

# Oak City Investment Management LLC

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September 25, 2018

This Brochure provides information about the qualifications and business practices of Oak City Investment Management LLC (“Oak City”). If you have any questions about the contents of this Brochure, please contact us at 954.253.7048 or [jwesterlund@oakcityinvest.com](mailto:jwesterlund@oakcityinvest.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Oak City Investment Management LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

## Item 2 – Material Changes

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This Brochure dated September 25, 2018, is the Adviser's initial application. In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of the last annual update of our brochure.

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

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#### **Item 4 – Advisory Business**

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A. Oak City Investment Management LLC, founded in 2018, is seeking to become a registered investment advisor which will manage portfolios of loans made by insurance companies. Oak City is based in Raleigh, North Carolina and the principal owners are Fred Hutchison, Bill Wofford, and Jennifer Westerlund.

B. Oak City will provide investment advice limited to insurance companies, private investment funds and other U.S. and international institutions on the credit quality of debt and preferred equity investments and monitors the performance of those investments over time. Investments will be made by Oak City's institutional clients primarily in portfolios of loans. The investment management services that we will provide to our clients primarily consists of structuring and negotiating investments and dispositions, monitoring the performance of investments and performing certain administrative services. These services will be provided pursuant to investment management agreements. We will provide tailored advice to each client that takes into account its investment objectives and the investment restrictions specified by each client in its investment management agreement.

C. Oak City will specifically tailor its advisory services to the individual needs of its institutional clients. Our insurance company clients are subject to restrictions on investments by regulators in addition to being subject to regulations and limits on certain types of investments. Investments for the private investment funds will be managed in accordance with the private investment fund's specific investment objectives, strategies, and restrictions. Investments will not be tailored to the individualized needs of any particular private investment fund investor. Investors may not impose restrictions on investing in certain securities or certain types of securities.

D. Oak City will not participate in or sponsor a wrap fee program.

E. Oak City currently has no assets under management (discretionary or non-discretionary) as the company is newly founded and is beginning operations.

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

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A. Oak City will be compensated for its advisory services based on a certain number of basis points calculated on the number of assets under management ranging from 50 basis points to 80 basis points. Fees for the private investment funds will range from 0.75% to 2% of assets under management plus a negotiated carried interest not to exceed 20% of the residual net proceeds.

Compensation earned by Oak City for providing investment advisory services to the private investment funds will be generally comprised of an asset-based management fee, which does not exceed 2% and is generally payable quarterly. The asset-based management fee will be deducted directly from the private investment funds. In addition to the asset-based management fee, the General Partner of each private investment fund, which is an affiliate of Oak City, will receive a performance-based fee of up to 20% once the private investment fund exceeds a certain hurdle amount. Oak City and the General Partner or Managing Member of each private investment fund will have the authority to waive or reduce fees charged to certain investors. Details about each private investment funds' fee structure can be found in the funds' offering documents. Fees are negotiable.

B. Oak City will invoice its separate account clients for fees quarterly in arrears and will not deduct fees from client accounts. Fees will be payable by clients on a quarterly basis upon receipt of invoices. For the private investment funds, management fees and performance allocations will be deducted directly from the private investment fund account with its custodian, in accordance with invoices and instructions prepared by Oak City and the Fund's offering documents.

C. Oak City's fees will be exclusive of brokerage commissions, transaction fees, and other related costs and expenses that may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, wire transfer, and other fees and taxes on brokerage accounts and securities transactions. The private investment funds may also be subject to other expenses that are more fully described in their respective offering documents. Item 12 further describes the factors that Oak City considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

D. Oak City's clients will not be required to pay fees in advance. In the event a client elects to terminate the management relationship with Oak City, we will bill the client for the pro-rated portion of the year along with assets were under management prior to termination.

E. Neither Oak City nor any of its supervised persons accept compensation for the purchase or sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

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Oak City will have procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Oak City will not receive a performance fee. In the case of private investment funds, the general partner, an affiliate to Oak City, may receive an incentive allocation at the end of a performance period once contributed capital has been returned. Net profits are allocated 10% to the General Partner and 90% to the Limited Partner(s) until all net profits have been distributed.

Because of the performance-based fee arrangements with the general partners affiliated with Oak City, there may be an incentive for Oak City to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Oak City will periodically review the client account to make sure they fall within the strategy, given account restrictions and/or constraints.

## **Item 7 – Types of Clients**

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Oak City will provide investment advice to insurance companies, private investment funds and other U.S. and international institutions. We require a minimum account size of \$5,000,000 to open and maintain an account.

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

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### **A. Methods of Analysis and Investment Strategies**

Oak City expects its investments to consist primarily of fixed income and other debt securities products with occasional investments in preferred equity securities. Oak City clients which are regulated insurance companies are expected to have specific lists of eligible investments as well as pre-established guidelines for the allocation of capital in each type of eligible investment. Oak City will incorporate such specific lists, as well as information on allocation guidelines into the agreements in place with each such client. Eligible investments may include corporate debt securities (both investment grade and high yield), asset-backed securities, mortgage-backed securities, cash and cash equivalents and/or first lien mortgages as well as preferred equity in corporate entities.

The key elements of Oak City's investment program can be broadly categorized as follows:

- **Capital Structure Agnostic:** Oak City will have broad experience understanding the various dynamics associated with many levels of the capital structure and will have the ability to pivot between strategies such as private equity, subordinated debt and investment grade debt. Oak City will have the capability to execute on both minority and control investments.
- **Industry Diversification:** Oak City will have expertise in select industries and will be positioned to invest in companies that combine lower middle-market characteristics and growth potential. Industry verticals include, but are not limited to, healthcare, business services, financial services, software, technology, niche manufacturing, and distribution. Diversification should serve to reduce portfolio risk and should support overall positive return potential.
- **Corporate Credit Qualities:** Oak City seeks to invest in companies with established business histories, stable profits, recurring revenue streams, a defensible market position, diversified customer base and a strong management team. Each investment will be thoroughly analyzed with an approach focusing on the company's character as outlined above.
- **Return of Capital:** Oak City seeks to focus on the return of capital to its investors.

**B. Material Risks of Investment Strategies**

Identifying investment opportunities and managing investments are difficult tasks, and there are no assurances that Oak City will be able to accurately identify and/or choose or make and/or realize gains in, any particular investment. Investment in securities involves the risk of loss for which Oak City's clients should be prepared and able to bear. Below is a summary of material risks which could potentially affect Oak City's clients, based on the strategies and analyses used and the types of securities approved for investment.

1. General Economic and Market Conditions. General economic and market conditions affect the success of investment activities. These include interest rates, availability of credit, inflation, certain commodities prices such as oil, economic sentiment prevalent in the markets generally, regulatory changes, trade policies, currency exchange and political circumstances both locally in the United States and globally. These factors can all have an impact on the volatility of prices of securities and the liquidity of investments. Pricing volatility and liquidity constraints may have an effect on gains and losses in a client's portfolio of investments.

2. Extraordinary Events. International terrorist activity and the involvement of the United States military in armed conflicts around the world may have a negative impact on general economics. The stability of the geopolitical climate could have a materially adverse effect on market conditions and market liquidity. Similarly, a natural disaster or pandemic could disrupt national and international economies which may also have a negative impact on the securities markets. Changes in consumer confidence based on such extraordinary events can increase the risk of events of default of individual companies and can negatively impact the performance of our clients' portfolios.

C. Material Risks of Securities Used in Investment Strategies

1. General Fixed-Income and Debt Risk. The total return of a debt instrument is comprised of two elements: the percentage change in the security's price and the interest income earned. The yield to maturity of a debt security estimates its total return only if the price of the debt security remains unchanged during the holding period and coupon interest is reinvested at the same yield to maturity. Therefore, the total return of a debt instrument will be determined not only by how much interest is earned but also by how much the price of the security and interest rates change.
2. Interest Rates and Prices; Correction Risks. The price of a debt security generally moves inversely from the movement of interest rates. Therefore, if interest rates go down, the price of a bond will go up. In general, securities with longer maturities are more sensitive to these price changes. In addition, the prices of high yield, fixed-income securities fluctuate more than higher quality debt securities. Prices are especially sensitive to developments which specifically affect a company's business as well as to changes in the ratings assigned by rating agencies (see "Credit Ratings" section below). Prices are often closely-linked with the company's stock prices and typically move up or down in response to those factors that also affect stock prices. The entire high yield securities market can experience sudden and sharp price swings due to changes in general economic conditions, activities of the equity markets, sell-offs by large institutional investors, a broadly publicized default as well as other factors.

Interest rates have been at historically low levels for some time, but have recently begun rising. Changes in government policy may affect interest rates. Corrections to interest rates could have a materially negative impact on prices and our clients.



3. Prepayment Risk. Lower interest rates motivate issuers to pay off fixed income securities. Our clients may then have to reinvest the proceeds from such prepayments, if any, at lower interest rates, which can reduce yield, if any. The unexpected timing of such prepayments due to interest rate fluctuation may also shorten or lengthen the average maturity of a clients' fixed income portfolio. Without monitoring, changes in the average maturity of a client's portfolio can have the adverse consequence of increasing or reducing the performance of the portfolio.
4. Extension Risk. During times of rising interest rates, the average maturity of a client's portfolio can be lengthened due to an unexpected drop in prepayments, which may have the adverse effect of exposing the portfolio to the risk of price declines.
5. Credit Ratings. Holders of fixed income securities are compensated for the risk of investment in such instruments through payment of interest. Corporate fixed income securities offer higher yields or interest rates to investors than certain other fixed income securities such as government bonds. The difference in interest rates comparatively reflects the level of certainty of the interest payments as well as the repayment of principal. The credit rating, meant to reflect the financial condition of an issuer of corporate fixed income securities, may affect the value of a fixed income security. In general, the lower the credit rating of a security, the higher the risks that the issuer may fail to pay interest and repay principal. Companies compensate investors for taking on such increased level of risk by offering a "risk premium" in the form of a higher interest rate compared to lower risk fixed income securities such as government bonds.

Changes in confidence levels of fixed income investors regarding the certainty of interest and principal payments to be made by a company that has issued a fixed income security will cause adjustments to this "risk premium." If an issuer's outstanding debt carries a fixed coupon, adjustments to the risk premium will occur in the price, which affects the yield to maturity of the bond. If a default occurs or an issuer is unable to honor its financial obligations to pay interest or repay principal, the bond may lose some or all of its value.

A security rated within the four highest credit rating categories by a rating agency is generally called "investment-grade" because its issuer is more likely to fulfill its obligations to pay interest and repay principal than an issuer of a bond with a lower credit rating, generally referred to as "below investment grade". While a credit rating can be indicative of the likelihood of interest payment and principal repayment, adverse economic conditions generally or a change in specific

circumstances can directly impact the issuer's ability to pay interest and repay principal.

Debt securities rated below investment grade are highly speculative securities that are usually issued by smaller, less credit-worthy and/or highly leveraged companies. A company may issue sub-investment grade debt because of a corporate restructuring or other similar circumstance. Compared with investment-grade bonds, these sub-investment grade bonds carry a higher level of risk and are less likely to fulfill its obligations to pay interest and repay principal. Market factors and the financial and operational condition of the company issuing these securities impact price and liquidity more than changes in interest rates, when compared to investment-grade debt securities. Insufficient liquidity in the subordinated debt market may affect liquidity to the extent it may be difficult to sell these securities and could cause a client to experience sudden and substantial declines in prices. Valuation of subordinated debt is also more challenging than the valuation of investment grade debt due to a lack of objective information flow or market quotations for such securities.

Rating agencies are organizations that assign ratings to securities based primarily on the rating agency's assessment of the issuer's financial strength. We may, but are not required to, use ratings compiled by Moody's Investor Services ("Moody's"), Standard & Poors Rating Service ("S&P"), Fitch Ratings, Inc. ("Fitch"), Kroll Bond Rating Agency ("Kroll"), or such other ratings agencies as Oak City may determine in our discretion, or which may be designated by one of our clients. Credit ratings are only the opinion of a given agency and do not represent an absolute standard of quality and do not incorporate market risk. In addition, rating agencies from time to time face conflicts of interest with respect to independence from the issuers of the securities and underwriters of an offering of securities. These potential conflicts may result in inaccurate initial credit ratings as well as the failure to adjust credit ratings in a timely manner. Inaccuracies in credit ratings may adversely impact Oak City's investment analysis and decisions resulting in adverse effects on our clients' portfolios.

Oak City will use rating agency ratings on particular securities as one of the determining factors for purchase. Rating agencies can and do change their ratings from time to time, based on a variety of factors. While Oak City will monitor changes in ratings, we are not obligated and do not generally dispose of securities which have experienced rating downgrades or which fall into default. Oak City will work with its clients when establishing accounts to understand sensitivities and limitations and documents these in the management services agreements with each client.

Fixed Income Markets Volatility and Other Risks. Fixed income markets have experienced increased volatility during certain recent periods due to a variety of factors. In addition, the Federal Reserve Board has begun to end its quantitative easing program and the market has illustrated its contemplation of the prospect of a coming general rise in interest rates, which may result in increased risk for fixed income investors, including clients of Oak City.

Certain Credit Related, Mezzanine, and Subordinated Debt Investment Risks. Subordinated debt investors have a limited ability to influence issuers during times of financial distress as compared with senior debt investors in the same issuer. By way of example, under the terms of subordination agreements, senior creditors may be able to block the acceleration of the mezzanine debt of its rights as a creditor. As a result, a client may not be in a position to take actions needed to protect its subordinated investments. In addition, certain subordinated debt securities may not have the same protections afforded to investors in senior debt securities. Debt instruments are also subject to other factors such as early redemption features, refinancing or pre-payment.

Fixed Income Liquidity Risks. Some Oak City clients may invest in high yield debt securities which are expected to be liquid. Certain other clients may own privately placed debt which has a lower yield and have less liquidity. Many of these more illiquid securities are subject to more price volatility due to the reduced frequency of trading. As a result, Oak City's ability to sell this type of security in response to market events may be limited.

Asset-Backed Securities. Oak City's clients may invest in asset-backed securities (those securities backed by mortgages, installment sales contracts, credit card receivables or other assets). The average life of asset-backed securities varies with the maturities of the underlying instruments and is likely to be substantially less than the original maturity of the asset pools underlying the securities due to unscheduled repayments and prepayments of principal. The rate of such prepayments and the resulting life of the securities will be a function of then-current interest rates and market conditions and may reduce the predictability of returns on these investments.

Securities Risks in General; Equity Risks. Although our investments are expected to focus primarily on debt investments, our clients may invest in equity securities, which generally involve a high degree of risk. Price volatility in the stock market and performance of a particular company in which the client invests may cause a decline in the value of a client's investment in these securities.

Cash and Cash Equivalents Risk. Investing in and/or holding cash or cash equivalents is broadly accepted as a low-risk investment strategy. However, investments in such assets are also likely to produce lower returns than other investments which have more risk associated

with them and are not guaranteed to be free from the risk of loss though comparatively lower to other asset classes. Cash or cash equivalent assets are subject to inflation rate risk, due to the result that during times of rising or higher inflation, the purchasing power of the same amount of cash or cash equivalents decreases as the inflation risk rises.

Oak City's investment strategy is to earn yield for its clients through investment in fixed income securities. Investing in fixed income securities involves risk of loss that clients should be prepared to bear.

Oak City's investment strategy is to deploy insurance company capital in such a way as to meet insurance-related regulatory requirements as well as achieve solid yields based on loans made to quality credit-seekers. Oak City's primary strategy does not involve frequent trading of securities, but rather has a buy and hold to maturity strategy.

Oak City will primarily recommend debt instruments. The material risks associated with these instruments is the default of the borrower, jeopardizing its ability to pay interest and repay principal on the loan. In addition, floating rate interest on such loans exposes the borrower to fluctuating payments which could also be seen to jeopardize the borrower's ability to pay during times of market volatility.

Oak City will also recommend preferred equity investments. Preferred equity ranks senior to common equity of the issuing company and junior to the senior debt of the issuing company. These instruments expose clients to the credit risk of the issuing company in an event of default, either by the deferral of returns, or nonpayment based on ranking.

#### **Item 9 – Disciplinary Information**

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There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Oak City or the integrity of Oak City's management.

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

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Neither Oak City nor its management is registered, nor has an application pending to register, as a: broker-dealer, registered representative of a broker-dealer, futures commission merchant,

commodity pool operator, a commodity trading advisor or an associated person of any of the foregoing entities.

Oak City has a relationship with the law firm Hutchison PLLC based on common ownership. Hutchison PLLC also serves as legal counsel to clients of Oak City. This common client relationship is material to the law firm of Hutchison PLLC, the General Partner affiliates of Oak City and the advisory business of Oak City.

Given that the nature of both relationships is to protect the common client, we do not believe this results in a material conflict of interest. To further protect all parties from potential conflicts of interest, individuals employed by Oak City who serve on the credit committee and who actively manage and monitor individual loans and the portfolio of investments are not the same individuals with ownership of Oak City or Hutchison PLLC or those individuals providing legal advice. Therefore, the client receives legal advice and investment management services independent of one another.

In the event a material conflict of interest arose, Oak City would disclose such potential conflict to the client, and would advise the client to seek, and would assist the client in seeking an alternative investment manager. Oak City would also make fund investors aware of any material conflicts of interest and would advise the investor to consider whether it is comfortable with the investment prior to making an investment.

Oak City is affiliated with several entities, which serve as the General Partner (“GP”) for the private investment funds which will be managed by Oak City. As outlined in the private investment funds’ offering documents and operating agreement, serves as the investment adviser to these funds and may also provide other services to the GPs or the funds. Since these affiliates to Oak City is the General Partner to the private investment funds, there could be a conflict of interest since interests in the private investment funds may be also recommended to suitable clients or prospects.

## **Item 11 – Code of Ethics**

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Oak City will adopt a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics will include provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Oak City must acknowledge the terms of the Code of Ethics annually, or as amended.

Oak City anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Oak City has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Oak City, its affiliates and/or clients, directly or indirectly, have a position of interest. Oak City's employees and persons associated with Oak City will be required to follow Oak City's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors, and employees of Oak City and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Oak City's clients. The Code of Ethics will be designed to assure that the personal securities transactions, activities, and interests of the employees of Oak City will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities will be designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Oak City's clients. In addition, the Code will require pre-clearance of many transactions, and restrict trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading will be continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Oak City and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Oak City's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Oak City will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro-rata basis. Any exceptions will be explained in the Order.

Oak City's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Jennifer Westerlund.

It is Oak City's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Oak City will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another

person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

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A. Oak City will generally engage in private equity transactions and will not typically purchase or sell securities through a broker or exchange. Generally, there are no commission charges related to transactions with portfolio companies. However, from time-to-time, they may trade publicly-held securities held in the client portfolio. Oak City will seek to obtain the best combination of price and execution with respect to its accounts' portfolio transactions. The best net price, giving effect to brokerage commissions, spreads, and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant. In applying these factors, Oak City recognizes that different broker-dealers may have different execution capabilities with respect to different types of securities.

1. Research and Other Soft Dollar Benefits: Oak City will not participate in any soft dollar arrangements.
2. Brokerage for Client Referrals: Adviser will not maintain any referral arrangements with brokers.
3. Client-Directed Brokerage Transactions: Because of the nature of private equity trading and since Oak City's clients are limited to the private investment funds, it would be unlikely that a client would direct Oak City to use a certain broker-dealer.

### **B. Aggregation of Orders**

Because transactions in the types of securities used in Oak City strategies are specific to the activities and objectives of each private investment fund or separate account, it is unlikely that Oak City would aggregate transactions. Oak City maintains trade allocation procedures as required by law, but does not currently have any circumstances under which an allocated trade would occur.

## **Item 13 – Review of Accounts**

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Oak City's investment committee will be comprised of the Managing Director and Vice President.

The investment committee has primary responsibility for reviewing the institutional client accounts and the private investment fund portfolios. On a continual basis, the investment committee evaluates the performance of the portfolio and endeavors to ensure that the acquisition and disposition of securities are in accordance with the client's investment policy.

At least once per month, Oak City will review all client accounts to assess investments and client-specific developments. Additional reviews of a client's account may be triggered by market events or client contributions or withdrawals.

Oak City will be providing investors with quarterly capital statements for the private investment funds. Institutional clients will receive a statement from Oak City's internal controller or external accountants at least quarterly.

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

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Oak City will not receive any economic benefits for providing investment advice or other advisory services to its clients from anyone who is not a client.

Oak City and its related persons do not directly or indirectly compensate any person who is not a supervised person for client referrals.

#### **Item 15 – Custody**

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Oak City has custody according to Advisers Act Rule 206(4)-2 ("Custody Rule") because there are affiliates who serve as a general partner to the private investment funds it manages. However, Oak City maintains private investment fund assets and securities at an independent, qualified custodian. The funds will be audited by an independent public accountant. Audited financial statements will be distributed to the fund's investors within 120 days following the fund's fiscal year-end.

For separately managed accounts, all client assets and transferable securities will be maintained at independent qualified custodians. These custodians provide a statement to the client at least quarterly.



## **Item 16 – Investment Discretion**

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Oak City will typically receive discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Oak City will observe the investment policies, limitations, and restrictions of the clients for which it advises. Oak City's authority is also be limited by certain insurance regulations which require diversification of investments.

Investment guidelines and restrictions must be provided to Oak City in writing.

Through its advisory services agreement, Oak City is granted discretionary authority over the private investment funds it manages and is authorized to make investment determinations in accordance with each fund's specified investment objectives without client consultation or consent before a transaction. Adviser assumes discretion over the account upon execution of the advisory services agreement. In cases in which Oak City does not accept discretionary authority, the investment management agreement will also set forth a disclaimer of authority.

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

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According to the investment management agreements with clients, Oak City will have the authority to vote proxies. Because of the types of securities used in Oak City's strategies, it is rare for a proxy or solicitation to be generated. However, when Oak City receives proxies or solicitations from the issuer, Oak City will vote for the exclusive benefit, and in the best economic interest, of the client and their beneficiaries, as determined by Oak City in good faith, subject to any restrictions or directions from the client. Oak City will not accept direction from a client or investors on a particular solicitation.

Oak City will have written Proxy Voting Policies and Procedures ("Proxy Procedures") as required by Rule 206(4)-6 under the Advisers Act. Such voting responsibilities are exercised in accordance with the general antifraud provisions of the Advisers Act, as well as with Oak City's fiduciary duties under federal and state laws to act in the best interest of its client.

## **Item 18 – Financial Information**

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Oak City will not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. Oak City has no financial commitments that impair its ability to meet contractual and fiduciary commitments to the client.

Oak City has not been the subject of a bankruptcy proceeding.