

Form ADV, Part 2A: Firm Brochure



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This 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 at (212) 257-5070 and/or by email at 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.

Additional information about OCCP is also available on the SEC’s website at www.advisorinfo.sec.gov.

Item 2 – Material Changes

The material changes made to this brochure since our last annual amendment update filing on April 3, 2013, are reflected below:

The Cover page was amended to reflect our current address at 540 Madison Avenue, New York, New York 10022.

The Advisory Business section of this brochure was amended to reflect the correct symbol that Five Oaks' trades under, to provide disclosure regarding the ownership of OCCP, and to update OCCP's assets under management as of December 31, 2013. Additionally, disclosures relating to the fact that officers of OCCP serve as officers of Five Oaks was moved to the Other Financial Industry Activities and Affiliations section and disclosures regarding the types of investments OCCP typically provides investment advice on was moved to the Methods of Analysis, Investment Strategies and Risk of Loss section.

Fees and Compensation disclosures were amended to disclose that OCCP's advisory fees are negotiable and to amend prior disclosures regarding fees and expenses that Five Oaks incurs to operate and conduct business in order to focus those disclosure on those fees and expenses that Five Oaks may specifically incur as a result of the provision of OCCP's advisory services. Additionally, disclosure from the Performance-Based Fees section relating to potential conflicts of interest arising from OCCP's management fee were incorporated into this section in order to provide greater transparency by pairing the conflict disclosure with the discussion of the fee.

The Types of Clients section was amended to remove background information relating to OCCP's sole client, Five Oaks.

The Methods of Analysis, Investment Strategies and Risk of Loss section was amended in various locations in order to consolidate disclosures that were previously in various sections of this brochure regarding OCCP's investment strategy and target investments, to add clarifying disclosures to discussions of risk or to attempt to make the discussions more plain English, and to eliminate discussion of risks not associated with OCCP's investment strategy.

The Other Financial Industry Activities and Affiliations section was amended to include disclosure regarding conflicts of interest that may arise because officers of OCCP also serve as officers of Five Oaks.

The Code of Ethics, Participation or Interest in Client Transactions and Personal Trading section was amended in order to ensure that disclosures accurately reflect OCCP's Code of Ethics that was recently revised in September of 2013.

Disclosures relating to client reporting in the Review of Accounts section were amended to reflect that with the exception of quarterly financial statements prepared by OCCP and presented to Five Oaks' Board of Directors, OCCP does not prepare or provide regular reports to clients.

Changes to the Custody section were made to provide disclosure as to how OCCP complies

with the Custody Rule of Investment Advisers Act of 1940.

Finally, the Voting Client Securities section was amended to disclose how Five Oaks would typically receive proxies relating to its portfolio holdings and OCCP's practices regarding its availability to discuss such proxies with clients.

Please be aware that our summary in this section only discusses material changes made to this brochure. Other amendments were made to this brochure, which are not discussed in this summary, and consequently, we encourage you to read this brochure in its entirety.

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Item 4 – Advisory Business

We are a Delaware limited liability company that commenced its management business on March 15, 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 focuses on investing in non-agency and agency mortgage-backed securities, multi-family mortgage-backed securities, residential mortgage loans, and other mortgage-related investments, and is publicly traded under the symbol OAKS. A management agreement was entered into between OCCP and Five Oaks on May 16, 2012.

OCCP’s Management Committee consists of six members, including David Carroll (Chief Executive Officer), Kian-Fui (Paul) Chong (Chief Investment Officer), Darren Comisso (Director of Client Service and Marketing) and David Oston (Chief Financial Officer), who in aggregate own 61.17% of OCCP. The remaining two members of OCCP’s Management Committee are George Bumeder and Tom Burke who represent XL Global, Inc. XL Global, Inc., a subsidiary of XL Group plc, made a strategic investment in OCCP in March 2012 and currently owns 34.58% of OCCP. None of the XL group of companies, nor any of their officers, directors or employees (including, without limitation, Messrs. Burke and Bumeder) participate in any decisions involving the acquisition, disposition, financing and/or hedging of target assets.

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. Asset management duties include, but are not limited to, advising 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 December 31, 2013 OCCP managed \$528,201,405 in assets under management.

Item 5 – Fees and Compensation**Management Fee**

For the services we render to Five Oaks, we receive an asset-based management fee in an amount equal to 1.5% per annum, calculated and payable monthly in arrears, of Five Oaks’ stockholders’ equity. OCCP’s management fees are negotiable under certain specified circumstances. For purposes of calculating the management fee, “stockholders’ equity” means 1) the net proceeds from any issuances of Five Oaks’ equity securities since inception (prorated on a daily basis for such issuances during the fiscal quarter of any such issuance), 2) 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), 3) less any amount paid for repurchases of shares of common stock, but excluding 4) 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 5) one-time events pursuant to changes in GAAP and certain other non-cash charges, if approved by a majority of Five Oak's independent directors.

As the result of the fee structure noted above that is based on stockholders' equity, we may not be sufficiently incentivized to pursue a business strategy that maximizes risk-adjusted returns for Five Oaks' portfolio. Instead, we are incentivized to increase stockholders' equity, for example by recommending follow-on stock offerings, which may not be in the best interests of Five Oaks or its investors.

In addition to the asset-based management fee, 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.

Other Fees and Expenses

Five Oaks pays all of its costs and expenses (including for goods and services provided by third parties) incurred on its behalf by OCCP and/or its related persons or in connection with the management agreement, except for costs and expenses that are specifically required to be borne by us under the management agreement. Among those fees, costs and expenses that Five Oaks is responsible for, the following are fees, costs and/or expenses that may be incurred by Five Oaks in connection with the provision of our advisory services:

- 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 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 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;
- all costs and expenses relating to the acquisition of, and maintenance and upgrades to, Five Oaks' portfolio accounting systems;
- 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 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 Five Oaks' 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, or other secured and unsecured forms of borrowings, 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 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);
- 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 also be reimbursed for the salaries and other compensation of our (and our affiliates') 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 Five Oaks' affairs, based on the percentage of time each spends on Five Oaks' affairs. We will, however, not be reimbursed for the salaries and other compensation of our advisory personnel.

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.

Please see the Item 12 - Brokerage Practices section for additional information relating to brokerage and transactions costs that may be relevant to this discussion.

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

We do not accept or enter into performance-based fee arrangements with our advisory clients.

Item 7 – Types of Clients

OCCP provides investment and portfolio management services, among other business services, to Five Oaks, a publicly-traded mortgage REIT.

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

Our Investment Strategy

OCCP's strives to provide attractive risk-adjusted returns for clients over time through a combination of dividends and capital appreciation by investing in a diversified mortgage investment portfolio. We believe that the residential mortgage market will undergo dramatic change in the coming years as the role of government-sponsored enterprises ("GSEs") is diminished, which we expect will create attractive investment opportunities. To implement our investment strategy, we invest in, finance and manage mortgage-related investments, which we define as Agency RMBS, Non-Agency RMBS and other mortgage-related investments. In making allocation determinations, we assess the risk-adjusted relative value of each investment and the overall contribution of the investment to the performance and value of the client's portfolio. Additional factors that may impact the allocation of investments include security, structure, seniority, credit enhancement, legal matters, geography and the profiles of underlying borrowers.

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 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 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 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 manage 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.

Our Target Assets

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. Agency RMBS recommended to clients may be secured by fixed-rate mortgages, adjustable-rate mortgages ("ARMs") 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.

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 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.

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 (“Alt-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:

Prime Mortgage Loans

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.

Non-Prime Mortgage Loans

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 subprime.

Other MBS

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.

Mortgage-Related Derivatives

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. Decisions to enter

into derivative transactions are based on overall market conditions, the level of volatility in the mortgage market, and the size of the client's investment portfolio.

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.

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 Five Oaks' assets that will be invested in each of the target asset classes consistent with those investment guidelines, which are listed below:

- 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 Five Oaks to fund the acquisition of its assets through the use of leverage from a number of financing sources and we assist Five Oaks in financing Agency and Non-Agency RMBS primarily through the use of repurchase agreements.

OCCP is not constrained by Five Oaks in terms of the amount of leverage that it may use, but we generally recommend that borrowings be in the range of three and six times the amount of stockholders' equity. On a short-term basis, however, we may recommend a higher level of leverage. The amount of leverage that we recommend is based on our determination as to the appropriate level of risk for the client's overall investment portfolio and based on our assessment that each asset class has individual leverage targets that are appropriate for its potential price volatility.

Our Hedging Strategy

As part of our risk management strategy, we actively manage the financing, interest rate, credit, prepayment and convexity risks associated with holding a portfolio of Agency and

Non-Agency RMBS. 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 clients 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 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, clients may experience reduced income or losses based on these interest 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. 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, OCCP may be forced to reinvest client assets before anticipated and at potentially lower yields. Prepayments on residential mortgages generally accelerate when interest rates decrease and slow when interest rates increase. Mortgage securities typically have “negative convexity”, which means that as interest rates decline, they may increase in price more slowly than other fixed income securities or even fall in value, and as interest rates increase, they may decrease in value more quickly than fixed income securities of similar duration. 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 clients to accept mortgage credit exposure at levels we deem prudent as an integral part of our diversified investment strategy. Therefore, clients are exposed to the risk of potential credit losses on the loans underlying the Non-Agency RMBS it holds. We 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 clients’ exposure to credit losses to the specific pool of mortgages subject to the provisions of the non-recourse financing. 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 clients’ investment portfolios. Nevertheless, actual credit losses could adversely affect operating results.

Risk Factors

An investment in Agency and Non-Agency RMBS involves various risks that clients should be willing to accept. The following is a list of material risks relating to OCCP's investment strategy, however, it is not meant to be a complete description of all risks that clients may be exposed to. Investing in securities involves risk of loss that clients should be prepared to bear, including the possible loss of all amounts invested, which could adversely effect a client's business and/or financial condition and its ability to remain a going concern. No methodology or investment strategy is guaranteed to be successful or profitable. While we use many tools to try to reduce those risks, the risk of loss always exists. In some cases, the amount of potential loss may exceed the amount of principal invested due to the use of leverage.

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

- Competition for available investment opportunities may limit OCCP's ability to acquire desirable investments in Agency and Non-Agency RMBS for clients and could also affect the pricing of these securities.
- The investments recommended by OCCP may lack liquidity. Reduced liquidity may have an adverse impact on market price and the ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event.
- Adverse developments in the broader residential mortgage market may adversely affect the value of the assets we recommend.
- The mortgage loans underlying Non-Agency RMBS will be subject to defaults; foreclosures; timeline extension; fraud; residential price depreciation; and unfavorable modification of loan principal amount, interest rate and amortization of principal, which could result in losses.
- Alleged or actual deficiencies in foreclosure practices of third parties, as well as related delays in the foreclosure process may negatively effect the value of investments recommended to and/or held by clients.
- An increase in interest rates may reduce yields on securities recommended to or held by clients, which may decrease the trading volume of such securities, which may adversely effect our ability to meet clients' investment objectives and their need to generate income and make distributions.
- Changes in prepayment rates may adversely affect the profitability of certain investments recommended to and/or held by clients.
- 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 the value and creditworthiness of certain securities recommended to and/or held by clients.

- 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 effect the value of clients' investments.
- U.S. Government agencies and/or GSEs may not be able to fully satisfy their Agency RMBS guarantees or may repudiate such guarantee obligations, which may adversely affect the value of clients' assets and/or the ability to sell or finance the purchase of these securities.
- Some portfolio investments recommended to and/or held by clients will not have readily available market values and will be recorded at fair value. As a result, there will be uncertainty as to the value of these investments.

Risks Related to Financing Strategies, Guidelines and Policies

- When using leverage, gains made with borrowed funds will generally cause the value of a portfolio to rise faster than would be the case without borrowing. Conversely, if investment results fail to cover the cost of borrowing, the value of a portfolio could decrease faster than if there had been no borrowing. When utilizing leverage, the borrower may be required to reduce its borrowing as a result of certain events, which could force OCCP to liquidate securities positions at times when it might not be desirable or advantageous to do so.
- If a counterparty to repurchase agreements 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, clients will lose money on their 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 OCCP's ability to effectively manage client portfolios and may result in investment losses or increased opportunity costs.

Item 9 – Disciplinary Information

Neither OCCP nor its management persons have been the subject of any legal or disciplinary events that would be material to your evaluation of OCCP or the integrity of OCCP's management.

Item 10 – Other Financial Industry Activities and Affiliations

Neither OCCP nor its management persons have any affiliations with broker-dealers, investment advisors, financial planning firms, commodity pool operators, commodity trading advisers, futures commission merchants, banking or thrift institutions, accountants or accounting firms, lawyers or law firms, insurance companies or agencies, pension consultants, real estate brokers or dealers, or entities that create or package limited partnerships.

As described in Item 4, OCCP has entered into a management agreement with Five Oaks through which OCCP manages Five Oaks' business and affairs. Furthermore, three members of OCCP's Management Committee serve as the Chief Executive Officer, President, Chief Investment Officer, Chief Financial Officer, Treasurer, and Secretary of Five Oaks and two of those three members serve as interested directors on Five Oaks' Board of Directors. While OCCP does not believe that a material conflict of interest exists as a result of OCCP's provision of services beyond investment advice to Five Oaks, conflicts of interest could arise in the future should such members be required to vote or take actions that could materially benefit OCCP, such as voting for follow-on stock offerings, which could increase future management fees paid to OCCP.

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 have adopted and our officers and employees as well as certain affiliated persons ("Covered Persons") are formally subject to our Code of Business Conduct and Ethics and Policy Against Insider Trading (the "Code"). The Code includes policies and/or procedures that require that Covered Persons comply with applicable laws, rules, and regulations; behave in an ethical manner; and avoid conflicts of interest. In addition, the Code prohibits Covered Persons from using material non-public information in ways that violate the law and restricts the communication of material non-public information unless directed to by OCCP's Chief Compliance Officer. Additionally, the Code includes provisions that address potential conflicts of interest that may arise relating to the outside activities of Covered Persons, provides specific procedures and prohibitions when dealing with domestic and foreign government officials, includes restrictions and/or limitations relating to political contributions, and includes requirements that certain Covered Persons make periodic reports to OCCP regarding their personal securities transactions and holdings.

Although we believe that the Code 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.

We will provide a copy of our code of ethics to clients and prospective clients upon request. Please use the contact information appearing on the cover of this brochure to request a copy.

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, by monitoring changes in price levels as well as 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.

As noted above in Item 10, three members of OCCP's Management Committee serve as the Chief Executive Officer, President, Chief Investment Officer, Chief Financial Officer, Treasurer, and Secretary of Five Oaks. Consequently, regular reports are not provided by OCCP to Five Oaks, with the exception of quarterly financial statements for Five Oaks that are prepared by OCCP that we present to Five Oaks' Board of Directors for their review and approval at each quarterly meeting of the Board.

Item 14 – Client Referrals and Other Compensation

We do not receive any economic benefits from any person who is not a client in connection with or otherwise relating to our provision of investment advisory services. Additionally, we do not compensate any person for client referrals

Item 15 – Custody

Neither we nor our related persons have or accept physical custody of Five Oaks' funds or securities. All of Five Oaks' funds and securities are maintained in accounts in Five Oaks' name that are held in the custody of Wells Fargo. Furthermore, Five Oaks is subject to an annual audit by an independent public accountant that is registered with and subject to the inspection of the Public Company Accounting Oversight Board and Five Oaks' Form 10-K and/or audited financial statements are distributed to all of Five Oaks' beneficial owners.

Item 16 – Investment Discretion

As described above in Items 4 and 8, we have discretionary authority, pursuant to the management agreement, to determine the type and amount of 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 Investment Company Act of 1940;
- 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.

Changes to these investment guidelines may be made at any time with the approval of Five Oaks' Board of Directors.

Item 17 – Voting Client Securities

OCCP has not accepted and will not accept authority to vote client securities. Any proxies relating to the portfolio holdings of Five Oaks, however, would generally be received by OCCP and forwarded to Five Oaks' Board of Directors. Based on the types of securities recommended to Five Oaks by OCCP, however, the receipt of proxies is expected to be infrequent at best. Five Oaks and/or its Board of Directors may contact us with questions relating to such proxies, however, OCCP does not generally research particular proxy proposals.

Item 18 – Financial Information

OCCP does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.