

**Item 1 – Cover Page**

**Form ADV, Part 2: Brochure**



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November 6, 2013

This Form ADV, Part 2 (the "Brochure") provides information about the qualifications and business practices of Oak Circle Capital Partners LLC ("we," "us," the "Manager" or "OCCP"). If you have any questions about the contents of this Brochure, please contact us by telephone at (212) 328-9521 and/or by email at [doston@oakcirclecapital.com](mailto:doston@oakcirclecapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any other securities authority.

From time to time, OCCP refers to itself as a "registered investment adviser" or describes itself as "registered." Registration does not include or imply a certain level of skill or training. Neither the SEC, the securities regulatory authority of any state, nor the securities regulatory authority of any other jurisdiction has approved or disapproved OCCP's regulatory status, or passed upon the adequacy or accuracy of this Brochure.

Additional information about OCCP is also available on the SEC's website at: [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

**Item 2 –Material Changes**

The only material change made since our annual updated filing on April 3, 2013, are reflected below:

**Change of Address:**

We have relocated our main office to 540 Madison Avenue, New York, New York 10022.

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#### **Item 4 –Advisory Business**

We are a Delaware limited liability company that commenced its management business on March 15, 2012. OCCP's management committee members are David Carroll, Kian-Fui (Paul) Chong, Darren Comisso and David Oston, as well as George Bumeder and Tom Burke who are the members of the management committee representing XL Global, Inc. XL Global, Inc., a subsidiary of XL Group plc made a strategic investment in us in March 2012.

We were formed for the purpose of becoming an external manager for Five Oaks Investment Corp. ("Five Oaks"). Five Oaks is a hybrid mortgage REIT which invests primarily in Agency RMBS and Non-Agency RMBS assets. See "Our Target Assets" below for a discussion of these assets. Five Oaks, which commenced operations on May 16, 2012, has submitted a Form S-11 to become a publicly traded real estate investment trust ("REIT") and is submitting an application to the New York Stock Exchange (the "NYSE") for a listing of its common stock under the symbol FOIC. A management agreement was entered into between OCCP and Five Oaks on May 16, 2012.

David Carroll is the CEO of Five Oaks. Kian Fui (Paul) Chong is Chief Investment Officer of Five Oaks. David Oston is Chief Financial Officer of Five Oaks. All of these persons are also our officers and employees, and none receive any compensation directly from Five Oaks. Our investment management professionals are solely responsible for all decisions involving the acquisition, disposition, financing and hedging of our target assets. None of the XL group of companies, nor any of their officers, directors or employees (including, without limitation, Messrs. Burke and Bumeder) participate in these decisions.

Pursuant to our management agreement with Five Oaks (the "management agreement"), we implement business strategy and perform certain services for Five Oaks, subject to oversight by Five Oaks' board of directors. We are responsible for, among other duties, (1) performing all of Five Oaks' day-to-day functions, (2) determining investment criteria in conjunction with Five Oaks' board of directors, (3) sourcing, analyzing and executing investments, asset sales and financings and (4) performing asset management duties.

We, among other services, perform portfolio management services on Five Oaks' behalf which include, but are not limited to, consulting with Five Oaks on the purchase and sale of, and other investment opportunities in connection with: its portfolio of assets; the collection of information and the submission of reports pertaining to its assets, interest rates and general economic conditions; periodic review and evaluation of the performance of the portfolio of assets; acting as liaison between Five Oaks and banking, mortgage banking, investment banking and other parties with respect to the purchase, financing and disposition of assets; and other customary functions related to portfolio

management.

As of March 15, 2013, our assets under management totaled \$96.4 million and were composed of \$79.9 million of mortgage-backed securities at fair value; \$9.4 million of Linked Transactions (defined below), net, at fair value; \$3.9 million of cash and cash equivalents and \$3.2 million of other assets.<sup>1</sup> “Linked Transactions” means the initial purchase of RMBS securities and contemporaneous financing with a repurchase agreement with the same counterparty from which the securities were purchased.

### **Five Oaks’ Investment Strategy**

Five Oaks’ objective is to provide attractive risk-adjusted returns to its investors over time through a combination of dividends and capital appreciation. Five Oaks relies on the expertise of OCCP’s team to selectively construct and actively manage a diversified mortgage investment portfolio by identifying asset classes that, when properly financed and hedged, are designed to produce attractive risk-adjusted returns across a variety of market conditions and economic cycles. We believe that the residential mortgage market will undergo significant change in the coming years as the role of Government Sponsored Entities is diminished, which we expect will create additional attractive investment opportunities for Five Oaks.

### **Our Target Assets**

We intend to continue to invest for Five Oaks in finance and manage mortgage-related investments which we define as Agency RMBS, Non-Agency RMBS and other mortgage-related investments. We assess the allocation of investments across our target asset classes based on the risk-adjusted relative value of each asset and the overall contribution of each asset to the performance of our investment portfolios and the value added to our investment portfolios. Additional factors that may impact the allocation of our investments include security, structure, seniority, credit enhancement, legal matters, geography and the profiles of underlying borrowers.

### **Agency RMBS**

We invest a portion of Five Oaks’ capital in Agency RMBS, which are RMBS for which the principal and interest payments are guaranteed by a U.S. Government agency, such as Ginnie Mae, or a U.S. Government-sponsored entity, such as Fannie Mae or Freddie Mac. The Agency RMBS Five Oaks owns and may acquire could be secured by fixed-rate mortgages, adjustable-rate mortgages or hybrid adjustable-rate mortgages. Fixed rate mortgages have interest rates that are fixed for the term of the loan and do not adjust. The interest rates on ARMs generally adjust annually (although some may adjust more frequently) to an increment over a specified interest rate index. Hybrid ARMs have interest rates that are fixed for a specified period of time (typically three, five, seven or ten years) and, thereafter, adjust to an increment over a specified interest rate index.

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<sup>1</sup> These figures are approximations pending final, quarter-end numbers.

ARMs and hybrid ARMs generally have periodic and lifetime constraints on how much the loan interest rate can change on any predetermined interest rate reset date.

The types of Agency RMBS in which we invest and intend to continue to invest for Five Oaks are as follows:

*Mortgage pass-through certificates*

Mortgage pass-through certificates are securities representing interests in “pools” of mortgage loans secured by residential real property where payments of both interest and principal, plus pre-paid principal, on the securities are made monthly to holders of the securities, in effect “passing through” monthly payments made by the individual borrowers on the mortgage loans that underlie the securities, net of fees paid to the issuer/guarantor and servicers of the securities. The principal and interest payments of these Agency RMBS are guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae, and are backed primarily by single family mortgage loans.

*Collateralized mortgage obligations*

CMOs are securities that are structured from residential pass-through certificates, which receive monthly payments of principal and interest. CMOs divide the cash flows that come from the underlying mortgage pass-through certificates into different classes of securities that may have different maturities and different weighted average lives than the underlying pass-through certificates. CMOs may be collateralized by whole mortgage loans but are more typically collateralized by portfolios of residential mortgage pass-through securities issued directly by or under the auspices of Fannie Mae, Freddie Mac or Ginnie Mae.

CMOs include stripped securities, which are mortgage-backed securities structured with two or more classes that receive different distributions of principal or interest on a pool of Agency RMBS. Stripped securities include interest only Agency RMBS and inverse interest only Agency RMBS, each of which we may invest in subject to maintaining Five Oaks’ qualification as a REIT.

*Interest only Agency RMBS (IOs)*

IOs are a stripped security that entitles the holder to receive monthly interest payments only. IOs represent the stream of interest payments on a pool of mortgages, either fixed rate mortgages or hybrid ARMs. The value of IOs depends primarily on two factors – interest rates

and the rate of principal payments (particularly prepayments). If we decide to invest in these types of securities, we anticipate doing so primarily to take advantage of particularly attractive prepayment-related or structural opportunities in the Agency RMBS markets.

*Inverse interest only Agency RMBS (IIOs)*

IIOs are IOs that have interest rates that move in the opposite direction of an interest rate index, such as LIBOR, and are subject to caps and floors. Inverse interest only Agency RMBS entitles the holder to interest only payments based on a notional principal balance, which is typically equal to a fixed rate of interest on the notional principal balance less a floating rate of interest on the notional principal balance that adjusts according to an index subject to set minimum and maximum rates. The value of IIOs will generally decrease when its related index rate increases and increase when its related index rate decreases.

*TBAs*

We may utilize “to-be-announced” forward contracts in order to invest in Agency RMBS. Pursuant to these TBAs, we would agree to purchase, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered would not be identified until shortly before the TBA settlement date. Our ability to purchase Agency RMBS through TBAs may be limited by the 75% income and asset tests applicable to REITs

**Non-Agency RMBS**

We invest a portion of Five Oaks’ capital in Non-Agency RMBS. Non-Agency RMBS are residential mortgage securities that are not guaranteed by a U.S. Government agency or a U.S. Government-sponsored entity. Our investment focus has been on Legacy Non-Agency RMBS that when originally issued were rated in the highest rating category by one or more of the nationally recognized statistical rating organizations but that trade at a discount to par at the time of purchase. We consider Non-Agency RMBS to be “Legacy” if it was issued prior to the end of 2008. We intend to expand our focus to include New Issue Non-Agency RMBS, which we consider to be Non-Agency RMBS issued since the beginning of 2009.

The mortgage loan collateral for Non-Agency RMBS consists of residential mortgage loans that do not generally conform to underwriting guidelines issued by a U.S. Government agency or U.S. Government-sponsored entity due to certain factors, including mortgage balances in excess of Agency underwriting guidelines and borrower

characteristics, loan characteristics and level of documentation that are below Agency underwriting guidelines and therefore are not issued or guaranteed by an agency. The mortgage loan collateral may be classified as subprime, Alternative-A or prime depending on the borrower's credit rating. The Non-Agency RMBS we may acquire could be secured by fixed-rate mortgages, adjustable-rate mortgages or hybrid adjustable-rate mortgages.

### **Other Mortgage-Related Investments**

Other residential mortgage-related investments in which we may invest for Five Oaks are as follows:

<i>Prime mortgage loans</i>	Prime mortgage loans are residential mortgage loans that conform to the underwriting guidelines of a U.S. Government agency or a GSE but that do not carry any credit guarantee from either a U.S. Government agency or a GSE. Jumbo prime mortgage loans are prime mortgage loans that conform to such underwriting guidelines except as to loan size.
<i>Non-prime mortgage loans</i>	Non-prime mortgage loans are residential mortgage loans that do not meet all of the underwriting guidelines of the GSEs. Consequently, these loans may carry higher credit risk than prime mortgage loans. Non-prime mortgage loans may allow borrowers to qualify for a mortgage loan with reduced or alternative forms of documentation. This category includes loans commonly referred to as Alt-A or as subprime.
<i>Other MBS</i>	We may also invest in mortgage-backed securities, or MBS, for which the principal and interest payments are guaranteed by a U.S. Government-sponsored entity but for which the underlying mortgage loans are secured by real property other than single family residences. These may include, but are not limited to the Fannie Mae's DUS (Delegated Underwriting and Servicing) MBS, Freddie Mac's Multifamily Mortgage Participation Certificates and Ginnie Mae's project loan pools or CMOs structured from such collateral. We may invest in credit enhancement or B Notes derived from pools of Agency and/or non-Agency pools.
<i>Mortgage-related derivatives</i>	As part of our investment and risk management strategy, we may enter into derivative transactions as a method of enhancing our risk/return profile and/or hedging existing or emerging risks within our investment portfolio. These transactions may include,



but are not limited to, buying or selling forward positions and credit default swaps. We intend to implement this strategy based upon overall market conditions, the level of volatility in the mortgage market, the size of Five Oaks' investment portfolio and Five Oaks' intention to qualify as a REIT.

*Other real estate related investments*

Other real estate related investments may include excess interest-only instruments and other investments that may arise as the mortgage market evolves.

## **Item 5 – Fees and Compensation**

### **Management Fee**

For the services we render under the management agreement, Five Oaks pays us a management fee in an amount equal to 1.5% per annum, calculated and payable monthly in arrears, of our stockholders' equity. For purposes of calculating the management fee, "stockholders' equity" means the sum of the net proceeds from any issuances of Five Oaks' equity securities since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), plus retained earnings, calculated in accordance with GAAP at the end of the most recently completed fiscal quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less any amount that paid for repurchases of shares of common stock, excluding any unrealized gains, losses or other non-cash items that have impacted stockholder's equity as reported in the financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss, or in net income, and excluding one-time events pursuant to changes in GAAP and certain other non-cash charges after discussions between us and Five Oaks' independent directors and after approval by a majority of such independent directors. We use the proceeds from the Management Fee in part to pay compensation to our officers and personnel who, notwithstanding that certain of them are also officers of Five Oaks, receive no compensation directly from Five Oaks.

We do not receive any incentive-based compensation from Five Oaks.

As a component of our compensation, Five Oaks may issue stock-based compensation to us under a Manager Equity Plan. The restricted stock units that may be issued under this plan at any time may not exceed 3% of Five Oaks' then outstanding stockholders' equity.

### **Termination Fee**

Five Oaks is obligated to pay us a termination fee equal to three times the average annual management fee earned by us during the prior 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter prior to such termination, but only if Five Oaks terminates the management agreement without "Cause" as defined in that agreement.

### **Reimbursement of Expenses**

Five Oaks pays all of its costs and expenses (including for goods and services provided by third parties) incurred on behalf of Five Oaks or in connection with the management agreement, except for costs and expenses not reimbursable under the management agreement, which are costs and expenses specifically required to be borne by us under the management agreement. The expenses required to be paid by Five Oaks, or reimbursed by Five Oaks to us, include:

- all costs and expenses associated with Five Oaks' formation and capital raising activities, including the costs and expenses of the preparation of registration statements, any and all costs and expenses of Five Oaks' May 2012 private placement, any subsequent private or public offerings and any filing fees and costs of Five Oaks being a public company, including filings with the SEC, the Financial Industry Regulatory Authority and the NYSE (or any other exchange or over-the-counter market), among other such entities;
- all costs and expenses in connection with the acquisition, origination, disposition, development, modification, protection, maintenance, financing, refinancing, hedging, administration and ownership of Five Oaks' assets (including costs and expenses incurred for transactions that are not subsequently completed), including costs and expenses incurred in contracting with third parties, including our affiliates, to provide such services, such as legal fees, accounting fees, consulting fees, loan servicing fees, trustee fees, appraisal fees, insurance premiums, commitment fees, brokerage fees, guaranty fees, ad valorem taxes, costs of diligence, foreclosure, maintenance, repair and improvement of property and premiums for insurance on property owned or leased by Five Oaks;
- all legal, audit, accounting, consulting, underwriting, brokerage, listing, filing, custodian, transfer agent, rating agency, registration and other fees and charges, printing, engraving and other expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and stock exchange listing of Five Oaks' equity securities or debt securities;
- all costs and expenses in connection with legal, accounting, due diligence (including due diligence costs for assets that are not subsequently acquired), securitization, property management, brokerage, leasing and other services that outside professionals or outside consultants perform or otherwise would perform on Five Oaks behalf and that are performed by us or our affiliates;
- all expenses relating to communications to holders of Five Oaks' equity securities or debt securities and the other third party services utilized in maintaining relations with holders of such securities and in complying with the continuous reporting and other requirements of governmental bodies or agencies (including the SEC), including any costs of computer services in connection with this function, the cost of printing and mailing certificates for such securities and proxy solicitation materials and reports to holders of Five Oaks' securities and the cost of any reports to third parties required under any indenture to which Five Oaks is a party;
- all costs and expenses of money borrowed by Five Oaks, including principal, interest and the costs associated with the establishment and

maintenance of any credit facilities, warehouse loans, repurchase agreements and other indebtedness of Five Oaks (including commitment fees, accounting fees, legal fees, closing and other costs and expenses);

- all taxes and license fees applicable to Five Oaks, including interest and penalties thereon;
- all fees paid to and expenses of third-party advisers and independent contractors, consultants, managers and other agents (including real estate underwriters, brokers and special servicers) engaged by Five Oaks or by us for Five Oaks' account;
- all insurance costs incurred by Five Oaks, including any costs to obtain liability or other insurance to indemnify us and underwriters of any of Five Oaks' securities;
- all costs and expenses relating to the acquisition of, and maintenance and upgrades to, Five Oaks' portfolio accounting systems;
- all compensation and fees paid to Five Oaks' directors (excluding those directors who are also our officers or employees), all expenses of Five Oaks' directors (including those directors who are also our employees), the cost of directors' and officers' liability insurance and premiums for errors and omissions insurance and any other insurance deemed necessary or advisable by Five Oaks' board of directors for Five Oaks' benefit and that of Five Oaks' directors and officers (including those directors who are also our employees);
- all third-party legal, accounting and auditing fees and expenses and other similar services relating to Five Oaks operations (including all quarterly and annual audit or tax fees and expenses and all outsourced internal audit costs);
- all of our third-party legal, expert and other fees and expenses relating to any actions, proceedings, lawsuits, demands, causes of action and claims, whether actual or threatened, made by or against us or Five Oaks (in connection with our services on its behalf) or which we or Five Oaks is authorized or obligated to pay under applicable law or its or our governing instruments or by our board of directors;
- any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise) against Five Oaks or us, or against any of Five Oaks' directors or officers in his or her capacity as such for which Five Oaks is required to indemnify such director or officer by any court or governmental agency, or settlement of pending or threatened proceedings;

- all reasonable and documented travel and related expenses of directors, officers and employees of Five Oaks or us, incurred in connection with attending meetings of Five Oaks' board of directors, attending meetings of holders of Five Oaks' securities or performing other business activities that relate to Five Oaks, including reasonable and documented travel and expenses incurred in connection with the purchase, consideration for purchase, financing, refinancing, sale or other disposition of any asset or potential investment or establishment and maintenance of any repurchase agreements, warehouse facilities, borrowings under programs established by the U.S. Government, other secured and unsecured forms of borrowings or any of Five Oaks' securities offerings, in each case to the extent that such expenses are reimbursable under Five Oaks' travel and expense reimbursement policy (provided that such policy and any material changes to such policy are mutually approved by us and Five Oaks by a majority vote of its independent directors);
- all expenses of organizing, modifying or dissolving Five Oaks and costs preparatory to entering into a business or activity or of winding up or disposing of a business activity;
- all expenses relating to payments of dividends or interest or distributions in cash or any other form made or caused to be made by Five Oaks' board of directors to or on account of holders of Five Oaks' securities, including in connection with any dividend reinvestment plan;
- all costs and expenses associated with any computer software, hardware, electronic equipment or purchased information technology services from third party vendors that is used primarily for Five Oaks;
- costs and expenses incurred with respect to market information systems and publications, research publications and materials, including financial analytics and market data, and settlement, clearing and custodial fees and expenses relating to any of Five Oaks' assets;
- the costs and expenses incurred with respect to administering the Manager Equity Plan (and any additional equity incentive plans adopted by Five Oaks in the future);
- the costs and expenses of maintaining compliance with all U.S. federal, state and local income tax provisions and regulations and any applicable regulatory body rules and regulations;
- expenses relating to any office or office facilities, including disaster backup recovery sites and facilities, maintained for Five Oaks separate from our offices;

- all other expenses relating to Five Oaks' business and investment operations, including the costs and expenses of acquiring, originating, owning, protecting, maintaining, financing, refinancing, developing, modifying and disposing of assets; and
- all other reasonable and documented expenses actually incurred by us or our affiliates or our or their respective managers, officers, directors, employees, members, representatives or agents, or any affiliates thereof, that are reasonably necessary for the performance by us of our duties and obligations under the management agreement.

In addition, Five Oaks may be required to pay its pro rata portion of our rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses required for Five Oaks' operations.

We will not be reimbursed for the salaries and other compensation of our (and our affiliates') personnel other than our chief financial officer, general counsel and other corporate finance, tax, accounting, internal audit, legal risk management, operations, compliance and other non-investment personnel who spend all or a portion of their time managing our affairs, based on the percentage of time each spends on our affairs.

In addition to the above, we may retain, for and on behalf of Five Oaks, such services of accountants, legal counsel, appraisers, insurers, brokers, transfer agents, registrars, financial printers, developers, investment banks, financial advisors, internal audit service providers, due diligence firms, underwriting review firms, banks and other lenders, surveyors, engineers, environmental and seismic consultants, information technology consultants, tax advisors and preparers, other consultants, agents, contractors, vendors, advisors and others we deem necessary or advisable in connection with the management and operations of Five Oaks. Notwithstanding anything contained herein to the contrary, we shall have the right to cause any such services to be rendered by our employees or affiliates. Except as otherwise provided herein, Five Oaks will pay or reimburse us or our affiliates performing such services for the cost thereof; *provided*, that such costs and reimbursements are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis.

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

We do not accept performance-based fees based, for example, on a share of capital gains on or capital appreciation of, the assets of Five Oaks. Because we only manage the business and operations of Five Oaks, there is no conflict of interest based on charging different fee schedules to different clients.

As described above in Item 5, Five Oaks pays us a management fee in an amount equal to 1.5% per annum, calculated and payable monthly in arrears, of our stockholders' equity, as defined in Item 5 to exclude unrealized gains, losses and other non-cash items. As the result of a fee structure that is not directly tied to Five Oaks' performance, but instead on a measure of stockholders' equity, we may not be sufficiently incentivized to pursue a business strategy that maximizes risk-adjusted returns on the Five Oaks portfolio. Instead, we are incentivized to increase stockholders' equity, for example by recommending follow-on stock offerings, in a manner that may not necessarily be in line with the interests of Five Oaks' existing stockholders. Furthermore, we have a contractual as opposed to fiduciary relationship with Five Oaks under the management agreement.

To the extent deemed appropriate, we may in the future adopt additional conflict of interest resolution policies and procedures designed to protect the business interests of Five Oaks.

## **Item 7 –Types of Clients**

OCCP provides investment and portfolio management services, among other business services, to Five Oaks, a mortgage REIT that invests primarily in Agency and Non-Agency RMBS securities pursuant to the management agreement between OCCP and Five Oaks (please refer to Item 4 for further details). From time to time, a portion of Five Oaks' portfolio may be invested in unsecured notes and bonds issued by U.S. Government-chartered entities, U.S. Treasuries and money market instruments, subject to certain income tests Five Oaks must satisfy for qualification as a REIT.

Five Oaks is a recently organized Maryland corporation focused on investing in, financing and managing a leveraged portfolio of Agency and Non-Agency RMBS, residential mortgage loans and other mortgage-related investments, which we collectively refer to as its target assets (see Item 4 for a discussion of these assets). We believe that our hybrid model of investing in both Agency and Non-Agency RMBS positions us to benefit from anticipated changes in the residential mortgage market in the coming years as the role of Government Sponsored Entities are reduced, providing us with attractive investment opportunities across the Agency and Non-Agency RMBS sectors and potentially enhancing Five Oaks' ability to deliver attractive risk-adjusted returns to its investors.

Five Oaks' business plan is to identify and acquire its target assets, finance its acquisitions with borrowings under a series of short-term repurchase agreements at competitive interest rates and then cost-effectively mitigate its interest rate and other risks based on its entire portfolio of assets, liabilities and derivatives and our view of the market. Successful implementation of Five Oaks' business plan requires it to address interest rate risk, maintain adequate liquidity and effectively mitigate interest rate risks. We assist Five Oaks in executing its business plan in a manner consistent with its intention of qualifying as a REIT.



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

### **Our Investment Strategy**

Five Oaks' objective is to provide attractive risk-adjusted returns to its investors over time through a combination of dividends and capital appreciation, and relies on our expertise in meeting this objective. We selectively construct and actively manage a diversified mortgage investment portfolio by identifying asset classes that, when properly financed and hedged, are designed to produce attractive risk-adjusted returns across a variety of market conditions and economic cycles. We believe that the residential mortgage market will undergo dramatic change in the coming years as the role of GSEs is diminished, which we expect will create attractive investment opportunities for Five Oaks.

We intend to continue to invest in, finance and manage mortgage-related investments, which we define as Agency RMBS, Non-Agency RMBS and other mortgage-related investments. We assess the allocation of investments across Five Oaks' target asset classes based on the risk-adjusted relative value of each asset and the overall contribution of each asset to the performance of its investment portfolios and the value added to its investment portfolios. Additional factors that may impact the allocation of our investments include security, structure, seniority, credit enhancement, legal matters, geography and the profiles of underlying borrowers.

We are a relative value investor in RMBS. We use a cross-product approach, conducting top-down market assessments with respect to various subsets of the RMBS market in order to identify the most attractive segments and investment opportunities. In employing this detailed analysis, we seek to best capture market inefficiencies and identify the most attractive securities. We select our RMBS based on factors that include extensive analysis of the underlying loans, including prepayment trends, average remaining life, amortization schedules, fixed versus floating interest rates, geographic concentration, property type, loan-to-value ratios and credit scores. The multi-trillion dollar size of the U.S. RMBS market enables us to be selective with our investments and target only the securities we deem to be the most attractive. We believe this holistic, relative-value approach to the Non-Agency and Agency RMBS investments has the potential to generate higher risk-adjusted returns than an approach that focuses on a single sector of the residential mortgage market.

We construct and manages our RMBS investment portfolio through the use of focused qualitative and quantitative analysis, which helps us manage risk on a security-by-security and portfolio basis. We rely on a variety of proprietary and third-party analytical tools and models, which we customize to our needs. We focus on in-depth analysis of the numerous factors that influence our target assets, including:

- fundamental market and sector review;
- cash flow analysis;
- disciplined security selection;

- controlled risk exposure; and
- balance sheet management.

We also use these tools to guide the hedging strategies we have developed to the extent consistent with the requirements for Five Oaks' qualification as a REIT.

### **Investment Guidelines**

Five Oaks' board of directors has adopted a set of investment guidelines that sets forth target asset classes and other criteria to be used by us to evaluate specific assets as well as overall portfolio composition. We make determinations as to the percentage of its assets that will be invested in each of the target asset classes, consistent with the investment guidelines adopted by Five Oaks' board of directors and the limits necessary to maintain Five Oaks' qualification as a REIT and its exclusion under the Investment Company Act. Our investment decisions depend on prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments. We have invested in both Agency and Non-Agency RMBS in Five Oaks' current portfolio. We cannot predict, however, the percentage of Five Oaks' assets that will be invested in any of the target asset classes at any given time in the future.

Our investment advisory services are subject to the following investment guidelines that have been adopted by the board of directors of Five Oaks:

- no investment shall be made that would cause Five Oaks to fail to qualify as a REIT for federal income tax purposes;
- no investment shall be made that would cause Five Oaks to be regulated as an investment company under the Investment Company Act of 1940 (the "1940 Act");
- Five Oaks' investment portfolio shall consist of its target assets, which consist primarily of Agency and Non-Agency RMBS securities, and may in the future include other mortgage-related investments.

Five Oaks' investment guidelines may be changed from time to time by its board of directors without the approval of its stockholders. Changes to Five Oaks' investment guidelines may include modification or expansion of the types of assets in which it may invest. Any changes to these investment guidelines will be disclosed in the next required periodic report following the approval of such changes by Five Oaks' board of directors.

## **Our Financing Strategy and Leverage**

We advise and assist Five Oaks to fund the acquisition of its assets through the use of leverage from a number of financing sources, subject to maintaining its qualification as a REIT. We intend to assist Five Oaks in financing Agency and Non-Agency RMBS primarily through the use of repurchase agreements.

Five Oaks' organizational documents and investment guidelines do not place any limit on the maximum amount of leverage that it may use, it is not required to maintain any particular debt-to-equity leverage ratio, and it may also change its financing strategy and leverage without the consent of its stockholders.

Nonetheless, we generally advise Five Oaks to borrow between three and six times the amount of its stockholders' equity, although on a short term basis we may recommend a higher level of leverage. The goal of the leverage strategy that we recommend is to ensure that, at all times, Five Oaks' investment portfolio's leverage ratio is appropriate for the level of risk inherent in the investment portfolio and that each asset class has individual leverage targets that are appropriate for its potential price volatility.

## **Hedging Strategy**

As part of the risk management strategy that we apply to Five Oaks, we actively manage the financing, interest rate, credit, prepayment and convexity risks associated with holding a portfolio of Agency and Non-Agency RMBS. We utilize our expertise to manage these risks on Five Oaks' behalf, and, subject to maintaining its qualification as a REIT, we may incorporate various hedging, asset/liability risk management and credit risk mitigation techniques in order to facilitate our risk management process.

## **Interest Rate Risk**

We assist Five Oaks in hedging some of its exposure to potential interest rate mismatches between the interest earned on longer term investments and the borrowing costs on its shorter term borrowings. Because a majority of leverage will continue to be in the form of repurchase agreements, financing costs will fluctuate based on short-term interest rate indices, such as the London Interbank Offered Rate, or LIBOR. Because some of Five Oaks' investments will be in assets that have fixed rates of interest and mature in up to 30 years, the interest earned on those assets will generally not move in tandem with the interest rates paid on the repurchase agreements, which generally have a maturity of less than one year. As a result, Five Oaks may experience reduced income or losses based on these rate movements. In order to mitigate such risk, we may utilize certain hedging techniques to effectively lock in the spread between the interest earned on assets and the interest paid on financing costs. Subject to maintaining Five Oaks' qualification as a REIT, these hedging techniques may include interest rate swap agreements, interest rate swaptions, interest rate caps or floor contracts, futures or forward contracts and other derivative securities.

## **Prepayment Risk**

Because residential borrowers are able to prepay their mortgage loans at par at any time, Five Oaks faces the risk that it will experience a return of principal on its investments earlier than anticipated, and it may have to re-invest that principal at potentially lower yields. Because prepayments on residential mortgages generally accelerate when interest rates decrease and slow when interest rates increase, mortgage securities typically have “negative convexity.” In other words, certain mortgage securities in which Five Oaks invests may increase in price more slowly than most other RMBS, or even fall in value, as interest rates decline. Conversely, certain mortgage securities in which Five Oaks invests may decrease in value more quickly than most other RMBS of similar duration as interest rates increase. In order to manage prepayment and interest rate risks, we monitor, among other things, our “duration gap” and convexity exposure. Duration is the relative expected percentage change in market value of our assets that would be caused by a parallel change in short and long-term interest rates. Convexity exposure relates to the way the duration of a mortgage security changes when the interest rate and prepayment environment changes.

## **Credit Risk**

We advise Five Oaks to accept mortgage credit exposure at levels we deem prudent as an integral part of our diversified investment strategy. Therefore, Five Oaks may retain the risk of potential credit losses on the loans underlying the Non-Agency RMBS it holds. We will seek to manage this risk through prudent asset selection, pre-acquisition due diligence, post-acquisition performance monitoring, sale of assets which we identify as experiencing negative credit trends, the use of various types of credit enhancements and by using non-recourse financing, which limits Five Oaks’ exposure to credit losses to the specific pool of mortgages subject to the provisions of the non-recourse financing. Subject to maintaining Five Oaks’ qualification as a REIT, our overall management of credit exposure may also include credit default swaps or other financial derivatives that we believe are appropriate. Additionally, we intend to vary the percentage mix of Agency and Non-Agency RMBS in an effort to actively adjust our credit exposure and to improve the risk/return profile of the investment portfolio. Nevertheless, actual credit losses could adversely affect operating results.

## **Risk Factors**

An investment in Agency and Non-Agency RMBS involves various risks that Five Oaks should be willing to accept. Five Oaks should consider carefully the risks discussed below. If any of the following risks occurs, Five Oaks’ business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of its securities could decline and Five Oaks may lose some or all of its investment.

**Risks Related to Structural and Market Conditions for our Client's Investments**

- Five Oaks operates in a highly competitive market for investment opportunities and competition may limit the ability to acquire desirable investments in Agency and Non-Agency RMBS and could also affect the pricing of these securities.
- The lack of liquidity in Five Oaks' investments may adversely affect its business.
- Adverse developments in the broader residential mortgage market may adversely affect the value of the assets in which we intend to invest.
- The mortgage loans underlying the Non-Agency RMBS Five Oaks may acquire will be subject to defaults, foreclosure, timeline extension, fraud and residential price depreciation and unfavorable modification of loan principal amount, interest rate and amortization of principal, which could result in losses to Five Oaks.
- Five Oaks may be affected by alleged or actual deficiencies in foreclosure practices of third parties, as well as related delays in the foreclosure process.
- An increase in interest rates may cause a decrease in the volume of certain of Five Oaks' assets, which could adversely affect our ability to assist Five Oaks to acquire assets that satisfy our investment objectives and to generate income and make distributions.
- Changes in prepayment rates may adversely affect Five Oaks' profitability.
- The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U.S. Government, may adversely affect Five Oaks' business.
- Mortgage loan modification and refinancing programs and future legislative action may adversely affect the value of, and returns on, Agency RMBS, Non-Agency RMBS and other mortgage-related investments.
- Actions of the U.S. Government, including the U.S. Congress, U.S. Federal Reserve, U.S. Treasury Department and other governmental and regulatory bodies, to stabilize or reform the financial markets may not achieve their intended effect and may adversely affect Five Oaks' business.
- Five Oaks will be subject to the risk that U.S. Government agencies and/or GSEs may not be able to fully satisfy their guarantees of Agency RMBS

or that these guarantee obligations may be repudiated, which may adversely affect the value of Five Oaks' assets and its ability to sell or finance these securities.

- An increase in Five Oaks' borrowing costs relative to the interest received on its assets may adversely affect its profitability and cash available for distribution to Five Oaks' stockholders.
- Hedging against interest rate exposure may adversely affect Five Oaks' earnings, which could reduce cash available for distribution to its stockholders.
- Five Oaks may experience a decline in the market value of its assets.
- Some of Five Oaks' portfolio investments will be recorded at fair value and, as a result, there will be uncertainty as to the value of these investments.
- Our management fee is payable by Five Oaks regardless of our performance.

**Risks Related to Financing Strategies, Guidelines and Policies**

- Five Oaks expects to use leverage in executing its business strategy, which may adversely affect the return on its assets and may reduce cash available for distribution to its stockholders, as well as increase losses when economic conditions are unfavorable.
- If a counterparty to Five Oaks' repurchase transactions defaults on its obligation to resell the underlying security back at the end of the transaction term, or if the value of the underlying security has declined as of the end of that term, we will lose money on our repurchase transactions.
- Failure to procure adequate repurchase agreement financing, which generally have short terms, or to renew or replace repurchase agreement financing as it matures, would adversely affect results of operations.

**Risks Related to our Client's Corporate Structure**

- Five Oaks' board of directors has approved very broad investment guidelines and will not approve each investment and financing decision we make.
- Complying with REIT requirements may cause Five Oaks to forgo otherwise attractive opportunities.
- Five Oaks may change its target assets, investment or financing strategies and other operational policies, which may adversely affect its business, financial condition and results of operations.

**Item 9 –Disciplinary Information**

Investment advisers registered with the SEC are required to disclose all material facts regarding any legal or disciplinary events that could be important to a client's evaluation of OCCP or the integrity of OCCP's management. OCCP has no such legal or disciplinary actions to disclose.



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

OCCP has arrangements that are material to its advisory business with its affiliate, Five Oaks. As described in Item 4, OCCP has entered into a management agreement with Five Oaks through which OCCP manages the business and affairs of Five Oaks.

Although OCCP has the right to use affiliates or sub-advisers to perform a portion of its duties under the management agreement, OCCP currently directly performs all of its services and responsibilities.

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

We and Five Oaks have each adopted, and our officers and employees are formally subject to, a Code of Business Conduct and Ethics, and Policy Against Insider Trading. Policies against over-reaching, self-dealing, insider trading and conflicts of interest are set forth in that code of ethics. Among other matters, the code of ethics forbids any member, officer, affiliate or employee of OCCP from trading, either personally or on behalf of others on material non-public information or communicating material non-public information to others in violation of the law. We are also subject to strict limitations on outside activities and compensation, and detailed rules on dealings with domestic and foreign government officials, anti-discrimination and harassment, money laundering, antitrust, political contributions and gifts. We and our officers and employees are also subject to ongoing requirements in terms of confidentiality, data privacy and protection and use of Five Oaks' assets.

Although we believe that the code of ethics is comprehensive and well founded, it should be recognized that no set of rules can anticipate or avoid every conceivable circumstance. To the extent necessary in the future, additional policies and procedures may be adopted in order to supplement the code of ethics.

We will provide a copy of our code of ethics to clients and prospective clients; please use the contact information appearing on the cover of this Brochure.

## **Item 12 –Brokerage Practices**

We consider a range of factors in selecting broker-dealers for client transactions, including:

- Demonstrated expertise in the type of transaction being undertaken;
- Proposed fees and execution levels; and
- Market share, execution, sales and trading capabilities.

We compare proposed fees to other comparable executed transactions as well as competing offers depending on the nature of the transaction. In addition to fees, estimated execution levels are considered carefully against comparable transactions.

### **Item 13 –Review of Accounts**

We review the performance of our single client account, Five Oaks, on a daily basis, monitoring changes in price levels, financing and hedging costs. On a monthly basis, we review the prepayment performance of all RMBS and the credit performance of all Non-Agency RMBS. On a quarterly basis, we analyze the credit reserves and effective yield calculations for all Non-Agency RMBS in light of actual performance to determine if any changes to our reserve and yield assumptions are necessary. These reviews are conducted by our Chief Investment Officer, with the involvement of our Chief Financial Officer and the supervision of our Chief Executive Officer.

On a quarterly basis, Five Oaks will file (following the effectiveness of its Form S-11 Registration Statement; see Item 4) a Form 10-Q and annually it will file a Form 10-K with the SEC.

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

We do not receive any economic benefits from, nor do we provide any economic benefits to, client referrals. We do not receive any additional compensation other than described in Item 5.

**Item 15 –Custody**

Neither we nor our related persons have custody of Five Oaks' funds, bank accounts or securities. Wells Fargo currently serves as custodian of Five Oaks' funds and securities.

## **Item 16 –Investment Discretion**

As described above in Items 4 and 8, we have discretionary authority to determine the type and amount of Agency and Non-Agency RMBS securities to be bought and sold for Five Oaks' account, subject to certain limitations.

We manage the business affairs of Five Oaks in conformity with certain restrictions, including contractual restrictions, investment guidelines and any other material operating policies adopted by Five Oaks. Our role as the manager of and investment adviser to Five Oaks is subject to the direction and oversight of Five Oaks' board of directors. Under the management agreement, Five Oaks, in its discretion, is able to limit our management, services and other activities performed by us pursuant to the management agreement. Additionally, under the management agreement, Five Oaks has the right to limit our duties, in its discretion, to "mortgage assets."

Our investment advisory services are subject to the following investment guidelines that have been adopted by the board of directors of Five Oaks:

- no investment shall be made that would cause Five Oaks to fail to qualify as a REIT for federal income tax purposes;
- no investment shall be made that would cause Five Oaks to be regulated as an investment company under the 1940 Act;
- Five Oaks' investment portfolio shall consist of its target assets, which consist primarily of Agency and Non-Agency RMBS securities, and may in the future include other mortgage-related investments.

Five Oaks may change these investment guidelines at any time with the approval of its board of directors.

**Item 17 –Voting Client Securities**

OCCP has not accepted and will not accept authority to vote Five Oaks' securities. Therefore, we are not required to adopt proxy voting guidelines and procedures in accordance with Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended.



**Item 18 –Financial Information**

Registered investment advisers are required in this Item 18 to provide investors with certain financial information or disclosures about their financial condition. OCCP has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to Five Oaks, and has not been the subject of a bankruptcy proceeding.