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This brochure provides information about the qualifications and business practices of Oppenheimer Alternative Investment Management, LLC. If you have any questions about the contents of this brochure, please contact Cheryl Cowan, Client Services Supervisor at 212-885-4783 or [cheryl.cowan@opco.com](mailto:cheryl.cowan@opco.com) or John Karsen at 212-885-4794 or [john.karsen@opco.com](mailto:john.karsen@opco.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Oppenheimer Alternative Investment Management, LLC also is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC as an investment adviser does not imply a certain level of skill or training.

## ITEM 2 MATERIAL CHANGES

Oppenheimer Alternative Investment Management, LLC (“OAIM”) filed its most recent annual update to its Form ADV Part 2A on March 29, 2012. Set forth below is a material change to the Part 2A.

In 2012, OAIM liquidated the Oppenheimer Global Resources Hedge Fund, L.P.

On March 11, 2013, OAIM and its affiliate, Oppenheimer Asset Management Inc. (“OAM”), without admitting or denying the findings, consented to the issuance of an administrative order (the “Order”) with the Securities and Exchange Commission (“SEC”). Also on March 11, 2013, OAM entered into an Assurance of Discontinuance (“AOD”) with the Attorney General of the Commonwealth of Massachusetts (“MA AG”) based on the same conduct that was the subject of the Order. The Order and the AOD concerned misrepresentations and omissions to investors and prospective investors about the asset value of a fund of private equity funds. The Order and the AOD found that while the written policies and procedures of OAM and OAIM required the compliance department to review and approve marketing materials, those procedures did not require a review of portfolio manager valuations and accordingly were not reasonably designed to ensure that valuations were determined in a manner consistent with written representations to investors. The SEC found that OAM and OAIM willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 (the “Securities Act”) and Section 206(4)-7 and Section 206(4)-8 of the Investment Advisers Act of 1940 (the “Advisers Act”) and Rules 206(4)-7 and 206(4)-8 thereunder. The MA AG found that OAM and OAIM violated M.G.L.C. 93A. The Order and the AOD provide that OAM and OAIM will pay a total of \$2,269,098 in disgorgement to investors who invested in the fund between October 2009 through June 2010, to pay a civil penalty of \$617,579 to the SEC, to pay a penalty of \$132,421 to the Commonwealth of Massachusetts, that OAM and OAIM will retain an independent consultant to conduct a review of their valuation policies and procedures and to cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act and Section 206(4) of the Advisers Act and Rules 206(4)-7 and 206(4)-8 thereunder. The Order provides that OAM and OAIM are censured.

The material change made to this Brochure since the last update on April 25, 2013 is to reflect a change in the one of the executive officers of OAM.

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## ITEM 4 ADVISORY BUSINESS

### A. General Description of Advisory Firm

Oppenheimer Alternative Investment Management, LLC (“OAIM”) was formed April 6, 2006. OAIM is a series limited liability company. It provides general advisory and management services to businesses and institutional clients other than investment companies, and provides portfolio management for pooled investment vehicles.

A separate series of OAIM is the general partner (the “General Partner”) of each of the funds listed below (the “Funds”), and provides investment advisory services to the Funds with the assistance of employees of Oppenheimer Asset Management Inc. (the “Sponsor” or “OAM”).

OAM is an SEC registered investment adviser. OAIM is an affiliate of OAM, wholly owned by Oppenheimer Holdings, Inc. (“OPY”), a publicly traded company listed on the New York Stock Exchange (“NYSE”). Albert G. Lowenthal Chairman of the Board and Chief Executive Officer of OPY, controls more than 50% of the voting securities of OPY.

OAIM has retained Oppenheimer & Co. Inc. (“Oppenheimer”), an affiliate of OAIM, to act as administrator to the Funds. The PE Funds (defined below) pay their management fees to Oppenheimer and not to OAIM. CSO (defined below) pays its management fee to OAIM.

Effective January 1, 2012, OAIM entered into a sub-advisory agreement with ROC Resources, LLC (“ROC”) an SEC-registered investment adviser, pursuant to which OAIM engaged ROC to provide sub-advisory services to the PE Funds. ROC was formed and is owned and controlled by Brian Williamson. Prior to forming ROC, Mr. Williamson was an employee of OAM and served as the portfolio manager for the PE Funds. OAIM pays a portion of the management fees earned from the PE Funds to ROC for its services.

### B. Description of Advisory Services

OAIM provides advisory services to the following Funds:

Hedge Funds:

- 1) Oppenheimer Capital Structure Opportunities Fund, LP (“CSO”): An opportunistic event-driven hedge fund that targets attractive risk-adjusted returns by identifying mispriced capital structure relationships. The minimum subscription amount in CSO is \$500,000. OAIM has appointed Penn Capital Management Company, Inc. (“Penn”), a registered investment adviser, to serve as sub-advisor and implement its entire CSO investment strategy.

Private Equity Funds (the “PE Funds”):

- 1) Oppenheimer Private Equity Fund I, LP (“OPEI”): a fund-of-private equity funds which is invested indirectly, through underlying private equity funds (its “Underlying Funds”), in a broad range of private equity investments in various companies. OPEI is no longer accepting new investor commitments or making new investments.

- 2) Oppenheimer Private Equity Offshore Fund I, LP (“OPEI Offshore”): an exempted limited partnership formed under the laws of the Cayman Islands. OPEI Offshore is invested only in OPEI and is a limited partner in OPEI. OPEI Offshore is no longer accepting new investor commitments.
- 3) Oppenheimer Private Equity Co-Invest Fund I, LP (“OPECO”): a private equity fund which invests primarily in portfolio companies of other private equity funds. OPECO is no longer accepting new investor commitments or making new investments.
- 4) Oppenheimer Private Equity Co-Invest Offshore Fund I, LP (“OPECO Offshore”): an exempted limited partnership formed under the laws of the Cayman Islands. OPECO Offshore is invested only in OPECO and is a limited partner in OPECO. OPECO Offshore is no longer accepting new investor commitments.
- 5) Oppenheimer Global Resource Private Equity Fund, L.P. (“OGR PE”): a private equity fund which invests both indirectly (through underlying private equity funds (its “Underlying Funds”)) and directly in securities issued by companies that focus on Natural Resource and Related Assets. OGR PE is no longer accepting new investor commitments and or making new investments.
- 6) Oppenheimer Global Resource Private Equity Offshore Fund I, L.P. (“OGR PE Offshore”): an exempted limited partnership formed and registered under the laws of the Cayman Islands. OGR PE Offshore is invested only in OGR PE and is a limited partner in OGR PE. OGR PE Offshore is no longer accepting new investor commitments.
- 7) Oppenheimer Drilling Partners, L.P. (“ODP”): a private equity fund which invests in oil and gas assets and companies. ODP is not accepting new investor commitments at this time and is making new investments.

A separate series of OAIM is the managing member or general partner of each of CSO and each of the PE Funds. There are a number of additional entities that have been formed in connection with the investments made by OPECO, OGR PE and ODP.

- 1) Entities relating to an investment in certain oil and gas assets located in the Bakken basin in North Dakota and surrounding regions (the “Bakken Assets”):
  - OGR Bakken Resources, LLC: a Delaware limited liability company through which OPECO and OGR PE invested, indirectly through OGR Bakken Resources, LLC, in the Bakken Assets. A separate series of OAIM is the managing member of OGR Bakken Resources, LLC.
  - OGR Petroleum Partners I, LLC: a Delaware limited liability company owned by OPECO and OGR PE which owns all of OGR Bakken Resources, LLC. A separate series of OAIM is the managing member of OGR Petroleum Partners I, LLC.
  - OPECO Petroleum AIV I, L.P.: a Delaware limited partnership which is a limited partner in OPECO. It is an alternative investment vehicle for

OPECO Offshore investors which was formed in connection with the investment in the Bakken Assets. A separate series of OAIM is the general partner of OPECO Petroleum AIV I, L.P.

- OGR Petroleum AIV I, L.P.: a Delaware limited partnership which is a limited partner in OGR PE. It is an alternative investment vehicle for OGR PE Offshore investors which was formed in connection with the investment in the Bakken Assets. A separate series of OAIM is the general partner of OGR Petroleum AIV I, L.P.
- 2) Entities relating to an investment in certain California mining assets (the “Shasta Assets”):
- OPECI Mining Partners I, LLC: a Delaware limited liability company through which OPECO investors hold, indirectly through OPECI AIV I, L.P., their investment in the Shasta Assets. A separate series of OAIM is the managing member of OGR Bakken Resources, LLC.
  - OPECI AIV I, L.P.: a Delaware limited partnership which is a limited partner in OPECO. It is an alternative investment vehicle for OPECO and OPECO Offshore investors which was formed in connection with the investment in the Shasta Assets. A separate series of OAIM is the general partner of OPECI AIV I, L.P.
- 3) Entities relating to OGR PE’s investment in an Underlying Fund invested in certain energy related assets (the “EIF Fund”):
- OGR EIF AIV I, L.P.: a Delaware limited partnership which is a limited partner of the EIF Fund. It is an alternative investment vehicle for certain investors in OGR PE who elected to hold their investment the Fund through this entity. A separate series of OAIM is the general partner of OGR EIF AIV I, L.P.
  - OGR Offshore EIF AIV I, L.P.: a Delaware limited partnership which is a limited partner in OGR PE. It is an alternative investment vehicle for OGR PE Offshore investors which was formed in connection with the investment in the EIF Fund. A separate series of OAIM is the general partner of OGR EIF AIV I, L.P.
- 4) Entity related to OGR PE’s investment in an Underlying Fund invested in certain energy related assets (the “Atlas Fund”):
- OGR Atlas AIV I, L.P.: a Delaware limited partnership which is a limited partner in OGR PE. It is an alternative investment vehicle for OGR PE Offshore investors which was formed in connection with the investment in the Atlas Fund. A separate series of OAIM is the general partner of OGR Atlas AIV I, L.P.
- 5) Entities relating to OGR PE’s investment in an Underlying Fund invested in certain oil and gas wells in the United States (the “SFC Fund”):

- OGR SFC AIV I, L.P.: a Delaware limited partnership which is a limited partner of the SFC Fund. It is an alternative investment vehicle for certain investors in OGR PE who elected to hold their investment. A separate series of OAIM is the managing member of OGR SFC AIV I, L.P.
  - OGR Offshore SFC AIV I, L.P.: a Delaware limited partnership which is a limited partner in OGR PE. It is an alternative investment vehicle for OGR PE Offshore investors which was formed in connection with the investment in the SFC Fund. A separate series of OAIM is the general partner of OGR Offshore SFC AIV I, L.P.
- 6) Entities relating to OPECO's and ODP's investments in certain oil and gas assets in Kansas (the "KODP Assets"):
- Kansas ODP, L.P., a Delaware series limited partnership, of which Series A interests are owned by OPECO and Series B interests are owned by OPECO and by ODP AIV I, L.P. A separate series of OAIM is the managing member of Kansas ODP, L.P.
  - ODP AIV I, L.P., a Delaware limited partnership which owns Series B interests in Kansas ODP, L.P. ODP AIV I, L.P. is an alternative investment vehicle for ODP investors which was formed in connection with an investment in the Kansas Assets. A separate series of OAIM is the managing member of ODP AIV I, L.P.
  - OPECO KODP I, L.P., a Delaware limited partnership which is a limited partner in OGR PE. It is an alternative investment vehicle for OPECO Offshore investors which was formed in connection with an investment by ODP in certain KODP assets. A separate series of OAIM is the managing member of OPECO KODP I, L.P.
- 7) Entities relating to ODP's joint venture exploration and development activity with a publicly owned oil and gas company (the "Triangle Assets"):
- ODP AIV II, L.P., a Delaware limited partnership which is an alternative investment vehicle for ODP and which entered into the joint venture which has acquired and is developing certain Triangle Assets. A separate series of OAIM is the managing member of ODP AIV II, L.P.
- 8) Entities relating to ODP's investment in certain oil and gas assets in Kansas and Missouri (the "MoKan Assets"):
- ODP AIV III, L.P. a Delaware limited partnership is an alternative investment vehicle for ODP and which owns the MoKan Assets. A separate series of OAIM is the managing member of ODP AIV III, L.P.

OAIM may enter into separate accounts with institutional and high net worth individuals on terms that are negotiated separately.

OAIM engages sub-advisors in connection with its advisory business. OAIM has engaged Penn Capital Management, Inc. (“Penn”) as a discretionary sub-advisor for CSO, ROC as a non-discretionary sub-advisor to OPEI, OPECO, OGR (and their related offshore entities and alternative investment vehicles) and ROC as a discretionary sub-advisor for ODP (and its alternative investment vehicles).

OAIM does not offer customized services for the Funds. Investors purchase limited partnership interests in the Funds and investments are made at the Fund level, not for individual investors in the Funds.

### **Assets under Management**

As of December 31, 2012, OAIM managed \$1,718,573,639 of client assets on a discretionary basis. This figure includes committed capital. OAIM did not manage any client assets on a non-discretionary basis.

## **ITEM 5 FEES AND COMPENSATION**

### **A. Advisory Fees and Compensation**

OAIM is compensated for the investment advisory services it provides to the Funds by a management fee which is calculated as a fixed percentage of either investor commitments or invested capital of the Fund, as well as by performance-based carried interest or allocation. OAIM may waive or reduce the fees charged in its sole discretion.

The Funds maintain a capital account for each investor. The capital account is credited with the investor’s capital contributions to the Fund when made, the investor’s share of the Fund’s net profit, and any other credits called for under the Fund Partnership Agreement. This account is charged with the amount of any distributions to the investor, the investor’s share of the management fee, its share of the Fund’s net losses of the Fund, and any other charges called for under the Fund Partnership Agreement.

### **B. Payment of Fees**

<u>CSO</u>		
<u>Fees</u>	<u>When Paid</u>	<u>Amount</u>
Management Fee	Beginning of each calendar month	0.125% monthly (1.5% annually) of the net asset value of the Fund
Performance Allocation (a portion allocated to OAIM is ultimately allocated to Penn)	At end of each fiscal year (subject to high water mark)	20% (annually) of the net new appreciation, if, any achieved by each investor’s capital account during that calendar year

<u>OPEI</u>		
<u>Fees</u>	<u>When Paid</u>	<u>Amount</u>
Management Fee (paid to Oppenheimer). A portion is paid to ROC as a sub-advisory fee.	Quarterly in advance (paid to Oppenheimer as Oppenheimer has been retained by OAIM to act as	From June 28, 2006 through June 27, 2009: 1% (annually) of the aggregate investor commitments



	administrator)	Thereafter: 1% (annually) of capital invested in portfolio investments
Carried Interest (a portion allocated to OAIM is ultimately allocated to a ROC affiliate (the “ROC Affiliate”))	Depends on the amount of cash available for distribution. Timing of distributions is within OAIM’s discretion.	10% of net cumulative profits distributable after the investors have received a preferred return of 9% on unreturned capital contributions and a return of their capital contributions

#### OPECO

<u>Fees</u>	<u>When Paid</u>	<u>Amount</u>
Management Fee (paid to Oppenheimer). A portion is paid to ROC as a sub-advisory fee.	Quarterly in advance (paid to Oppenheimer as Oppenheimer has been retained by OAIM to act as administrator)	From August 22, 2007 through February 23, 2013: 2% (annually) of the aggregate investor commitments Thereafter: 2% (annually) of capital invested in portfolio investments
Carried Interest (a portion allocated to OAIM is ultimately allocated to the ROC Affiliate)	Depends on the amount of cash available for distribution. Timing of distributions is within OAIM’s discretion.	20% of net cumulative profits distributable after the investors have received a preferred return of 9% on unreturned capital contributions and a return of their capital contributions

#### OGR PE

<u>Fees</u>	<u>When Paid</u>	<u>Amount</u>
Management Fee (paid to Oppenheimer). A portion is paid to ROC as a sub-advisory fee.	Quarterly in advance (paid to Oppenheimer as Oppenheimer has been retained by OAIM to act as administrator).	From April 3, 2008 through the June 30, 2011: Class A Shares: 1% (annually) of Class A investor commitments; Class B Shares 0.75% (annually) of Class B investor commitments.  Thereafter: Class A Shares 1% (annually) of capital invested in portfolio investments; Class B Shares 0.75% (annually) of Class B investor commitments.
Carried Interest (a portion allocated to OAIM is ultimately allocated to the ROC Affiliate)	Depends on the amount of cash available for distribution. Timing of distributions is within OAIM’s discretion.	10% (for Class A Shares) or 5% (for Class B Shares) of net cumulative profits distributable after the investors have received a preferred return of 8% on unreturned

		capital contributions and a return of their capital contributions
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<u>ODP</u>		
<u>Fees</u>	<u>When Paid</u>	<u>Amount</u>
Management Fee (paid to Oppenheimer). A portion is paid to ROC as a sub-advisory fee.	Quarterly in advance	2.00% of Aggregate Commitments until the expiration of the Investment Period (five years after the final closing). After the expiration of the Investment Period, the Management Fee will be 2.00% of Invested Capital.
Royalty Interest (paid in part to OAM and in part to the ROC Affiliate)	As production occurs from underlying oil and gas assets	2.00% net overriding royalty interest of the aggregate production from oil and gas production assets in ODP's portfolio.
Carried Interest (paid in part to OAM and in part to the ROC Affiliate)	Depends on the amount of cash available for distribution. Timing of distribution is within OAIM's discretion.	20% of net cumulative profits after return of capital used for investments or organizational expenses, plus a preferred return of 7% thereon.

### C. Additional Fees and Expenses

Generally, the Funds bear all of their expenses (including but not limited to organizational, offering, operational and third party administration expenses) other than management expenses such as salaries, benefits, and cost of office space and facilities.

## ITEM 6 PERFORMANCE – BASED FEES AND SIDE BY SIDE MANAGEMENT

Performance fees are earned in each Fund based on profits. The existence and sharing of performance-based fees described in the fee schedules above may create an incentive for the Funds' managers to recommend or approve more speculative investments on behalf of the Funds than would be the case in the absence of this arrangement. In addition, the performance-based fee, if made, could result in allocations to OAIM, the ROC Affiliate, or Penn, as applicable, which are greater than fees normally paid to other investment managers for similar services.

OAIM expects that, from time to time, the Funds and other accounts that OAIM may advise may participate in an investment opportunity at the same time. To the extent an investment opportunity is suitable for more than one Fund or account, the investment opportunity must be allocated among the participating Funds and other investors seeking to partake in the opportunity. OAIM's internal policies require that any such allocation of investment opportunities be fair and equitable and that no participating Fund or account receive preferential treatment over any other.

When presented with an investment opportunity, OAIM will, together with its sub-advisors, assess the suitability of the investment for each Fund or account. This assessment takes into account, among other things, the Funds' or account's investment objectives and strategies, risk profile, tax status, diversification requirements, liquidity needs and available assets for investment. OAIM also assesses current market conditions and any other information relevant to the fair allocation of securities among the multiple potential investors.

When an investment opportunity is suitable for more than one Fund and/or account, the investment opportunity will be allocated *pro rata* among such investment vehicles according to the respective amounts of capital that each such vehicle then has available to make such investment.

## ITEM 7 TYPES OF CLIENTS

OAIM advises pooled investment vehicles.

The minimum subscription in the Funds, unless waived, reduced or increased by the OAIM in its sole and absolute discretion, is as follows:

- CSO: \$500,000
- OPEI and OPEI Offshore: \$500,000
- OPECO and OPECO Offshore: \$1,000,000
- OGR PE and OGR PE Offshore:
  - Class A Shares: \$500,000
  - Class B Shares: \$5,000,000
- ODP: \$500,000

## ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. Methods of Analysis and Investment Strategies

#### **CSO Investment Strategy**

CSO operates as a feeder fund within a "Master Fund/Feeder Fund" structure whereby substantially all of CSO's assets are invested in Oppenheimer Capital Structure Opportunities Master Fund Ltd. (the "Master Fund"). OAIM, which serves as both the general partner and investment manager to the Fund, has, pursuant to a Sub-advisor agreement, appointed Penn to serve as sub-advisor to the Master Fund and implement its entire investment strategy. The Fund and the Master Fund rely on the ability of Penn to analyze the complete capital structure of companies to identify investment opportunities.

Penn seeks investment opportunities across the entire capital structure of issuers. Penn may also initiate short positions in a company's securities and employ capital structure arbitrage, or hedging techniques. From time to time, Penn may invest the Master Fund's assets in relatively high proportions in a single industry, issuer, or class of security to take advantage of perceived opportunities for superior returns. The Master Fund may purchase securities on margin when Penn determines that an interest rate arbitrage opportunity exists. However, it is not anticipated that the Master Fund will in the aggregate borrow at any one time amounts in excess of 50% of the aggregate fair market value of the Master Fund's assets although such limitation may be exceeded from time to time.

Penn invests primarily in publicly traded securities, and, to a lesser extent, privately placed restricted securities and other financial instruments for which there is a more limited trading market. Penn seeks to identify value in all types of securities, including fixed income and equity securities (further identified and described in “CSO Material Risks Involving Specific Investments Recommended” section on page 23 below.

The portfolio construction process has both qualitative and quantitative biases.

<b>QUALITATIVE BIASES</b>	<b>QUANTITATIVE BIASES</b>
Companies with histories of predictable and stable operating cash flows and/or asset coverage	Securities with high yields relative to index or historical spreads
Strong future fundamentals	Securities with enterprise value well in excess of debt
Strong asset and/or franchise value	
Companies that exhibit large barriers to entry within their industry	

#### **OPEI and OPEI Offshore Investment Strategy**

OPEI is not seeking any new investor commitments and is currently fully invested in, or committed to, its portfolio. OPEI invested in a portfolio of private equity funds including those engaged in buy-out, venture capital and niche specialty investments, which in turn invest in a broad range of private equity investments in various companies. OPEI’s portfolio investments are diversified by industry, geography, stage of company development and vintage year.

OPEI Offshore has committed substantially all of its funds to OPEI. OPEI Offshore therefore has an investment strategy identical to OPEI’s. It was designed to offer opportunities for certain tax exempt, foreign or other tax sensitive investors to reduce U.S. federal income taxes and/or tax reporting obligations that arise if the investor invested directly in OPEI.

#### **OPECO and OPECO Offshore Investment Strategy**

OPECO is not seeking any new investor commitments and is fully invested in or committed to its portfolio. OPECO is invested in equity and equity-like investments in various companies that are portfolio companies of the private equity funds in which OPEI is invested (each a “Lead Investor Fund”) and in direct investments that are not portfolio companies of Underlying Funds. OPECO sourced its direct investments in such companies through OAM’s network of private equity relationships. OAIM is also authorized to invest a portion of OPECO in equity securities where OPECO is the lead investor.

OAIM engaged ROC to independently review and evaluate OPECO’s investments and investment activity though action with respect to investments requires OAIM’s approval. OPECO’s portfolio investments are diversified by industry, geography and stage of company. Review and evaluation of such investment opportunities include the consideration of macro data and a geographic region’s political, currency devaluation and natural disaster risks in order to assess a region’s risk profile. In addition, market sections within geographic regions deemed investible from a macro risk standpoint are then evaluated based on size, trends, per capital investment, private equity penetration, barriers to entry and exit and potential for dramatic value shifts.

OPECO Offshore has committed substantially all of its funds to OPECO. OPECO Offshore therefore has an investment strategy identical to OPECO's. It was designed to offer opportunities for certain tax-exempt, foreign or other tax sensitive investors to reduce U.S. federal income taxes and/or tax reporting obligations that might arise if the investor invested directly in OPECO.

### **OGR PE and OGR PE Offshore Investment Strategy**

OGR PE is not seeking any new investor commitments and it fully invested in or committed to its portfolio. OGR PE is a diversified portfolio of private equity and equity-related securities targeting investments in single assets and portfolios of assets, as well as in securities of companies that own, control, operate, generate, manage, transport, develop technology for, or otherwise deal with, or support, Natural Resources and Related Assets. OGR PE is invested primarily in Underlying Funds which it believes possess distinct domain expertise and experience in a given sector, region or situation. OGR PE has made opportunistic investments in joint ventures and private companies that own, control, operate, generate, manage, transport, develop technology for, or otherwise deal with, or support, Natural Resources and Related Assets ("Direct PE Investments" and collectively with interests in Underlying Funds, the "PE Investment Assets"). Such opportunistic investments have been limited, in accordance with OGR PE's operating documents, to approximately 20% of OGR PE's total commitments. OGR PE has built a diversified portfolio aimed at reducing risk as well as maximizing potential returns. OGR PE's portfolio is diversified by resource type, geography and vintage year.

OGR PE Offshore, an exempted limited partnership formed and registered under the laws of the Cayman Islands, has an investment strategy identical to OGR PE's. OGR PE Offshore has committed substantially all of its funds to OGR PE and was designed to offer opportunities for certain tax-exempt, foreign or other tax sensitive investors to reduce U.S. federal income taxes and/or tax reporting obligations that might arise if the investor invested directly in OGR PE.

### **ODP Investment Strategy**

ODP's investment strategy is to identify experienced oil and gas operators with attractive assets that require development capital and which, because of size, stage of development or other limitations, cannot obtain adequate capital from traditional sources or can do so only at a high cost of capital. ODP seeks operators with extensive experience, a track record of creating value and the ability to source and evaluate acquisition and development opportunities that generate both attractive after-tax yield and medium to long term capital appreciation.

ODP focuses on opportunities with smaller companies, typically those with less than \$100 million in total assets. It intends to build out a portfolio that is diversified by geography, geology and operating partner and which is comprised of onshore oil and gas assets located principally within the continental United States. ODP focuses its development drilling in proven basins which have demonstrated historic cost effective production. ODP seeks to partner with operating teams with a strong, verifiable track record and whose principal objective is to create value through the acquisition and exploitation of lower risk oil and gas reserves, and the implementation of lower risk drilling opportunities. ODP's operating partners typically are expected to retain an interest in the assets in which ODP invests so as to ensure alignment of interest.

OAIM has engaged ROC as a discretionary sub-advisor for ODP. ODP's sub-adviser utilizes value-based investment analyses to evaluate properties on the basis of their potential for both yield and medium to long-term capital appreciation.

ODP expects to invest no more than 20% of its aggregate commitments in any one asset and to mitigate production price risk through hedging the production output of its assets.

**B. Material, Significant or Unusual Risks Relating to Investment Strategies**

Investing in securities and portfolio companies involves a risk of loss that investors should be prepared to bear. An investment in the Funds involves a significant degree of risk and there can be no assurance that the investment objective of the Funds is achieved. In addition to the speculative nature of such investments, the risks include limited operating history for the Funds, challenges in achieving optimum diversification, dependence on managers to enhance portfolio company values, limitations on withdrawal from the Funds, potential conflicts of interest, non-transferability of interests in the Funds and illiquidity of the Funds' investments. The Funds' risk management cannot entirely eliminate risk.

The following risk factors do not purport to be a complete list or explanation of the risks in an investment in the Funds. These risks include only those OAIM believes to be material, significant or unusual and related to particular significant investment strategies or methods of analysis employed by OAIM.

**All PE Funds:**

**Material, Significant or Unusual Risks Applicable to Investment Strategies**

**Volatility of Financial Markets Can Adversely Affect Fund Returns**

Financial markets may be subject to a high level of volatility. Return on a Fund's investments may not be commensurate with the risk of investment in the Fund. Continued volatility could disrupt the investment strategies of the Fund's Underlying Funds, decrease the value of Underlying Funds' portfolios and adversely impact their profitability. The risk management techniques utilized by the Underlying Funds may not provide any assurance that the Fund will not be exposed to a risk of significant investment losses. All such factors would have an adverse impact on the Fund's performance. Investors should not commit money to a Fund unless they have the resources to sustain the loss of their entire investment in the fund.

**Highly Competitive Market for Investments Makes Investments Difficult to Consummate**

The business of identifying, negotiating, acquiring, monitoring, managing and selling investments is highly competitive and involves a high degree of uncertainty. Underlying Funds, as well as any Fund making direct investments, can be expected to encounter competition from other persons or entities searching for suitable investment transactions, regardless of whether they have similar investment objectives or not, including other private equity firms, institutional investors, private investors and others. The Underlying Funds, or the Underlying Funds and any Fund making direct investments, may compete with each other in identifying and making investments which may result in an Underlying Fund's being unable to make a desired investment or having to pay a higher price. Thus, there is no assurance that the Underlying Funds or a direct investing Fund will be able to procure investment opportunities to invest their funds effectively and efficiently.

## **Dependence on Information Provided by Third Parties and Managers Poses Additional Risks**

OAIM and its sub-adviser use information provided by third party resources in researching investment opportunities for the Funds and their Underlying Funds and investments. OAIM and its sub-adviser may depend and rely on information provided by the managers of the Underlying Funds, or operators of directly owned assets. The accuracy, completeness and timeliness of fund performance reports, quarterly statements, financial reports and tax returns and other information that OAIM uses and provides to investors, or including information it receives from its sub-adviser, may be dependent in large part on the information provided by such sources.

Also, each of the Funds is dependent on Underlying Fund managers and portfolio companies to provide it with accurate and timely information necessary to compile tax returns. The Funds (and their Underlying Funds) may be unable to complete and distribute tax returns by the federal income tax filing deadline of any given year. Thus, investors may be required to file for an income tax filing extension.

## **The Funds May Complicate Investors' Tax Reporting Substantially**

Investments in the Funds may result in inclusions on the investor's return which may be very complicated. The Funds do not invest to achieve a certain tax outcome. Investments can give rise to phantom income. In addition, taxable and tax exempt investors may not have identical returns on the same amount of dollars invested.

### **CSO Fund:**

#### **Material, Significant or Unusual Risks Applicable to Investment Strategies**

### **Short Selling**

Selling securities short inherently involves leverage because the short sale of a security may involve the sale of a security not owned by the seller. The seller may borrow the security for delivery at the time of the short sale. If the seller borrows the security, the seller must then buy the security at a later date in order to replace the shares borrowed. If the price of the security at such later date is lower than that at the date of the short sale, the seller realizes a profit; if the price of the security has risen, however, the seller realizes a loss. Selling a borrowed security short exposes the seller to unlimited risk with respect to the security due to the lack of an upper limit on the price to which a security can rise.

### **Stock Index Options Trading**

Penn may purchase and sell call and put options on both securities and stock indices. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether a gain or loss will be realized from the purchase or writing of options on an index depends upon movements in the level of stock prices in the stock market generally. Successful use of options on stock indices will depend upon the ability to predict correctly movements in the direction of the stock market generally requires skills and techniques different from those used in predicting changes in the price of individual stocks. The effectiveness of purchasing or selling stock index options as a hedging technique will depend upon the extent to which price movements in assets that are hedged correlate with price movements of the stock index selected.

## **Leverage**

Penn may use leverage in investing the Master Fund's assets. Such leverage may be obtained through various means. The use of short-term margin borrowings may result in certain additional risks to the Master Fund. For example, should the securities pledged to a broker to secure a margin account decline in value, the broker may issue a "margin call" pursuant to which additional funds would have to be deposited with the broker or the pledged securities would be subject to mandatory liquidation to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the assets pledged to the broker as margin, the Sub-Advisor might not be able to liquidate assets quickly enough to pay off the margin debt, and the Master Fund, and accordingly CSO, may suffer additional significant losses as a result of such a default.

Borrowing money to purchase securities may provide the Master Fund with the opportunity for greater capital appreciation but at the same time will increase the risk of loss with respect to those securities. Although borrowing money increases returns if returns earned on the incremental investments purchased with the borrowed funds exceed the borrowing costs for such funds, the use of leverage decreases returns if returns earned on such incremental investments are less than the costs of such borrowings. The amount of borrowings which may be outstanding at any time may be large in relation to the Master Fund's capital. Also, the level of interest rates generally, and the rates at which the Master Fund can borrow in particular, will be an expense of the Master Fund and will therefore affect the operating results of the Fund.

### **OPEI and OPEI Offshore:** **Material, Significant or Unusual Risks Relating to Investment Strategies**

## **General Risk**

OPEI is currently fully invested in, or committed to, its portfolio. The investment strategy used to screen a prospective underlying private equity fund's investment manager included using a number of criteria, including the length and consistency of the corresponding underlying private equity fund's track record, its total assets under management, the volatility of returns of the underlying private equity fund, the size and frequency of withdrawals, the depth and experience of the investment manager's investment personnel, the stability of management team and the overall structure of its business.

Despite this screening process, as well as ongoing monitoring of both the underlying private equity funds and its investment managers, the risks exist that (a) the investment program for which the investment manager is selected is not followed, (b) the investment program will not be successful or (c) the information or assumptions used in making investment decisions, including analysis of the overall risk profile of the underlying private equity funds, may be incorrect.

## **Special Risks of Fund of Funds Structure**

Risks presented in a fund of funds structure include: (i) a lack of transparency of the Underlying Fund's day-to-day positions and portfolio construction; (ii) a lack of liquidity due to the investor's ability to redeem interests only periodically, if at all, with notice, as well as the potential that the Underlying Fund's securities positions may themselves have similar restrictions and may be invested in illiquid assets; (iii) the risk that the investment managers of the Underlying Funds could diverge from the objectives and investments strategies stated in their



private placement memoranda or otherwise engage in improper conduct; and (iv) the economic risks associated with multiple layers of expense between the Underlying Fund and OPEI.

#### No Role in Management

OPEI will not have a role in the management of either the Underlying Funds or the portfolio companies of the Underlying Funds. Further, OPEI will not have the opportunity to evaluate the specific investments made by any Underlying Fund. As a result, the rates of return of OPEI will primarily depend upon the performance of unrelated investment managers and could be adversely affected by the unfavorable performance of one or more Underlying Funds or portfolio companies. Furthermore, OPEI's investments in Underlying Funds will not be significant enough to afford OPEI blocking rights with respect to certain actions of the Underlying Funds and amendments to the Underlying Fund's operating documents.

#### Non-U.S. Investments

OPEI may invest in Underlying Funds which have portfolio companies domiciled or operating in one or more foreign countries. Investing in non-U.S. companies involves considerations and possible risks and expenses not typically involved in investing in securities of companies domiciled and operating in the United States. The application of foreign tax laws, including the imposition of withholding taxes on dividend or interest payments, or confiscatory taxation may also affect investment in foreign securities. Foreign securities markets also may be less liquid, more volatile and less subject to governmental supervision than in the United States. If the Underlying Fund's investment are denominated in a foreign currency, they will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies.

### **OPECO and OPECO Offshore:** **Material, Significant or Unusual Risks Relating to Investment Strategies**

#### **Lack of Significant Diversification**

OPECO is currently fully invested in, or committed to, its portfolio. OPECO may invest in companies that do not represent a diverse portfolio of investments either in terms of geographic region or industry. Accordingly, OPECO may be substantially adversely affected by a downturn in economic conditions affecting a specific geographic region or industry. OPECO has a limited number of investments. As a consequence, the aggregate return of OPECO may be substantially adversely affected by the unfavorable performance of even a single portfolio company.

#### **Portfolio Companies Can Involve a High Degree of Business and Financial Risk**

OPECO's portfolio companies may involve a high degree of business and financial risk. They may not have a proven operating history, may be operating at a loss or have significant variations in operating results, may be engaged in a rapidly changing business with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, or may otherwise have a weak financial condition.

OPECO may have investments in industries that are or may become subject to regulation under the laws of any one or more jurisdictions in which they operate. New and existing

regulations and the burdens of regulatory compliance may have a material adverse effect on companies that operate in these industries.

In addition, portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities, and a larger number of qualified managerial and technical personnel.

### **Portfolio Company Leverage Can Lead to Adverse Results**

OPECO's portfolio companies may be highly leveraged, which can lead to adverse consequences to the portfolio company and OPECO as an investor. The leverage may impose restrictive financial and operating covenants. The leverage may impair the company's ability to finance its future operations and capital needs. As a result, the company's flexibility to respond to changing business and economic conditions and to business opportunities may be limited. A leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

### **Additional Capital May Not Be Available for Portfolio Companies**

OPECO's portfolio companies may require additional financing to satisfy their working capital requirements or growth goals. The amount of additional financing needed will depend on the maturity and objectives of the particular company. The availability of capital is generally a function of capital market conditions that are beyond OPECO's or the portfolio company's control. There can be no assurance that the portfolio companies will be able to predict the future capital requirements necessary for success or that additional funds will be available on reasonable terms from any source.

### **Minority Positions May Potentially Have Control Liability**

While OPECO's investment in a portfolio company are generally a minority position, its investment, together with the investment of the private equity fund or other source which provided OPECO with the co-investment opportunity, may be considered a control position in the portfolio company. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and employees, violation of laws and other potential liabilities. If OPECO experiences control liability it could materially and adversely affect OPECO's performance.

### **Control of Portfolio Investments by Lead Investor Funds May Adversely Impact OPECO's Rights**

As a non-controlling co-investor in a particular company (whether a Lead Investor Fund or other partner a "Lead Investor"), OPECO may be required to cede voting rights or other rights to the Lead Investor. A Lead Investor will often require its co-investors (including OPECO) to grant the Lead Investor a proxy over the securities of that company acquired by co-investors pursuant to co-investment rights, to ensure that the co-investment securities are voted together with the Lead Investor securities in that company. Co-investors such as OPECO are also often required to be subject to "drag along" rights, requiring OPECO to sell its interest in a portfolio company when the Lead Investor sells its interest. While OAIM intends to use commercially reasonable efforts to avoid such contractual restrictions, such restrictions are customary and no

assurances can be given that OPECO will have the power to vote, or control the timing of a disposition of, its portfolio securities.

### **No Role in Management of Portfolio Companies**

OPECO may not have any role in or control over the management of the portfolio companies. As a result, the aggregate return of OPECO will primarily depend upon the performance of the management teams of the portfolio companies, which management teams are not affiliated with OAIM or OPECO, and could be adversely affected by the unfavorable performance of one or more such management teams.

### **Projections May Not Be Reliable or Predictive of Actual Future Results**

OPECO will rely upon projections, forecasts or estimates relating to investment decisions in a particular portfolio company. Projections, forecasts and estimates are forward looking statements and are based upon certain assumptions. Actual events are difficult to predict and beyond OPECO's control and may differ significantly from those assumed. Accordingly, there can be no assurance that estimated returns or projections can be realized or that actual returns or results will not be materially lower than estimated. Projected operating results of a company in which OPECO invests normally will be based primarily on financial projections prepared by each portfolio company's management and subject to numerous factors outside OPECO's control (or even the control of a Lead Investor). Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

### **Restricted Nature of Investment Positions**

All or a substantial portion of OPECO's investments will consist of securities that are subject to restrictions on sale by OPECO because they were acquired from the issuer in "private placement" transactions and are expected to be subject to contractual restrictions and conditions on transfer. Generally, OPECO will not be able to sell such securities publicly without the expense and time required to register the securities under the Securities Act of 1933, as amended (the "Securities Act"), or will be able to sell the securities only under Rule 144 or other rules under the Securities Act which permit only limited sales under specified conditions. If restricted securities are sold to the public, OPECO may be deemed an "underwriter," or possibly a controlling person, with respect thereto for the purpose of the Securities Act and be subject to liability as such under that Act. In addition, practical limitations may inhibit OPECO's ability to liquidate an investment in a portfolio company if the portfolio company is privately held and OPECO owns a relatively large percentage of the portfolio company's equity securities. Sales may also be limited by market conditions, which may be unfavorable for the sale of securities of particular issuers or issuers in particular industries. The above limitations on liquidity of OPECO's investments could prevent a successful sale of securities, result in the delay of any sale, or reduce the amount of proceeds that might be realized from such sale.

### **OGR PE and OGR PE Offshore:** **Material, Significant or Unusual Risks Relating to Investment Strategies**

### **Special Risks of Fund-of-Funds Structure**

OGR PE has used a number of factors to screen a prospective Underlying Fund's investment manager, including the length and consistency of the corresponding Underlying Fund's track record, its total assets under management, the volatility of returns of the Underlying

Fund, the size and frequency of withdrawals, the depth and experience of the Underlying Funds' investment managers, the stability of management team and the overall structure of its business.

Despite this screening process, and despite ongoing monitoring of both the Underlying Funds and its investment managers, the risks exist that (a) the investment program for which the Underlying Funds' investment managers are selected is not followed, (b) the investment program will not be successful or (c) the information or assumptions used in making investment decisions on behalf of OGR PE, including analysis of the overall risk profile of the Underlying Funds, may be incorrect.

Furthermore, since OGR PE may make investments in Underlying Funds only at certain times pursuant to limitations set forth in the governing documents of the Underlying Funds, OGR PE may have to invest some of its assets temporarily in money market securities.

### **Special Risks of Direct Investing in Private Companies**

While OGR PE is primarily a fund-of-private equity funds and as such has invested primarily in Underlying Funds, OGR PE has also invested directly in joint ventures and other direct investments within its investment strategy. This entails the following risks:

#### ***Lack of Significant Diversification***

OGR PE's strategy of concentrating its Direct PE Investments in companies involved in Natural Resource and Related Assets closely ties its performance to the performance of a particular market segment. A downturn in energy and natural resource companies would have a larger impact on OGR PE than on other investment vehicles that do not concentrate on such companies or which are more diversified. Although OGR PE will seek to invest in a diversified portfolio of investments, OGR PE is not obligated to invest (i) in any set number of Underlying Funds or Direct PE Investments, (ii) in Underlying Funds which utilize particular investment strategies, or (iii) in Underlying Funds or Direct PE Investments which are focused on a variety of different markets or sectors. Each Underlying Fund is likely to concentrate its investments in a limited number of companies or investments and in a limited number of market segments. Furthermore, one or more Underlying Funds and OGR PE may invest collectively in the same security. The aggregate returns realized by investors may be adversely impacted by the unfavorable performance of a small number of such investments.

#### ***Borrowing and Leverage***

OGR PE may incur indebtedness for the purpose of providing interim financing as a bridge to receipt of called capital. No assurance can be given that OGR PE will be able to borrow on terms acceptable to it. OGR PE's direct and indirect portfolio companies are not restricted by OGR PE in their authorization to incur leverage and may have need for capital. Such capital may not be available on terms that are favorable to investors in the portfolio company. In addition, OGR PE is not generally in a position to control leverage at the portfolio company level and such portfolio companies may become overleveraged.

#### ***Control Positions***

OGR PE may have controlling positions in Direct PE Investments. The exercise of control over a company imposes additional risks of liability for environmental damage, product

defects, failure to supervise management and employees, violation of laws and other potential liabilities. If OGR PE Fund experiences control liability, it could materially and adversely affect OGR PE's performance.

#### ***No Role by Funds or Investors in Management***

OGR PE will not have a role in the management of any Direct PE Investment. The Fund's investments in any Direct PE Investments may not be significant enough to afford the Fund blocking rights with respect to certain actions of any such Direct PE Investments and amendments to such Direct PE Investment's operating documents. OGR PE therefore will be dependent upon the management of the Direct PE Investments, and, to a limited degree, the other investors in the Direct PE Investments, with respect to such actions and amendments.

#### **ODP:** **Material, Significant or Unusual Risks Relating to Investment Strategies**

#### **Minority Interest in Wells Give ODP No Control**

ODP may hold less than a 50% working interest in a well or property. When it acquires a minority interest in a well, ODP will not control the selection of the operator or have the ability to direct operations under the terms of the applicable operating agreement. As a result, ODP may have limited ability to exercise influence over the operations of the wells. Without operating control, ODP will not be able to control the timing of exploration or development efforts, the costs associated with exploration and development efforts, or the rate of production of such wells. ODP's inability to control the operations of the wells may adversely affect the production of such wells and, consequently, negatively affect the investment results of ODP.

#### **Reliance On Third-Party Operators**

ODP expects that third parties will be the operators of its oil and gas wells. ODP's limited ability to appoint an operator and to exercise control and influence over the operations of such wells may adversely affect the returns for such wells and, consequently, the investment results of ODP. Factors affecting both the timing and the success of development activities may, as a result of ODP's reliance on third-party operators, be largely outside of ODP's control. These factors include, but are not limited to, the following:

- the timing and amount of capital expenditures;
- the expertise and financial resources of the operator;
- the efficiency and completeness of the due diligence investigation of the operator by the party choosing the operator;
- completeness of the independent investigation and evaluation of the wells by the third-party operator and any representatives, consultants or advisors engaged by such operator;
- the sufficiency of the advice of the third-party operator's legal, tax, economic, environmental, engineering, geological and geophysical advisors regarding the wells including, without limitation: (i) potential production rates, possible recompletion opportunities, applicable decline rates, relevant gas balancing information or the quality, quantity or volume of the reserves of hydrocarbons, if any, attributable to, or that may be possible to obtain from development of, the wells; (ii) the accuracy, completeness or materiality of any information, records, data or other materials (written or oral) now, heretofore or hereafter furnished to

- ODP by or on behalf of such operator; (iii) the environmental condition of the assets; and (iv) the condition, or suitability for the purposes intended, of any personal property, equipment, inventory, machinery and fixtures constituting a part of a Portfolio Investment and identified by the operator; and
- the rate of production of reserves, if any.

Despite ODP's due diligence process, there is a risk that ODP may contract with third parties with unsatisfactory environmental, health or safety records, or that such contractors may be unwilling or unable to cover any losses associated with their acts or omissions. Accordingly, ODP could be held liable for all costs and liabilities arising out of the acts or omissions of the operator and its contractors. This could have a material adverse effect on ODP's results of operations and financial condition.

### **Participating General Partners Have Enhanced Liability for which Insurance May be Inadequate**

Investors in ODP must elect in their Subscription Agreement whether to be a "participating general partner" ("PGP") in certain oil and gas assets in which ODP invests. PGP status positions the investor for favorable tax benefits under the current Internal Revenue Code. However, PGPs are at risk for liabilities from operations of ODP's assets which are in excess of insurance coverages obtained by ODP. While PGPs are indemnified by ODP for such risk, there can be no assurances that insurance, which is an ODP expense, will be available in adequate coverage amounts and/or at acceptable pricing or that ODP assets, which are generally illiquid in nature, will be a sufficient source of funds for such indemnity. Therefore, there are no assurances that PGPs will not suffer losses by reason of their status as PGPs.

### ***Borrowing and Leverage***

ODP's direct and indirect portfolio assets may be leveraged as collateral for borrowings used to fund purchase of price hedges or development costs. Companies operating oil and gas production assets are not restricted by ODP in their authorization to incur leverage and may have need for capital. Such capital may not be available on terms that are favorable to investors in ODP. In addition, ODP may not be in a position to control such leverage and portfolio assets may become overleveraged.

### **Hedging Risks**

ODP expects to enter into hedging contracts, either itself or indirectly through investing entities owned by ODP, which are designed to hedge against fluctuation in oil and gas prices in the market. The market prices for oil and gas are volatile and such volatility can be extreme. There can be no guarantees that hedging contracts will be available at acceptable costs which mitigate the risk of such market volatility.

### **C. Material Risks Involving Specific Investments Recommended**

#### **CSO Fund:**

#### **Material Risks Involving Specific Investments Recommended**

Risks presented by investing in securities such as those in which CSO invests include:

## **Equity Securities**

Equity securities generally involve a high degree of risk and will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. In addition, some of these equity securities may be illiquid. Because of perceived or actual illiquidity or investor concerns regarding leveraged capitalization, these securities often trade at significant discounts to otherwise comparable investments or are not readily tradable. These securities generally do not produce current income for the Master Fund and may also be speculative. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting irregularities. The Master Fund may experience a substantial or complete loss on individual equity securities.

## **Options**

An investment in an option may be subject to greater fluctuation than an investment in the underlying instruments. While in theory an uncovered call writer's loss is potentially unlimited, in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying instrument may fall below the exercise price.

## **Bonds**

Bonds and similar fixed income securities generally are either secured or unsecured. Secured bonds entitle holders, in the event of default on the bonds, to an interest in the assets of the issuer that are pledged as collateral for the bonds, the proceeds from the sale of such collateral may not fully repay the creditors in the event of a default. Holders of unsecured bonds represent the most junior position of an issuer's creditors.

## **Post-Bankruptcy Equities**

The bankruptcy process involves various classes of claimants that debate the value of the bankrupt company and present an estimate of the firm's value that is often designed to advance their individualized claims on the bankruptcy estate. This dynamic often fosters a misunderstanding around the valuation of post-bankruptcy equities and in many cases these equities are substantially undervalued. These securities may also be volatile as former debt investors seek liquidity in their newly formed equity stakes, creating superior investment opportunities.

## **Below Investment Grade Securities**

These securities are regarded as predominantly speculative regarding issuers capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk to adverse conditions.

## **Futures**

The low margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract may

result in immediate and substantial loss or gain to investors. Any futures trade may result in losses in excess of amounts invested. Any increase in the amount of leverage applied by Penn in trading will increase the risk of loss by the amount of additional leverage applied.

A principal risk in trading futures is traditional volatility and rapid fluctuation in the market prices of futures. The profitability of the futures trading for the Master Fund will depend primarily on the prediction of fluctuation in market prices. Price movements for futures are influenced by, among other things, governmental trade, fiscal, monetary and exchange control programs and policies; weather and climate conditions; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and psychological emotions of the market place. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention may cause these markets to move more rapidly. It is not anticipated that Penn will engage in futures trading for the Master Fund.

### **Debt obligations**

Debt portfolios are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument, and debt obligations which are rated by rating agencies are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate debt securities) and directly (especially in the case of debt instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending however on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps on floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain prepayment schedules. In addition, interest rate increases generally will increase the interest carrying costs to the Master Fund of borrowed securities and leveraged instruments.

### **Forwards**

Forward contracts are not traded on exchanges and are executed directly through forward contract dealers. There is no limitation on the daily price moves of forward contracts, and a dealer is not required to continue to make markets in such contracts. There have been periods during which forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the bid and asked price. Arrangements to trade forward contracts may experience liquidity problems. The Master Fund will therefore be subject to the risk of credit failure or inability of or refusal of a forward contract dealer to perform with respect to its forward contracts.



### **Swaps (including CDS, TRS and other swap transactions)**

Swap contracts are not traded on exchanges and are not subject to the same type of government regulation as exchange markets. As a result, many of the protections afforded to participants on organized exchanges and in a regulated environment are not available in connection with these transactions. The swap markets are “principals’ markets in which performance with respect to a swap contract is responsibility only of the counterparty to the contract and not of any exchange or clearinghouse. As a result, the Master Fund is subject to the risk of the inability or refusal to perform with respect to swap contracts on the part of counterparties with which the Master Fund trades. There are no limitations on daily price movements in swap transactions. Speculative position limits are not applicable to swap transactions, although the Master Fund’s swap counterparties may limit the size or duration of positions available to the Master Fund as a consequence of credit considerations. Participants in the swap markets are not required to make continuous markets in the swap contracts they trade. Participants could refuse to quote prices for swap contracts or quote prices with an unusually wide spread between the price at which they are prepared to buy and the price at which they are prepared to sell.

### **OTC**

In general, there is less regulation/supervision in OTC markets than in transactions entered into on an organized exchange. Also, many of the protections afforded to participants on some organized exchanges will not be available in connection with OTC transactions. There is a risk of greater risk of loss through default than if Penn confined its trading to regulated exchanges.

### **Securities of Small Capitalization Companies**

Small cap companies may be more vulnerable than larger companies to adverse business or market developments, may have limited markets or financial resources and may lack experienced management. In addition, many small and medium-size companies are not well-known to investing public, do not have significant institutional ownership and are followed by relatively few securities analysts, and thus there may tend to be less publicly available information on these companies. Also, some securities traded in the OTC market may have fewer market makers, wider spreads between their quoted bid and asked prices and lower trading volumes, resulting in comparatively greater price volatility and less liquidity.

### **Securities of Bankrupt or Special Situation Companies**

Investments in bankrupt companies or companies in special, usually distressed, situations involve substantial financial and business risks that can result in substantial or total losses. It frequently may be difficult to obtain information as to the conditions of such issuers. The market prices are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices may be greater than normally expected. It may take a number of years for the market price of such securities to reflect their intrinsic value.

### **OPEI and OPEI Offshore:** **Material Risks Involving Specific Investments Recommended**

Risks presented by investing in Underlying Funds such as those in which OPEI invests include:

## **Limited Liquidity**

OPEI may have limited rights pursuant to which it may redeem, transfer or otherwise liquidate its investments in its Underlying Funds. Such Underlying Funds generally have terms and conditions which offer no right to OPEI to redeem its interest and that allow the Underlying Fund to make distributions in-kind under certain circumstances. The ability of OPEI to distribute proceeds from realized investments to its investors may be adversely affected by the inability of OPEI to redeem its interest in an Underlying Fund or by the decision by an Underlying Fund to make distributions in kind. Any such distribution in kind may result in OPEI receiving securities that are illiquid or difficult to value. In these circumstances, OAIM would likely intend to dispose of the securities and would do so in a manner that is in the best interests of OPEI.

## **Multiple Levels of Fees and Expenses**

An investor who meets the applicable eligibility requirements could invest directly in OPEI's Underlying Fund. By investing in Underlying Funds indirectly through OPEI, an investor bears asset-based fees and performance-based allocations assessed by both OPEI and the Underlying Funds. In addition, the investor bears a proportionate share of the other fees and expenses of OPEI (including operating costs, distribution expenses and administrative fees) and, indirectly, similar fees and expenses of the Underlying Funds.

Each of OPEI's Underlying Funds has an investment manager that generally also receives a carried interest to which it is entitled irrespective of the performance of the other Underlying Funds and of OPEI generally. Accordingly, an Underlying Fund's investment manager with positive performance may receive carry from OPEI, and thus indirectly from investors, even if OPEI's overall investment return is negative.

## **Duplicative Transaction Costs**

Investment decisions of the Underlying Funds are made by its investment managers entirely independently of other Underlying Funds. As a result, at any particular time, one Underlying Fund may be purchasing shares of an issuer whose shares are being sold by another Underlying Fund. Consequently, OPEI could directly or indirectly incur certain transaction costs without accomplishing any net investment result.

## **Transparency; Valuation of Underlying Funds**

Market prices are not readily available for most Underlying Funds in which OPEI invests. OPEI's valuation procedures provide that the value of its investments in Underlying Fund ordinarily will be the value determined in accordance with the underlying investment vehicle's valuation policies and provided to OPEI. The Underlying Funds generally do not provide details, on a day-to-day basis or otherwise, with respect to the underlying portfolio securities in which they invest. Although OAIM will review the valuation procedures used by the Underlying Funds, OAIM will have little or no means of independently verifying valuations provided by such Underlying Funds. For OPEI's investment in the Underlying Funds, it receives a Net Asset Value Capital Statement each quarter which are used to value these investments. In the case of direct investments, OAIM determines fair valuation after consultation with the sub-advisor and a third party independent consultant.

## **Control over Investment Managers**

Although OPEI is invested in Underlying Funds that OAIM believes will be managed in a manner consistent with their stated investment objectives and strategies, there can be no assurance that the Underlying Fund's investment managers will not diverge from such objectives and strategies or otherwise engage in improper conduct.

In addition to the foregoing risk factors, the individual Underlying Funds will pursue a variety of investment strategies and invest in a variety of industries, each of which has its own unique risks. The individual portfolio securities in which such Underlying Funds invest also have their own risks. This disclosure does not purport to describe the risks of the strategies used by such Underlying Funds or the risks of their underlying securities.

### **OPECO and OPECO Offshore:** **Material Risks Involving Specific Investments Recommended**

Risks presented by investing in underlying funds, portfolio companies and direct assets such as those in which OPECO invests, include:

#### **Portfolio Companies**

Portfolio companies may involve a high degree of business and financial risk. These companies may not have a proven operating history, may be operating at a loss or have significant variations in operating results, may be engaged in a rapidly changing business with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, or may otherwise have a weak financial condition.

Portfolio companies also may be highly leveraged. Leverage may have important adverse consequences to a portfolio company and OPECO as an investor. The leverage may impose restrictive financial and operating covenants. The leverage may impair the company's ability to finance their future operations and capital needs. As a result, the company's flexibility to respond to changing business and economic conditions and to business opportunities may be limited. A leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used. OPECO may make investments in industries that are or may become subject to regulation under the laws of any one or more jurisdictions in which they operate. New and existing regulations and the burdens of regulatory compliance may have a material adverse effect on companies that operate in these industries.

In addition, portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities, and a larger number of qualified managerial and technical personnel.

#### **Non-U.S. Investments**

OPECO has invested in portfolio companies domiciled or operating in one or more foreign countries. Investing in non-U.S. companies involves considerations and possible risks and expenses not typically involved in investing in securities of companies domiciled and operating in the United States. The application of foreign tax laws, including the imposition of withholding taxes on dividend or interest payments, or confiscatory taxation may also affect investment in

foreign securities. Foreign securities markets also may be less liquid, more volatile and less subject to governmental supervision than in the United States. If OPECO's investments are denominated in a foreign currency, they will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Certain other risks not typically associated with investments in the securities of U.S. companies are inherent in international operations, including, among others, the risk of war, armed conflict, terrorist attacks, civil unrest, political instability, expropriation, restrictions on repatriation of profits, and differences between U.S. and foreign securities markets, such as the absence of uniform accounting, auditing, and financial reporting standards in foreign markets.

### ***Transparency; Valuation***

In the case of OPECO's direct investments, OAIM determines fair valuation after consultation with the sub-advisor and a third party independent consultant.

## **OGR PE and OGR PE Offshore** **Material Risks Involving Specific Investments Recommended**

Risks presented by investing in Underlying Funds such as those in which OGR PE invests and in direct natural resource, including oil and gas, assets such as those in which both OGR and ODP invest, include:

### ***Limited Liquidity***

OGR PE may have limited rights pursuant to which it may redeem, transfer or otherwise liquidate its investments in its Underlying Funds. Underlying Funds generally have terms and conditions which offer no right to OGR PE to redeem its interest and that allow the Underlying Fund to make distributions in-kind, under certain circumstances. The ability of OGR PE to distribute proceeds from realized investments to its investors may be adversely affected by the inability of OGR PE to redeem its interest in an Underlying Fund or by the decision by an Underlying Fund to make distributions in kind. If an Underlying Fund makes a distribution in kind, OGR PE may receive securities that are illiquid or difficult to value. In these circumstances, OAIM would likely intend to dispose of the securities and would do so in a manner that is in the best interests of OGR PE.

### ***Multiple Levels of Fees and Expenses***

An investor who meets the applicable eligibility requirements, as imposed by the Underlying Funds' investment managers could invest directly in the Underlying Fund rather than through OGR PE. By investing in Underlying Funds indirectly through OGR PE, an investor bears asset-based fees and performance-based allocations assessed by both OGR PE and the Underlying Funds. In addition, the investor bears a proportionate share of the other fees and expenses of OGR PE (including operating costs, distribution expenses and administrative fees) and, indirectly, similar fees and expenses of the Underlying Funds.

Each Underlying Fund has an investment manager that generally also receives a carried interest to which it is entitled irrespective of the performance of the other Underlying Funds and of OGR PE generally. Accordingly, an Underlying Fund's investment manager with positive performance may receive compensation from OPEI, and thus indirectly from investors, even if OGR PE's overall investment return is negative.

### ***Duplicative Transaction Costs***

Investment decisions of the Underlying Funds are made by its investment managers entirely independently of other Underlying Funds. As a result, at any particular time, one Underlying Fund may be purchasing shares of an issuer whose shares are being sold by another Underlying Fund. Consequently, OGR PE could directly or indirectly incur certain transaction costs without accomplishing any net investment result.

### ***Transparency; Valuation of Underlying Funds***

Market prices are not readily available for most Underlying Funds in which OGR PE invests. OGR PE's valuation procedures provide that the value of its investments in Underlying Funds ordinarily will be the value determined in accordance with the underlying investment vehicles valuation policies and provided to OGR PE. The Underlying Funds generally do not provide details, on a day-to-day basis, with respect to the underlying portfolio securities in which they invest. OAIM values the underlying investments in the underlying funds on an investment by investment basis. (i.e. the net asset valuations provided by the underlying private investment companies when the net asset valuations of the investments are calculated in a manner consistent with authoritative guidance for investment companies.) If OAIM believes that alternative valuation techniques are more appropriate for the underlying funds, it may consider other factors in addition to the net asset valuation, such as features of the investment including subscription and redemptions requirements, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers and overall market conditions in its determination of fair value. In the case of direct investments, OAIM determines fair valuation after consultation with the sub-advisor and a third party independent consultant.

### ***Control over Investment Managers***

Although OGR PE invests in Underlying Funds that OAIM believes will be managed in a manner consistent with their stated investment objectives and strategies, there can be no assurance that the Investment Managers will not diverge from such objectives and strategies or otherwise engage in improper conduct.

In addition to the foregoing risk factors, the individual Underlying Funds will pursue a variety of investment strategies and invest in a variety of natural resource related assets, each of which has its own unique risks. The individual portfolio securities in which such Underlying Funds invest also have their own risks. This disclosure does not purport to describe the risks of the strategies used by such Underlying Funds or the risks of their underlying securities.

### ***Non-U.S. Investments***

Securities which are not denominated in U.S. dollars or issued by a U.S. company involve risks not typically associated with investing in U.S. securities. These risks include, but are not limited to: currency risks (the risk that the value of dividends or interest paid on non-dollar or non-U.S. securities, or the value of the securities themselves, may fall if currency exchange rates change), the risk that a security's value will be impacted by changes in policies restricting investment, the possibility of heavy taxation, nationalization or expropriation of assets and more difficulty in obtaining information on non-U.S. securities or companies. Foreign securities markets also may be less liquid, more volatile and less subject to governmental supervision than in the United States. In addition, non-dollar denominated and non-U.S. securities may be harder to sell and may

be subject to wider price movements than comparable U.S. companies. Furthermore, non-dollar denominated and non-U.S. securities may be more difficult to value than U.S. securities.

### Emerging Markets

Many companies involved with oil and gas or other natural resource related assets may be based in emerging markets. Political and economic structures in emerging market countries may be undergoing rapid change and these countries may lack the social, political and economic stability of more developed countries, including the United States. As a result, some of the risks described under “Non-United States Investments”, including the risks of nationalization and expropriation of assets and the existence of smaller, more volatile and less regulated markets, may be increased with investments in emerging markets. The value of many investments in emerging market countries has declined significantly in the past and may do so again in the future, as a result of political and economic turmoil; in many of these countries.

### **OGR PE, OGR PE Offshore and ODP** **Material Risks Involving Specific Investments Recommended**

Risks presented by investing in natural resources, including oil and gas, assets such as those in which both OGR, ODP and/or OPECO invest, include the following:

### **Risks Relating to Investments in Energy and Natural Resources**

#### ***Economic Factors affecting Energy and Natural Resources Companies***

Securities of energy and natural resource companies are especially affected by variations in the commodities markets (that may be due to market events, regulatory developments or other factors that OGR PE, ODP or OPECO cannot control) and these companies may lack the resources and the broad business lines to weather hard times. Energy companies can be significantly affected by the supply of and demand for specific products and services, the supply of and demand for oil and gas, the price of oil and gas, exploration and production spending, government regulation, world events and economic conditions. Natural resources companies can be significantly affected by events relating to international political developments, energy conservation, the success of exploration projects, commodity prices and tax and government regulations.

#### ***Compliance with Governmental Regulations***

Companies involved in Natural Resources and Related Assets are heavily regulated and are subject to extensive, federal, state, local and foreign laws and regulations (collectively, “Government Regulations”). These companies may incur significant costs in complying with Government Regulations and such costs may have a material adverse effect on the profitability of investments held by OGR PE and/or ODP and/or OPECO. The following is an illustration of some of the Government Regulations to which companies involved in Natural Resources and Related Assets may be subject.

- Oil and Gas Related Regulations. Companies involved with oil and natural gas operations may be subject to Government Regulations relating to the exploration for, and the development, production and transportation of, oil and gas, as well as safety matters, which may be changed from time to time in response to economic or political conditions. These regulations

may require oil and gas companies to obtain regulatory permits or approval for drilling or mining operations, road and pipeline development, construction and operations, to pay taxes that are unique to oil and gas companies and to adhere to price controls and limitations on production in order to conserve supplies of oil and natural gas.

- Environmental Regulations. Companies involved with Natural Resources and Related Assets may be subject to Government Regulations which govern, among other things, the containment and disposal of hazardous materials, oilfield waste and other waste materials, the use of underground storage tanks and the use of underground injection wells. Government Regulations protecting the environment typically impose “strict liability,” which means that in some situations a company could be exposed to liability for cleanup costs and other damages as a result of conduct that was lawful at the time it occurred or conduct of, or conditions caused by, others.

Cleanup costs and other damages arising as a result of environmental laws, and costs associated with changes in environmental governmental regulations, could be substantial and could have a material adverse effect on the profitability of OGR PE and/or ODP. Governmental regulations protecting the environment have generally become more stringent than in the past and are expected to continue to do so.

- Endangered Species Regulations. Government Regulations protecting the environment also regulate the activities of timber companies. For example, timber companies are often subject to the Endangered Species Act, as well as similar state laws and regulations. The Endangered Species Act and state legislation protect species threatened with possible extinction and may include restrictions or prohibitions on timber harvesting, road building and other silvicultural activities on private, federal and state land containing the affected species.

### ***Regulatory Approvals; Permits.***

OGR PE and/or ODP and/or OPECO may invest in companies that are required to comply with numerous federal, state and local statutory and regulatory standards and maintain numerous permits and approvals required for their operation. There can be no assurance that a Company in which OGR PE and/or ODP and/or OPECO invests, or field operator engaged in exploration and development of oil and gas wells or other company engaged in or/and gas distribution or supply, in each case in which OGR PE and/or ODP and/or OPECO may be invested will be able to (i) obtain all required regulatory approvals and permits that it does not yet have or that may be required in the future; (ii) obtain any necessary modifications to existing regulatory approvals and permits; or (iii) review and otherwise maintain required regulatory approvals and permits. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals and permits, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements (which may change over time), could prevent operation of a facility or sales of such facility to third parties, or could result in additional costs to such company or activity, and adversely affect the investment results of OGR PE and/or ODP and/or OPECO. In addition, OGR PE and/or ODP and/or OPECO may be required to obtain the consent or approval of applicable regulatory authorities in order to acquire or hold particular its investments. If OGR PE and/or ODP and/or OPECO is unable to obtain such consent or approval, it may be unable to structure transactions in ways that are optimal for OGR PE and/or ODP and/or OPECO and may even be prohibited from making certain investments. The cost of any consent or approval process may be relatively expensive and may be required to be borne by OGR PE and/or ODP and/or OPECO and passed along to investors in OGR PE and/or ODP and/or OPECO, as applicable.

### ***Changes in Governmental Regulations***

Investments made by OGR PE and/or ODP and/or OPECO could be materially and adversely affected as a result of changes in Governmental Regulations, and judicial or administrative interpretations of existing Governmental Regulations that impose more comprehensive or stringent requirements on such company. Moreover, additional regulatory approvals, including without limitation, renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future due to a change in governmental regulations, a change in the companies' customer(s) or for other reasons. Any such changes could result in increased compliance costs, additional capital expenditures or potential liabilities. In addition, such changes may alter the competitive landscape and/or the nature of the markets in which a portfolio company or asset operator Investment operates in a material and adverse manner. Any such events may adversely affect the investment results of OGR PE and/or ODP and/or OPECO.

### ***Development Risk***

OGR PE and/or ODP and/or OPECO may invest in companies that are involved in projects and facilities which are at an early stage of development and face the possibility of either failing to obtain or suffering substantial delays in obtaining (i) regulatory, environmental or other approvals or permits, (ii) financing; and (iii) suitable equipment supply, operating and off-take contracts. ODP is the only Fund still making new investments and, while it intends to invest in lower risk assets in proven basis and lower development risk, it bears the same risks. These projects involve additional uncertainties including the possibility that the projects may not be completed, operating licenses may not be obtained, and permanent financing may be unavailable. Further, there is no assurance that these projects will be profitable or generate cash flow sufficient to service their debt or provide for recovery of amounts invested therein. The foregoing may have an adverse affect on the profitability of investments held by OGR PE and/or ODP and/or OPECO, which, in turn, have an adverse affect on the investment results of OGR PE and/or ODP and/or OPECO.

### ***Construction Risk***

OGR PE and/or ODP and/or OPECO may invest in companies that may be subject to significant construction risk, including the risk of substantial delay or increased costs due to a number of unforeseen factors, including: political opposition; regulatory and permitting delays or approvals; delays in procuring sites; delays in obtaining or the failure of, equipment; labor disputes; lawsuits and other disputes; environmental issues; *force majeure*; or failure by one or more of the infrastructure investment participants to perform in a timely manner (or at all) its or their contractual, financial or other commitments. New facilities and new oil and gas wells have little or no operating history and may employ recently developed technologically complex equipment that may take time to operate at peak levels of output and efficiency. A material delay or increase in unabsorbed cost would significantly impair the financial availability of an infrastructure or oil and gas investment project and could result in a material adverse effect on OGR PE's and/or ODP's and/or OPECO's investment therein.

### ***Operating Risk***

OGR PE and/or ODP and/or OPECO may invest in companies that have operating facilities. Such companies are exposed to certain operational risks, such as the possibility of performing below expected levels or output, availability or efficiency; interruptions in fuel or



other necessary supplies; increases in the cost of fuel or other necessary supplies; pipeline disruptions; disruptions in the off-take of electrical energy; power shutdowns; breakdown or failure of equipment or processes; accidental discharges of hazardous materials; labor disputes; changes in governmental regulations; regulatory and permitting delays or approvals; or catastrophic events such as fires, earthquakes, lightning, explosions, hurricanes, tornados, floods or similar occurrences affecting the operating facilities or their power purchasers, steam purchasers, fuel suppliers or fuel transporters. In addition, OGR PE and/or ODP and/or OPECO may make investments in companies that are based, in part, on favorable existing contractual arrangements at such companies or estimates of energy, including oil and gas, reserves available to such companies. There is no assurance that such contractual arrangements can be maintained, and estimates may turn out to be incorrect. Any such events could have a material adverse effect on the profitability of such companies and the investment results of OGR PE and/or ODP and/or OPECO.

### ***Adequacy and Availability of Insurance***

While OGR PE and/or ODP and/or OPECO will seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, that may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and to the extent such insurance coverage is available, proceeds paid under an insurance policy may be inadequate to cover a loss of revenues completely or to any meaningful extent, or to cover an increase in operating and maintenance expense and/or replacement or rehabilitation. In addition, certain losses of catastrophic nature, such as those caused by weather conditions, earthquakes, hurricanes, tornados, floods, wars, terrorist attacks or other similar events (collectively, “*force majeure*”), may be either uninsurable or insurable at such high rates as to adversely impact the profitability of OGR PE’s and/or ODP’s and/or OPECO’s investments. In general, losses related to terrorism are becoming more difficult and more expensive to insure against and most insurers are either excluding terrorism coverage from their all-risk policies or offering significant limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance. As a result, it is unlikely that any of OGR PE’s and/or ODP’s and/or OPECO’s investments will be insured against damages attributable to acts of terrorism. If a major uninsured loss were to occur with respect to an investment, OGR PE and/or ODP and/or OPECO could lose both its capital invested therein and any anticipated profits related to such investment.

### ***Commodity Risk; Price Volatility***

OGR PE or ODP or OPECO may invest in companies in the energy sector that may be subject to commodity price risk, including, without limitation, the price of electricity and the price of fuel. Similarly, OGR PE, ODP or OPECO ODP will invest in oil and gas assets production from which it is subject to substantial price volatility. Historically, the markets for oil, gas, coal and power have been volatile, and such markets are likely to continue to be volatile in the future. The operation and cash flows of companies in the energy sector will depend, in substantial part, upon prevailing market prices for energy commodities. These market prices may fluctuate materially depending upon a wide variety of factors that are beyond the control of OGR PE and/or ODP and/or OPECO, including, without limitation, market supply and demand, *force majeure*, catastrophic events, governmental regulations and any changes thereto, the refining capacity of crude oil purchasers, the price and availability of alternative fuels and energy sources, political conditions in the Middle East and other oil and natural gas producing regions, terrorist acts or threats thereof, actions of the Organization of Petroleum Exporting Countries (and other

oil and natural gas producing nations), the foreign supply of (and demand for) oil and natural gas, the price of foreign imports, coal supplies and rail capacity, and overall economic conditions. Any significant decline in the price of oil or natural gas could adversely affect the profitability of investments held by, and the investment results of, OGR PE and/or ODP and/or OPECO.

### ***Risks Related to Timber Companies***

OGR PE may invest in companies concentrated in the timber industry, the success of which will be affected by the cyclical nature of the forest products industry. Prices and demand for logs have been, and in the future can be expected to be, subject to cyclical fluctuations. The demand for logs is primarily affected by the level of new residential construction activity and, to a lesser extent, repair and remodeling activity and other industrial uses, which are subject to fluctuations due to changes in economic conditions, interest rates, population growth, weather conditions and other factors. Decreases in the level of residential construction activity will be reflected in reduced demand for logs, which may result in lower revenues, profits and cash flows. In addition, the revenues, net income and cash flow of timber companies will be dependent to a significant extent on their ability to harvest timber at adequate levels. There can be no assurance that a timber company will achieve harvest levels necessary to maintain or increase revenues, net income or cash flows. Weather conditions, timber growth cycles, access limitations and regulatory requirements associated with the protection of wildlife and water resources or any shortage of contract loggers may restrict harvesting, as may many other factors, including damage by fire, insect infestation, disease, prolonged drought and natural disasters. Any significant impairment on a company's ability to harvest timber at adequate levels may adversely affect the investment results of OGR PE.

### **Risk Factors Relating to Oil and Gas Assets**

#### ***Oil and Natural Gas Investments Are Risky***

The acquisition of leasehold interests and the selection of prospects for oil and natural gas drilling, the drilling, ownership and operation of oil and natural gas wells, and the ownership of non-operating interests in oil and natural gas properties are highly speculative. There is no certainty that prospects will produce oil or natural gas or commercial quantities of oil or natural gas. Additionally, the amount of time it will take to recover any oil or gas is unpredictable. Drilling activities may be unprofitable, not only from non-productive wells, but from wells that do not produce oil or natural gas in sufficient quantities or quality to return a profit. Delays and added expenses may also be caused by poor weather conditions affecting, among other things, the ability to lay pipelines or otherwise transport or market hydrocarbons. In addition, ground water, impenetrable substances, various clays and lack of porosity and permeability may hinder or restrict production or even make production impractical or impossible.

#### ***Uncertainty of Estimates of Oil and Gas Reserves***

OGR PE and/or ODP and/or OPECO may invest in or with companies, the success of which is dependent on the companies' estimates of oil and gas reserves. The estimation of oil and natural gas reserves is a subjective process and the accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Prices expected from sales of hydrocarbons are subject to market conditions. Estimates of economically recoverable oil and natural gas reserves and of future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effect of regulations by governmental

agencies and assumptions concerning future oil and natural gas prices, future operating costs, severance and excise taxes, development costs and workover and remedial costs, all of which may in fact vary considerably from actual results. OGR PE's and/or ODP's and/or OPECO's properties (whether owned directly or through other entities) may be susceptible to drainage from production by other operations on adjacent properties. For these reasons, and others, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery, and estimates of the future net cash flows expected therefrom may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves and the investment results of OGR PE and/or ODP and/or OPECO.

#### ***Dry Holes, Unproductive Wells, Abandonment***

The cost of drilling, completing and operating any well is often uncertain and new wells may not be productive. If a well is determined to be dry or uneconomic, which can occur even though it contains some oil or natural gas, it is classified as a dry hole and must be plugged and abandoned in accordance with applicable regulations. This generally results in the loss of the entire cost of drilling and completion to that point, as well as the cost of plugging and lease costs associated with the prospect. Even wells that are completed and placed into production may not produce sufficient natural gas and oil to be profitable.

#### ***Concentrated Drilling Prospects***

OGR PE's and/or ODP's and/or OPECO's risk of loss may increase when well prospects are concentrated in one area and simultaneously drilled. When simultaneously drilling several wells in one area, it is cost effective to use the drilling results of only a few wells in deciding whether to continue drilling in that area. Failure to analyze each well increases the risk that productive wells will go unanalyzed and be abandoned.

#### ***Increased Drilling Costs***

In the event that the level of drilling activity returns to a high level, there could be shortages of drilling rigs, pipes and other equipment and personnel available for OGR PE's and/or ODP's and/or OPECO's operations or operations within companies in which OGR PE or ODP or OPECO is invested. As a result, there could be an increase in the costs associated with the drilling of oil and natural gas wells. In addition, the cost of insurance relating to oil and gas operations may continue to increase. Such increases could result in limiting the number of wells that may be drilled as well as the profitability of each well once completed.

#### ***Liability For Joint Activities of Other Working Interest Owners***

OGR PE and/or ODP and/or OPECO will likely acquire less than a full working interest in its prospects and will instead engage in joint activities with other working interest owners. If capital available for investment by OGR PE and/or ODP and/or OPECO is insufficient to acquire a controlling interest, or if there are multiple investors interested in a particular property, OGR PE and/or ODP and/or OPECO may be forced to purchase less than a 50% working interest in the properties. Any working interest less than a majority of which is owned by OGR PE and/or ODP and/or OPECO means third-party control of such properties while ownership structures are utilized to mitigate this risk, OGR PE and/or ODP and/or OPECO could be held liable for the

joint activity obligations such as nonpayment of costs and liabilities arising from the actions of the other working interest owners. Full development of the properties may be jeopardized if other working interest owners cannot pay their shares of drilling and completion costs.

### ***Decline in Oil and Gas Prices***

The price that OGR PE and/or ODP and/or OPECO receives for oil or natural gas production from wells in which OGR PE and/or ODP and/or OPECO has an interest will significantly affect its revenue, profitability, access to capital and future growth rate. Historically, the oil and natural gas markets have been volatile, and they will likely continue to be volatile in the future.

### ***Liabilities Arising From Drilling and Production Activities***

There are numerous natural hazards involved in the drilling of oil and natural gas wells, including unexpected or unusual formations, pressures, blowouts and uncontrollable flows of natural gas, oil brine or well fluids. These hazards may cause or result in damages to property and third parties, surface damages, bodily injuries, damage to and loss of equipment, reservoir damage and loss of reserves. There are also hazards involved in the transportation from wells to market of oil and natural gas, including pipeline leakage and oil spillage or oil transported via barge. These hazards could result in liabilities associated with environmental cleanup. Uninsured liabilities would reduce the funds available for OGR PE and/or ODP and/or OPECO, may result in the loss of OGR PE and/or ODP and/or OPECO property and may create liability for PGPs in ODP. Although OGR PE and/or ODP and/or OPECO will maintain insurance coverage in amounts OAIM's sub-advisor deems appropriate, it is possible that this coverage may be insufficient. In that event, OGR PE and/or ODP and/or OPECO assets would be utilized to pay personal injury and property damage claims, control blowouts or replace destroyed equipment, rather than for additional drilling activities.

### ***Delays in Transfer of Title***

Under certain circumstances, title to OGR PE and/or ODP and/or OPECO properties may be held by other entities on OGR PE's and/or ODP's and/or OPECO's behalf, and title may not be transferred to OGR PE and/or ODP and/or OPECO until a well has been completed. OGR PE and/or ODP and/or OPECO, therefore, runs the risk that the transfer of title could be set aside should the entity holding the title enter into bankruptcy proceedings. If a transfer of title were set aside, title to the leases and the wells would revert to the creditors or bankruptcy trustee, and OGR PE and/or ODP and/or OPECO would recover either nothing or only the amounts paid for the leases drilling the wells. However, assigning the leases to OGR PE and/or ODP and/or OPECO after the wells are drilled and completed should not affect the availability of the deductions for intangible drilling costs because OGR PE and/or ODP and/or OPECO should have an economic interest in the wells under the drilling and operating agreement before the wells are drilled.

### ***Transparency: Valuation of Oil and Gas Assets***

OAIM consults with its sub-advisor and a third party independent consultant to determine the fair valuation of any oil and gas investments held either directly or indirectly by a Fund. Valuation are ultimately determined by OAIM in accordance with the applicable Fund's valuation procedures in consultation with OAIM's sub-advisor and the third party independent consultant.

## **Other Material Risks Applicable to ODP**

### ***Initial Public Offerings; New Issues***

ODP is the only Fund making new investments. ODP is authorized to invest in securities sold pursuant to initial public offerings or securities created as a result of spin-offs, split-offs, recapitalizations or other significant corporate events. Such securities have no public market prior to their initial offering or creation and there is no assurance that (i) an active public market in such securities will develop or continue after commencement of trading or (ii) that the initial public offering price or initial trading level of such securities will be indicative of the market price for such securities on a “fully-distributed” basis. OGR PE’s or ODP’s participation in “New Issues” is subject to the FINRA Rule 5130. New Issues as defined by this rule include securities offered to the public in an initial public offering. Investors may be restricted from participating in profits and losses from New Issues by FINRA Rule 5130. There is no assurance that the allocation mechanisms, adopted by OGR PE or ODP to comply with FINRA Rule 5130 will be respected by the SEC or FINRA as such bodies have not yet promulgated rules specifying appropriate allocation procedures. OGR PE or ODP may periodically request information from investors to verify OGR PE’s or ODP’s eligibility to participate in New Issues. Notwithstanding the foregoing, OGR PE or ODP may be ineligible to participate in an investment in New Issues, despite the fact that all of its investors are in fact eligible, if it is unable to obtain information sufficient to form a reasonable belief that all of its investors are eligible.

## **ITEM 9            DISCIPLINARY INFORMATION**

On March 11, 2013, OAIM and its affiliate, Oppenheimer Asset Management Inc. (“OAM”), without admitting or denying the findings, consented to the issuance of an administrative order (the “Order”) with the Securities and Exchange Commission (“SEC”). Also on March 11, 2013, OAM entered into an Assurance of Discontinuance (“AOD”) with the Attorney General of the Commonwealth of Massachusetts (“MA AG”) based on the same conduct that was the subject of the Order. The Order and the AOD concerned misrepresentations and omissions to investors and prospective investors about the asset value of a fund of private equity funds. The Order and the AOD found that while the written policies and procedures of OAM and OAIM required the compliance department to review and approve marketing materials, those procedures did not require a review of portfolio manager valuations and accordingly were not reasonably designed to ensure that valuations were determined in a manner consistent with written representations to investors. The SEC found that OAM and OAIM willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 (the “Securities Act”) and Section 206(4)-7 and Section 206(4)-8 of the Investment Advisers Act of 1940 (the “Advisers Act”) and Rules 206(4)-7 and 206(4)-8 thereunder. The MA AG found that OAM and OAIM violated M.G.L.c. 93A. The Order and the AOD provide that OAM and OAIM will pay a total of \$2,269,098 in disgorgement to investors who invested in the fund between October 2009 through June 2010, to pay a civil penalty of \$617,579 to the SEC, to pay a penalty of \$132,421 to the Commonwealth of Massachusetts, that OAM and OAIM will retain an independent consultant to conduct a review of their valuation policies and procedures and to cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act and Section 206(4) of the Advisers Act and Rules 206(4)-7 and 206(4)-8 thereunder. The Order provides that OAM and OAIM are censured.

## ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### A. Broker Dealer Registration Status

Bryan E. McKigney, Senior Vice President of OAIM, and Jeffrey Alfano, Chief Financial Officer of OAIM, are both registered representatives of Oppenheimer, but do not do business in that capacity.

John Blau, the President of OAIM, is a registered representative of Oppenheimer and is a financial advisor to a limited number of clients who have advisory accounts with OAM and who purchase interests in hedge funds sold by Oppenheimer. Some of these funds may be sponsored by OAM. Possible conflicts between Mr. Blau's duties as President of OAM and his client relationships involve allocation of time and whether or not his clients would be treated more favorably than other advisory clients of OAM. These client relationships do not represent a material amount of Mr. Blau's duties or compensation. Activity in these accounts will be monitored on a periodic basis.

### B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status

Bryan E. McKigney, Senior Vice President of OAIM, is an associated person of Advantage Advisers Multi-Manager LLC, a registered commodity pool operator, commodity trading advisor, and National Futures Association ("NFA") member approved.

### C. Material Relationships or Arrangements with Industry Participants

OAIM is a wholly-owned subsidiary of OAM and an affiliate of Oppenheimer. Each of OAM and Oppenheimer is registered with the Securities and Exchange Commission (the "SEC") as an investment adviser. OAM (directly or through affiliates) provides investment advisory services to registered and unregistered investment companies, including, without limitation, domestic and offshore funds and individual and institutional client accounts.

OAM is the sponsor of each of the Funds and as such creates or packages limited partnerships. OAM is the managing member of Advantage Advisers Multi-Manager, LLC.

OAIM is affiliated with several investment advisers who serve as investment managers to, among other clients, registered and unregistered investment companies. Those officers and employees of Oppenheimer or OAM who provide investment advisory, administrative and related services to the Funds also provide similar services to the clients of OAIM's affiliated investment advisers.

OPY directly and indirectly controls (through ownership) each of the above-mentioned advisers. As managing member or general partner, OAM controls most of these advisers. Albert G. Lowenthal, a Principal at OAM, owns more than 50% of the controlling Class B voting stock in OPY. He is also Chairman and CEO of Oppenheimer. OAM and Oppenheimer are indirectly owned by OPY.

OPY directly or indirectly has control over the activities of several subsidiaries, some of which provide insurance products and/or services. OAIM does not have arrangements that are

material to its advisory business or its clients with any related person who is a CPO, CTA or insurance company or agency.

Oppenheimer acted as the non-exclusive placement agent for the Funds. Oppenheimer is a registered broker-dealer and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Oppenheimer is also registered as a Futures Commission Merchant with the Commodity Futures Trading Commission (the "CFTC"). Oppenheimer is a full-service, self-clearing securities brokerage firm. It is engaged in numerous activities including securities brokerage, securities research, commodities brokerage, securities trading, corporate finance, real estate financing and investment advisory services.

Oppenheimer and its Financial Advisors affiliated with Oppenheimer distribute interests in several limited partnerships managed by OAM and its affiliates. Oppenheimer and its Financial Advisors may receive all or a portion of any future placement fee or commission for the distribution of limited partnership interests.

Oppenheimer compensates its Financial Advisors for placing their interests in investment products offered or sponsored by Oppenheimer and its affiliates, including the Funds. This compensation is based on an existing plan of compensation pursuant to which Oppenheimer takes into account sales of all investment products offered or sponsored by Oppenheimer and its affiliates which are originated by Oppenheimer Financial Advisors. Oppenheimer Financial Advisors may charge investors in the Funds a sales commission which may equal up to 3% of the amount transmitted by an investor in connection with its subscription interest in a Fund. The sales commission requires the consent of the investor. Not all investors in the Funds will be charged a sales commission. This compensation may be greater than what the Oppenheimer Financial Advisors would receive if the client participated in other collective investment vehicles or advisory programs and thus may create an incentive for the Oppenheimer Financial Advisors to recommend the purchase of shares in the Funds to clients over other investments or advisory services, which presents a conflict of interest.

Although placing clients in investment products offered or sponsored by Oppenheimer and its affiliates, including the Funds, is potentially more lucrative to the Financial Advisors, each of these investment vehicles pursues different investment objectives and strategies and has differing tax, regulatory and investor suitability considerations. Moreover, before any investor is accepted by Client Services, the Branch Manager of such Financial Advisor must sign off on investor suitability.

## ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### A. Code of Ethics

OAIM has adopted a written Code of Ethics pursuant to Rule 204A-1 under the Advisers Act. A copy of the Code of Ethics will be provided upon request to any client or prospective client. The purpose of the Code is to set forth standards of conduct expected of advisory personnel and address conflicts, such as front running, that arise from personal trading by advisory personnel. The Code of Ethics addresses these conflicts as follows:

1. Certain advisory personnel with access to the securities trading of the Funds or advisory clients are deemed as "access persons";

2. Access persons are required to certify that they are in compliance with the Code of Ethics on an annual basis;
3. Access persons are also required to provide compliance personnel with brokerage accounts through which they conduct personal trading; and
4. Access persons are required to obtain written pre-clearance by compliance personnel of all personal securities transactions (other than certain exceptions to this requirement as defined in the Code).

OAIM and its related persons are engaged or may engage in investment activities for private investment companies, other registered investment companies, other accounts that may pursue investment strategies similar to those of the Funds or for its own accounts or other related accounts, in which the Funds have no interest. These accounts may from time to time purchase, sell or hold certain investments which are also being purchased, sold or held by one or more of the Funds. Where OAIM has determined that an investment is suitable for one or more of the Funds and/or one or more of the Funds and any other accounts, OAIM will allocate the investment among the Funds or among the Funds and the other accounts, as applicable, on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments and the respective investment programs, diversification goals, and portfolio positions of the Funds and these accounts.

The Funds are recommended by Financial Advisors of Oppenheimer, who are related persons of OAIM. Oppenheimer acts as the placement agent for the sale of interests in collective investment vehicles for which OAIM or other affiliates of Oppenheimer serve as investment adviser or general partner. Financial Advisors of Oppenheimer receive a portion of the fees paid to the investment adviser or general partner with respect to client accounts in such funds.

OAIM has a financial interest in the Funds, which it serves in an advisory capacity. OAIM's advisory role and related compensation is disclosed in the relevant private placement memorandum or accompanying fund organization document and those documents are provided to each prospective client prior to investment in the Funds. OAIM's employees devote as much of their time to the activities of the Funds as OAIM deems necessary and appropriate

OAIM engages the services of sub-advisors for the Funds in its discretion. Currently, Penn Capital Management sub-advises CSO and ROC Resources sub-advises OPEI, OPECO, OGR and ODP. Penn and ROC have discretion over Fund assets in the case of CSO and ODP, respectively.

## ITEM 12      BROKERAGE PRACTICES

### A.      Factors Considered in Selecting or Recommending Broker Dealers for Client Transactions

OAIM does not recommend broker-dealers for client transactions, and OAIM does not directly order any trade transactions on behalf of its Fund clients.

CSO: OAIM has given Penn the authority to select broker-dealers to be used for all transactions of the Master Fund.

All PE Funds:



Since OAIM anticipates that the securities of its underlying funds and portfolio companies will not be publicly traded, OAIM does not anticipate engaging any broker-dealer to effect transactions in securities of Underlying Funds and Portfolio Companies.

## ITEM 13 REVIEW OF ACCOUNTS

### A. Frequency and Nature of Review of Client Accounts or Financial Plans

#### CSO:

- ☒ Penn reviews CSO's investment portfolio on a day-to-day basis:
  - to verify trading and determine whether the portfolio is in compliance with CSO's investment objective/strategy/applicable guidelines or limits as set forth in the offering memorandum;
  - with respect to current earnings projections, yield levels, potential for the securities to be called by the issuers, risk reward parameters, industry concentrations and other factors;
  - to monitor relative values to evaluate the continued attractiveness of each security relative to other investment opportunities.
- ☒ OAM's Portfolio Review Board conducts:
  - a formal review of CSO's portfolio on a periodic basis; and
  - an informal review on a continuous basis for the same purposes as Penn above
- ☒ OAIM's Valuation Committee: determines the fair value of any investments for which fair market value prices are not readily obtainable (generally, distressed or illiquid securities) in accordance with its fair value procedures.

#### All PE Funds:

- ☒ OAIM and ROC: review specific investments/securities held, asset mix of each Fund, availability of cash for the investment and performance of the Fund
  - ROC also reviews the above with respect to the Underlying Funds
- ☒ ROC reviews whether each PE Fund is in compliance with its investment strategy/applicable guidelines or limits as set forth in the PE Fund's offering memorandum. (This review is conducted after the investment has been made. The review is not conducted for the purpose of assessing whether to sell or maintain investments; rather for the purpose of assessing whether to make a new investment.)

#### OPECO, OGR PE and OGR PE Offshore:

- ☒ OAM's Alternative Investments Oversight Committee:
  - Conducts oversight review of due diligence process for potential investments
- ☒ OAM's Portfolio Review Board: meets on a periodic basis to review accounts and collective investment vehicles managed by OAM and OAIM portfolio managers.

B. Content and Frequency of Account Reports to Clients

The PE Funds:

Each investor receives:

- a) A written annual audited financial report, expected to be delivered within 180 days after the end of the fiscal year audited or as promptly as possible thereafter;
- b) Written unaudited quarterly performance reports as soon as practicable after the end of each quarter; and
- c) Written Schedule K-1s as soon as practicable after receipt of all the necessary information and after completion of the Fund's annual audit.
- d) other information that OAIM deems appropriate.

CSO:

Each investor receives:

- a) a written audited financial statement, expected to be delivered within 120 days after the end of the fiscal year audited or as promptly as possible thereafter;
- b) written unaudited quarterly performance reports (which state the current NAV, the change in NAV from the previous quarter and other information) within 60 days after the end of each calendar quarter; and
- c) written Schedule K-1s as soon as practicable after receipt of all the necessary information and after completion of the CSO's annual audit.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients

OAIM does not receive economic benefits from non-clients for providing investment advice or other advisory services to clients.

B. Compensation to Non-Supervised Persons for Client Referrals

Oppenheimer Financial Advisors receive a portion of the management fee and any performance fees paid with respect to interests in the Funds held by their clients. Additionally, certain Oppenheimer Financial Advisors may, with the investor's consent, charge investors an additional upfront placement fee.

ITEM 15 CUSTODY

Under SEC rules, as General Partner, OAIM is deemed to have custody of Fund client assets. Morgan Stanley & Co. Incorporated, a qualified custodian, maintains the assets held by CSO. The Bank of New York Mellon, a qualified custodian, maintains assets held by OGR PE, OGR PE Offshore, and ODP. Oppenheimer & Co. Inc., a qualified custodian, maintains assets for OPEI and OPECO. Deutsche Bank (Cayman) Limited, a qualified custodian, maintains assets of OPEI Offshore and OPECO Offshore.

Each of the Funds is subject to an annual audit. OAIM distributes each Fund's audited financial statements to the Fund's investors within 120 days after the Fund's fiscal year end or, with respect to Funds that are fund-of-funds (OPEI and OGR PE), within 180 days after the fund-of-fund's fiscal year end. Such financial statements are prepared in accordance with generally accepted accounting principles (GAAP) and are audited by:

CSO:	Ernst & Young LLP
OGR PE:	Rothstein, Kass & Company, P.C.
OGR PE Offshore:	Rothstein, Kass & Company (Cayman)
OPEI:	Rothstein, Kass & Company, P.C.
OPEI Offshore:	Rothstein, Kass & Company (Cayman)
OPECO	Rothstein, Kass & Company, P.C.
OPECO Offshore	Rothstein, Kass & Company (Cayman)
ODP	Rothstein, Kass & Company, P.C.

The above mentioned are each an independent public accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board. Upon liquidation of a Fund, OAIM distributes the liquidated Fund's final audited financial statements prepared in accordance with GAAP to all limited partners promptly after the completion of such final audit.

#### ITEM 16 INVESTMENT DISCRETION

OAIM exercises discretionary authority in managing the Funds, except with respect to ODP for which ROC exercises investment discretion and CSO for which Penn exercises investment discretion.

#### ITEM 17 VOTING CLIENT SECURITIES

##### A. Policies and Procedures Relating to Voting Client Securities

##### OPEI and OPECO

As General Partner of OPEI and OPECO, OAIM has broad authority and power of attorney. OAIM intends to vote proxies received by these funds and to act on other general requests for action in accordance with its Proxy Voting Policies and Procedures.

OPEI Offshore and the OPECO Offshore invest all or substantially all of their assets in OPEI and the OPECO, respectively. Accordingly, OAIM does not anticipate having to vote any proxies with respect to investments of OPEI Offshore and OPECO Offshore except in limited circumstances (*i.e.*, amendments to the partnership agreements of OPEI and the OPECO, extensions of the term of OPEI and the OPECO or replacement of the general partner of OPEI and the OPECO).

OAIM anticipates that OPEI will have limited matters presented for its approval since it is a fund of funds and invests in Underlying Funds. OPECO will hold securities in portfolio companies. The nature of these investments may present more instances in which OPECO may exercise its voting rights with respect to such investments.

OAIM's Proxy Voting Policies and Procedures may apply to matters that are presented for approval of the funds. For example, OAIM may exercise proxies relating to tender offers or

exchanges related to individual investments, bankruptcy proceedings related to individual investments, the merger, recapitalization or reorganization of an individual investment, class actions related to individual investments, solicitations with regard to alterations of the organizational documents (*i.e.*, partnership agreements or operating agreements) of portfolio companies or Underlying Funds, extensions of the existence of Underlying Funds, the termination of one of the Underlying Fund's investment managers or of a general partner of an Underlying Fund and issues with regard to securities received as in kind distributions.

Corporate actions are voted on a case-by-case basis. When voting on corporate actions on behalf of a Fund, OAIM's utmost concern is that all decisions be made in best interest of the Fund. Therefore, OAIM will act in a manner deemed prudent and diligent and which is intended to enhance the economic value of the assets of the Fund.

From time to time proxy proposals may present conflicts between the interest of the Funds and the interests of OAIM, its sole member (OAM), its affiliates and respective employees. Such conflicts may arise when proxy votes on non-routine matters are solicited by an issuer that has a business relationship with OAIM, OAM or its affiliates. If OAIM receives a proxy proposal that raises an actual and a material conflict of interest, OAIM will vote the proposals according to the policies of an independent third party. Alternatively, OAIM may disclose the conflict of interest to the applicable fund and obtain instructions from the fund on how to vote on the proposal.

Clients may request information on how OAIM has voted such client's proxies and may request OAIM's Proxy Voting Policies and Procedures by contacting:

Oppenheimer Alternative Investment Management, LLC  
85 Broad Street, 24<sup>th</sup> Floor, New York, NY 10004  
212-885-4794

### CSO

Penn will make all investment decisions for the Master Fund and will vote any proxies with respect to the investments of the Master Fund in accordance with its own proxy voting policies and procedures. OAIM does not anticipate having to vote any proxies with respect to the CSO's investment in the Master Fund except in limited circumstances. OAIM's utmost concern is that all decisions be made in the best interest of CSO and its investors. OAIM will act in a manner deemed prudent and diligent and which is intended to enhance the economic value of the assets of CSO and its clients' investments in CSO.

### All PE Funds other than ODP

To the extent any of these Funds is entitled to vote on any matter with respect to its portfolio securities, each of the Funds has delegated responsibility to vote any proxies the fund may receive to OAIM, who will vote the proxy in accordance with its proxy voting policies and procedures. These policies are reasonably designed to ensure that OAIM votes proxies in the best interests of investors in the applicable Fund and addresses how OAIM resolves any conflict of interest that may arise when voting proxies.

ODP

To the extent that ODP is entitled to vote on any matter with respect to its portfolio securities, ROC will vote the proxy in accordance with its proxy voting policies and procedures.

ITEM 18 FINANCIAL INFORMATION

Not Applicable.