highway Technologies Inc. and Jeffrey E. Kirt serves on the Boards of Directors of Avolon Aerospace Limited and North American Financial Holdings, Inc. The Registrant's Clients should be aware of the fact that receipt of material non-public information could preclude the Registrant from effecting discretionary transactions on behalf of Clients in certain securities of these issuers.

OHA investment advisor affiliates include Oak Hill Special Opportunities Management, LLC ("OHSOM"). OHSOM is a joint venture management company formed in 2002 by OHA and Oak Hill Capital Management, Inc., an unaffiliated investment advisor, to provide investment advisory services for investments in financially distressed companies to several private investment funds.

For purposes of the Advisers Act, OHA exercises supervision and control over, and takes responsibility for the investment advice given by, its affiliates, and OHA considers all such affiliates' clients to be advisory clients of OHA.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Registrant or an affiliate acts as general partner and/ or investment advisor to several private investment funds, collateralized debt and loan obligations and separately managed accounts and may, not inconsistent with legal and fiduciary obligations, sponsor additional partnerships in the

future to pursue particular investment opportunities. Although neither Registrant nor its affiliates are engaged by a Client to advise them as to the appropriateness of investing in such future partnerships, because of the Registrant's or its affiliates' relationship to those partnerships, should a Client invest, the Registrant could be considered, indirectly, to have recommended that investment to such Client.

Certain of the related persons of the Registrant may have personal investments in limited partnerships or limited liability companies including other partnerships with the Oak Hill name. From time to time, the Registrant may recommend or cause a Client to invest in an issuer that is related to such entities or a security made available by such entities. On occasion, the Registrant may be offered the opportunity to make such investments for Clients at a discount. In addition, from time to time, the Registrant may recommend or cause a Client to invest in securities or obligations issued by a private investment fund sponsored by an affiliate of OHA or issued by another Client. The investing Client may, directly or indirectly, pay OHA additional fees in connection with the investment.

The Registrant, or a person associated with the Registrant, may purchase a security of the same class of securities or a security issued by the same issuer as that held in a Client account or recommended by the Registrant. Such purchases may be made through a co-investment vehicle. In such instances, investment related fees and expenses will be allocated between Client accounts and the co-investment vehicle pursuant to the OHA Expense Allocation Policy. Any transaction or management fee or carried interest earned by the Registrant may be allocated pro-rata based on capital invested or capital committed, as agreed to by Clients. In addition, because several of the Registrant's Clients are private investment funds, collateralized debt and loan obligations and separately managed accounts of which the Registrant or an affiliate of the Registrant serves as the general partner and/ or investment advisor, the Registrant may be considered to participate in transactions effected for those Clients.

The principals of the Registrant may from time to time make passive investments in various unaffiliated private investment funds whose managers or such manager's affiliates may or may not be investors in a Client. Although not expected to be the case, these investment funds could make investments (directly or through underlying funds) that are within the investment mandate of the Clients.

The Registrant has adopted a Securities Compliance Policy that includes a formal code of ethics and insider trading policies and procedures. Among other things, the policy requires that employees act with integrity, place the interests of Clients above their own, avoid actual and potential conflicts of interest and comply with applicable provisions of the federal securities laws. The policy also requires employees to pre-clear certain personal securities transactions, report certain personal securities transactions on at least a quarterly basis and provide the Registrant with a detailed summary of certain holdings annually.

A copy of Registrant's Securities Compliance Policy shall be provided to any Client or prospective client or investor upon request.

Brokerage Practices

A. Best Execution

The Registrant's selection of a broker-dealer to execute Client transactions is based primarily upon the broker's ability to deliver best execution for its Clients. Factors that the Registrant may use in making this determination include the price per unit of the security, the broker's execution capabilities, commission rates, the value of advice and research reports, the broker's ability to deliver prompt, accurate confirmations and on-time delivery of securities, the broker's ability to maintain confidentiality of the Registrant's trading intentions, and any other relevant factors that impact the price or execution of a trade. The commissions or transaction costs (including spreads) charged by any broker may be greater than the amount another firm might charge if the Registrant determines in good faith that the amount of such commission is reasonable in relation to the value of the brokerage services and research information provided by the broker.

B. Soft Dollars

The Registrant does not pay brokers separately for advice and research reports, but receives such advice and reports from brokers who may execute portfolio transactions. This research is used to service all of the Registrant's accounts. If a particular broker's research was significant in the decision to purchase a security, transactions may be directed to that broker, assuming the broker meets the aforementioned criteria. The Registrant does not formally commit to invest any particular level of commissions to brokers who provide research services. Research or brokerage services by brokers through which portfolio transactions for the Registrant are executed may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, online quotations, news and research services, access to an electronic communication network for order entry and account information, participation in broker-dealer sponsored research and capital introduction conferences and other services providing lawful and appropriate assistance to the general partner or investment advisor in the performance of their investment decision-making responsibilities on behalf of Clients. Receipt of such research or other products or services may create an incentive for the Registrant to select or direct more business to particular brokers. The Registrant understands that the benefits received through its relationship with broker-dealers generally do not depend upon the amount of transactions directed to, or the amount of assets custodied by, the broker-dealers.

C. Cross Trades

The Registrant may also arrange for a transaction between certain Clients, in which one Client buys a security from, or sells a security to, the account of another Client ("cross transaction"). The Registrant may pay an unaffiliated broker to cross transactions. The Registrant receives no compensation (other than its advisory fee), directly or indirectly, for effecting a particular agency cross transaction.

The Registrant engages in cross transactions only after determining the transaction is in the best interest of each participating Client and that the securities are suitable and appropriate for each Client. The Registrant will generally not execute cross trades through a broker-dealer; however, in

the instances when a broker-dealer is used, Clients will typically pay a reduced commission (i.e., agency commission or a mark-up or mark-down on the price of the security). The Registrant consistently ensures that the compensation paid to the broker-dealer to execute these types of transactions is reasonable and commensurate with the level of services being provided.

D. Bunched Orders and Trade Allocation

Orders for the same security or obligation entered on behalf of more than one Client will generally be aggregated subject to the aggregation being in the best interests of all participating Clients. All Clients participating in each aggregated order shall receive the average price and, subject to minimum ticket charges (if any), pay a pro-rata portion of commissions and/or execution costs.

The Registrant considers a number of factors when allocating trades among Client accounts. The underlying rationale for allocating purchases among Clients is based on both (i) the available capital and (ii) maximum position size or total equity at the time of purchase in accordance with the investment parameters of the accounts. Secondary purchases may be allocated based on the relative existing positions in the accounts. Other factors may be considered by the Registrant including, but not limited to, account size and diversification. The Registrant may adjust trade allocations in cases where it is limited in its ability to allocate across all Client accounts. For trades less than or equal to \$10 million market value, the Registrant may allocate to one or more Clients or adjust allocations to reflect ongoing transaction costs and liquidity (i.e., the Registrant will take into account assignment costs that materially affect the cost to transact).

E. Standard of Care and Trade Errors

The Registrant and any officer, director, principal, shareholder, partner, employee, agent, member or representative of the Registrant or any affiliate (each, a “Registrant Person”) shall not be liable in damages or otherwise to a Client or to any investor in a Client fund for any act or omission by it in connection with the Client’s activities, except for any liability that results from a Registrant Person’s gross negligence or willful misconduct, unless otherwise agreed to in the relevant Client constituent documents. This standard of care will result in the Client bearing the costs of any trade errors committed by the Registrant and its partners and employees, so long as the errors do not evidence gross negligence or willful misconduct. Examples of common trade errors committed by investment advisors include executing a purchase instead of a sale (or vice versa), marking a short sale as a long sale, purchasing or selling a security in the incorrect amount, or purchasing or selling the wrong security. Although a broker-dealer may choose to assume responsibility for a trade error loss caused by the Registrant, the Registrant may not obtain the broker-dealer’s agreement to do so in exchange for the Registrant’s promise to direct future commissions to the broker-dealer.

F. Brokerage or Client Referrals

The Registrant may effect transactions or otherwise utilize broker-dealers that have, or whose affiliates have, referred or recommended investors to it and broker-dealers or registered representatives of broker-dealers that personally or through related persons or family members have investments in funds managed by the Registrant. These practices may create an incentive for

the Registrant to direct more business to these broker-dealers in order to generate future referrals or additional affiliated investments.

Review of Accounts

Each of the Client accounts is reviewed by Glenn R. August (President of the Registrant), William H. Bohnsack, Jr. (Chief Operating Officer), Scott D. Krase (Co-Portfolio Manager), Robert Okun (Co-Portfolio Manager) or Alan M. Schrager (Co-Portfolio Manager) and appropriate investment, operations, legal and compliance and accounting personnel on a regular basis. Matters reviewed include the specific investments held by the Registrant, the percentage of assets in various types of asset classes, the financial and regulatory reporting relating to securities positions, the relative and absolute performance of each account and liquidity, leverage and counterparty exposure of each account.

With respect to the private investment funds and collateralized debt and loan obligations for which the Registrant serves as general partner and/or investment advisor, the Registrant may provide regular reports their respective investors as specified in the applicable investment advisory agreement or other constituent documents.

For pooled investment vehicles (other than as described below), the Registrant or Administrator delivers to each investor audited financial statements of the fund within 90 or 120 days of the conclusion of the fund's fiscal year, as well as an audited balance sheet of the investment fund, a statement of net income or net loss for such fiscal year, a statement of cash flows, a statement of such investor's capital account and the amount of such investor's share in the investment fund's taxable income or loss for each such year. In addition, for some funds, within 10 to 20 days of the end of each month, each investor receives an unaudited statement of such investor's investment in the fund and changes thereto for the month. Also, for some funds, within 45 to 60 days of the end of each of the first three quarters of each fiscal year, each investor receives an unaudited statement of such investor's investment in the fund and changes thereto for the quarter. "Market value" collateralized debt obligations investors also receive a balance sheet of the investment fund, a statement of net income or net loss for such period, a statement of cash flows and a report on the investment results of the investment fund within 60 days of the conclusion of each of the fund's first three quarters in each fiscal year.

For "cash flow" collateralized debt and loan obligations, in most cases as required by the fund's constituent documents, the Registrant delivers to each investor a quarterly report describing significant events and providing performance results. Further, the Trustee delivers monthly reports to each investor detailing compliance with covenants specified by the fund's indenture and related documents. Further, the Issuer delivers to each investor information whereby each investor may determine their respective share of the investment fund's taxable income or loss for each fiscal year.

With respect to each separately managed account for which the Registrant serves as the investment advisor, the Registrant delivers to each Client quarterly and annual performance reports, including information relating to the trading activity in the account during such period and

the holdings of the account at the applicable reporting date.

In addition to the foregoing reports and statements, the Registrant may also provide individual investors or third parties representing investors with more frequent disclosure or provide additional information not contained in the above mentioned reports and statements.

Client Referrals and Other Compensation

The Registrant has agreed to compensate certain financial institutions and other placement agents and solicitors for helping OHA acquire new assets under management. In addition, from time to time, the Registrant may pay bonuses to certain employees by taking into account, as a factor or determining factor, the acquisition of new assets under management.

Certain unaffiliated service providers that are selected by the Registrant may receive compensation from Client accounts for the provision of various services. These service providers, or their affiliates, may also refer Clients to OHA, or refer investors to pooled investment vehicles managed by OHA. The Registrant does not consider such referrals when deciding whether to retain any service provider on behalf of a Client and the Registrant does not compensate such unaffiliated service providers separately for any referrals.

Custody

All client assets are held in custody by unaffiliated broker/dealers or banks; however OHA may have access to client accounts since it or an affiliate serves as the General Partner of the private investment funds or because a separate account client has authorized such access. Limited partners of the private investment funds will not receive statements from the custodian. Instead the private investment funds are subject to an annual audit and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the partnership's fiscal year end. For separate account clients for which the Registrant has authority to access funds, including the right to deduct management and incentive fees, a surprise examination will occur each year. Clients that receive account statements directly from a qualified custodian should carefully review these account statements.

Investment Discretion

OHA generally has discretionary authority to determine, without obtaining specific consent from Clients, the securities and amount to be bought or sold. Any limitations on authority are included in the Client's governing documents, including limited partnership agreements and investment management agreements, as applicable.

The Registrant and the General Partner of, and investors in, certain pooled investment vehicles managed by the Registrant are authorized, without the approval of any investor, to enter into side letters or similar written agreements with investors that have the effect of establishing rights under, or altering or supplementing the terms of, the applicable constituent document such as the

private placement memorandum, the Partnership Agreement or the Investment Advisory Agreement. Rights that may be established and terms that may be altered or supplemented include, without limitation, rights and terms relating to greater portfolio transparency, fee waivers or reductions, minimum investment amounts, reports and other information and other more favorable investment terms such as withdrawal rights. To the extent that compliance with any of the provisions of any side letters or similar written agreements would cause a Client, its General Partner or the Registrant or their respective affiliates to violate their respective fiduciary duties or obligations or to violate any applicable laws, any non-compliance with any such provision will not be deemed to be a breach of such written agreements.

Voting Client Securities

The Registrant has implemented written policies and procedures governing voting Client proxies. When agreed upon with a respective Client, the Registrant will be responsible for voting Client proxies. Per the policy, the Registrant is to vote Client proxies in the interest of maximizing shareholder value, or in certain cases, pursuant to written proxy voting guidelines of the Client. The Chief Compliance Officer or Compliance Officer discusses each proxy with the appropriate OHA Investment Professional assigned to such proxy, as well as OHA's Managing Partners, to determine whether such individuals are aware of any potential conflicts of interest related to the specific proxy they are voting. The Chief Compliance Officer or Compliance Officer then informs the Operations Manager as to the result of his or her conflicts of interest inquiry. All conflicts of interest will be resolved in the Client's interest. Resolution shall be reached after such conflict is presented by the Chief Compliance Officer or Compliance Officer to a committee consisting of at least two senior partners. The Registrant maintains a record of all proxy votes cast on behalf of Clients. Clients may contact the Registrant for a copy of the policy or information with respect to a specific proxy vote.

Financial Information

OHA has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.