

# OMT Capital Management, LLC

## Part 2A of Form ADV The Brochure

One Montgomery Street, Suite 3300  
San Francisco, CA 94104  
[www.omtcapital.com](http://www.omtcapital.com)

Updated: March 2011

This brochure provides information about the qualifications and business practices of OMT Capital Management, LLC (“OMT”). OMT is registered with the United States Securities and Exchange Commission (“SEC”) as an investment adviser. That registration does not imply a certain level of skill and training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. If you have any questions about the contents of this brochure, please contact us at 415.296.8100.

Additional information about OMT is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

OMT's most recent update to Part 2 of Form ADV was made in March 2010. OMT's business activities have not changed materially since the time of that update. However, OMT has reorganized its internal ownership and operational structure by welcoming Richard Duff and appointing him President of OMT. Mr. Duff is in charge of all non-investment aspects of OMT's business. Please see OMT's ADV Part 1, Schedule A for details regarding ownership, and Part 2B for the business background of personnel.

In addition, in 2010, the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by OMT in prior years.

### Item 3 - Table of Contents

Item 2 - Material Changes .....	i
Item 3 - Table of Contents.....	ii
Item 4 - Advisory Business .....	1
Item 5 - Fees and Compensation .....	1
Item 6 - Performance Based Fees and Side-by-Side Management .....	3
Item 7 - Types of Clients .....	3
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	3
Item 9 - Disciplinary Information.....	5
Item 10 - Other Financial Industry Activities and Affiliations .....	5
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ....	5
Item 12 - Brokerage Practices .....	6
Item 13 - Review of Accounts.....	9
Item 14 - Client Referrals and Other Compensation .....	10
Item 15 - Custody .....	10
Item 16 - Investment Discretion .....	10
Item 17 - Voting Client Securities.....	11
Item 18 - Financial Information .....	11

## Item 4 - Advisory Business

OMT was formed as a Delaware limited liability company in 1998 by its managing member Thomas D. Henwood. Mr. Henwood is also the current Chief Investment Officer of OMT.

OMT provides discretionary advisory services to separately-managed accounts (“separate accounts”) and an investment limited partnership and offshore investment fund with the goal of achieving capital appreciation while managing risk. OMT serves as the general partner to Hawthorne Capital Partners, L.P., a Delaware limited partnership (the “Partnership”) and as the Investment Manager to Hawthorne Capital Offshore Fund, Ltd. (the “Offshore Fund”), an exempted company incorporated under the laws of the Cayman Islands (collectively, the “Funds”). OMT may in the future sponsor additional private investment funds. The Funds and the separate accounts are OMT’s current clients.

OMT tailors its advisory services by constructing portfolios that seek to meet the investment objectives, guidelines and other terms of each particular Fund and separate account it manages. While both the Funds and the separate accounts seek to achieve long-term capital appreciation by investing and trading in primarily the U.S. securities markets, the Funds also use short sales and other hedging strategies. The separate accounts employ a “long-only” strategy with slight variations in accordance with each individual client’s investment guidelines and limitations.

The Funds may impose limits on or expand the universe of securities or other instruments in which they may invest. Investors have no authority to influence or change a Fund’s investment objectives or limitations. OMT has complete control of the business of the Funds, and investors have no power to take part in the management of the Fund. Investors have no right to remove or replace OMT. A separate account client may impose restrictions or other guidelines with respect to the securities or types of securities that the account may invest in.

OMT does not participate in wrap fee programs.

As of **December 31, 2010**, OMT managed **132,701,622** of client assets on a discretionary basis. OMT does not provide non-discretionary investment advice.

## Item 5 - Fees and Compensation

***Separate Accounts.*** OMT generally receives an annual asset based fee from each separate account that it manages. Compensation is determined based on each client’s needs and any applicable portfolio restrictions. A client’s needs are determined through an extensive interview conducted either in person or over the telephone.

A minimum of \$5,000,000 of assets under management will typically be required for services. All separate account fees and account minimums are negotiable. However, the annual fee charged for portfolio management services typically follows our published fee schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
On the first \$10 million	1.0%
On the next \$15 million	0.9%
On the next \$25 million	0.8%
On amounts over \$50 million	0.7%

OMT will quote an exact percentage to each separate account client based on both the nature and total dollar value of the relevant account. Clients are typically invoiced in advance at the beginning of each calendar quarter based on the “net asset value” of the account (market value (or fair market value in the absence of market value), plus any credit balance or minus any debit balance), at the beginning of the quarter. Separate account fees will be deducted from the client’s account or billed in accordance with the specific arrangement with the client.

In addition to OMT’s investment management or other fee, separate accounts will also bear administrative, custodial, brokerage and similar transaction costs or expenses associated with the account, as each separate account client’s investment management agreement provides.

**Funds.** OMT generally receives an annual asset based fee from each Fund that it manages (generally 1% per annum of the value of the Fund’s assets under management). In addition, OMT is entitled to a special allocation of net profits experienced by the investors in the Funds (also referred to as a “performance allocation”). The performance allocation is generally calculated and paid annually, generally in an amount equal to 20% of the profits (realized and unrealized), if any, from the performance of the Funds. A performance allocation is also calculated and made upon an investor’s withdrawal from a Fund, but only in proportion to the withdrawal amount. Payment of the performance allocation is subject to a “high water mark” (paid only after losses, if any, have been recovered). As a general matter, fees and other compensation are negotiable in certain circumstances and arrangements with particular investors or clients may vary.

See below (“**Item 6** - Performance Based Fees and Side-by-Side Management”) describing the conflicts of interest involved in managing both performance fee-paying accounts and management fee-only accounts.

Management fees are typically deducted from the Funds’ accounts on a quarterly basis and performance allocations, if any, are made on an annual basis and upon an investor’s withdrawal from a Fund.

In addition to OMT’s investment management fees and performance allocations, Funds also bear all expenses incurred in connection with their operation and administration, including among other things, fees of the administrator; legal, accounting and audit fees and expenses; governmental fees and taxes; bookkeeping and other professional fees; directors’ fees; costs of investor meetings and other communications with investors; and all other reasonable costs related to the management and operation of the Fund.

Please see “**Item 12** - Brokerage Practices” in this brochure for further information on brokerage practices and arrangements that may relieve OMT from certain costs and expenses.

Funds pay management fees in advance (i.e., based on the relevant Fund's assets at the beginning of the monthly or quarterly period for advisory services rendered during that period). Since investors generally are not permitted to redeem from a Fund intra-quarter, they would not receive a refund of any pre-paid management fees if they were permitted to withdraw intra-quarter.

Neither OMT nor any of its supervised persons accepts commissions or other compensation for the sale of securities or other investment products.

## **Item 6 - Performance Based Fees and Side-by-Side Management**

As discussed above under "Fees and Compensation," in connection with the Funds that it manages, OMT generally has the right to receive a performance allocation based on the performance of the Fund, in addition to a management fee. Separate accounts, however, only pay a management fee and not a performance allocation (or fee). As a result, OMT may face a conflict of interest in managing both Funds and separate accounts at the same time because OMT may have an incentive to favor Funds for which it receives a performance allocation. OMT seeks to address this conflict of interest through its trade allocation policies and procedures, which generally require that portfolio managers and traders seek to allocate investment opportunities among Funds and other clients in the fairest possible way and using their best judgment.

## **Item 7 - Types of Clients**

OMT's current clients are the Funds and separate accounts. See "Item 4 - Advisory Business." Potential investors may read the eligibility criteria and minimum investment requirements specific to each Fund in the relevant Fund's confidential offering memorandum and subscription application. OMT negotiates the requirements for opening a separate account on a case by case basis.

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

OMT seeks capital appreciation by investing and trading in publicly traded securities including common stocks, preferred stocks, stock warrants and rights, and convertible securities.

OMT's investment philosophy is oriented towards an extensive, fundamental research approach to investment selection and risk minimization. OMT makes investment decisions and attempts to reduce company risk by conducting an in-depth analysis of the companies in which it invests. These analyses typically involve evaluating the management of a company by meeting with the company's managers, assessing management's strategy for the company and analyzing the company's finances in order to test the company's ability to meet its goals. OMT generally focuses on small-capitalization growth companies. Account portfolio securities will not necessarily represent a broad diversification of investments among particular issues, industries or types of securities.

OMT may buy securities on margin and arrange with banks, brokers and others to borrow money in order to employ leverage when it deems such action appropriate.

In addition, in managing the Funds, OMT employs the use of short positions, with the relative magnitude of the relevant Fund's long and short positions being weighted to reflect OMT's perception of investment opportunities, both long and short.

**All investing involves a risk of loss and separate account clients and Fund investors should be prepared to bear losses in their accounts or on their Fund investments.** Funds and separate accounts may produce gains and losses due to broader changes in the financial markets; however, gains and losses are also based on the OMT's investment acumen and securities selections, and may be impacted by other factors including market volatility, corporate activity, regulatory oversight, trading volume and money flows.

The use of leverage increases both the possibilities for profit and the risk of loss. Borrowings are usually be from securities brokers and dealers and will typically be secured by Fund or account securities and other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures obligations, and if the Fund or account is unable to provide additional collateral, the broker-dealer could liquidate assets held in its account to satisfy the Fund's or account's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences.

The Funds may sell securities short as a regular part of investing activities. In a short sale, the Fund sells securities it does not own, in the hope that the market price will decline and that the Fund will be able to buy replacement securities later at a lower price. To accomplish this, the Fund borrows the securities from a broker or other third party, and "closes" the position by "returning" the security (buying a replacement security on behalf of the lender). As collateral for this obligation to "close" its short position, the Fund is required to leave the proceeds of its short sale with the broker that effected the transaction, and deliver an additional amount of cash or other collateral dictated by margin regulations. Because of the repayment obligation, a short sale theoretically involves the risk of unlimited loss, because the price at which the Fund must buy "replacement" securities could increase without limit. There can be no assurance that the Funds will not experience losses on short positions and, if they do, that those losses will be offset by gains on the long positions.

OMT may implement a variety of investment strategies and techniques, in addition to those described above, and it may invest in a wide array of investments, each of which may have diverse associated risks, including counterparty risk, credit risk and liquidity risk.

**The risks described above are not a complete list of risks involved with OMT's strategies – specific risks and conflicts of interest associated with an account and an investment in a Fund are described in detail in the account's investment management agreement and the relevant Fund's confidential offering memorandum, respectively. Investors and prospective investors in a Fund should carefully review the Fund's confidential offering memorandum for further information.**

## **Item 9 - Disciplinary Information**

OMT and its employees have not been involved in any legal or disciplinary events that would be material to a client's evaluation of the company or its personnel.

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

OMT and its employees are not registered (and do not have any application pending to register) as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of any of the foregoing entities. In addition, OMT and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest. Finally, OMT does not recommend or select for its clients, or have other business relationships with, other investment advisers.

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

OMT has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires that OMT and its employees act in clients' best interests, abide by all applicable laws, not engage in insider trading, and pre-clear and report on many types of personal securities transactions. OMT's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. All employees are required to report all brokerage accounts in which they have a beneficial interest, as well as their securities holdings. OMT monitors all employees' securities transactions: employees must arrange for duplicate copies of their brokerage statements and trade confirmations to be sent to the Chief Compliance Officer or his delegate.

While OMT's code generally permits employees to trade (subject to the restrictions listed above), employees generally do not trade in securities held by Funds or client accounts. There may be circumstances where a Fund or client account trades in a security that an employee already holds in his or her account. We will apply additional scrutiny if the employee later submits a request to sell a security that is also held in a Fund or client account. As a general matter, the employee will be prohibited from selling if OMT is contemplating a sale for the Fund or client account that also holds that security. Otherwise, OMT and/or its related persons may buy or sell specific securities for its or their own account that are not deemed appropriate for a Fund or client at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments for the Fund and client are made.

Where execution opportunities for a particular security are limited, OMT attempts in good faith to allocate such opportunities among clients in a manner that, over time, is equitable to all its clients.

A copy of OMT's code of ethics is available to any client or Fund investor, or prospective client or Fund investor, upon request.



## Item 12 - Brokerage Practices

**Selection Criteria, Generally.** In choosing broker-dealers to execute client transactions, OMT seeks “best execution.” What constitutes “best execution” and determining how to achieve it are inherently uncertain. In evaluating whether a broker-dealer will provide best execution, OMT considers a range of factors. These include, among others, historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions; the execution, clearance and settlement and error correction capabilities of the broker-dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker-dealer’s willingness to commit capital; the broker-dealer’s reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; the nature, quantity and quality of research provided by the broker-dealer; and the market for the security. As discussed below, OMT is not required to select the broker-dealer that charges the lowest transaction cost, even if that broker-dealer provides execution quality comparable to other broker-dealers, and clients at times will pay more than the lowest transaction cost available in order to obtain services and products other than securities execution.

**“Soft Dollars.”** OMT may select broker-dealers in recognition of the value of various services or products, beyond transaction execution, that they provide to OMT or its clients. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.” This is common in the professional management of securities portfolios. OMT acquires services or products with clients’ soft dollars.

A federal statute, Section 28(e) of the Securities Exchange Act of 1934, as amended, recognizes the potential conflict of interest involved in the use by an investment manager (such as OMT) of soft dollars generated by securities transactions to pay for various expenses but provides a safe harbor from breach of fiduciary duty claims if certain conditions and requirements are met. Under the safe harbor, soft dollars may be used to acquire “research” and “brokerage” services and products for which clients would not otherwise be required to pay. Services or products generally constitute “research” under Section 28(e) if they constitute advice, analyses or reports any of which express reasoning or knowledge as to the value of or investing in or trading securities, or as to issuers, industries, economic factors and trends, portfolio strategy or performance, but only to the extent OMT uses them for lawful and appropriate assistance in making investment decisions for OMT’s clients. “Brokerage” services and products are those used to effect portfolio transactions for the OMT’s clients or for functions that are incidental to effecting those transactions (such as clearance, settlement or short-term custody related to effecting clearing or settling transactions) or regulatorily required in connection with transactions. Using soft dollars to pay for services and products other than research and brokerage is not protected by the safe harbor, but does not necessarily constitute a violation of any law or fiduciary duty. Similarly, use of non-commission soft dollars or otherwise failing to satisfy procedural elements of the Section 28(e) safe harbor are not protected but are not necessarily prohibited. Section 28(e) only protects commissions or commission equivalents on transactions in securities; markups and markdowns on many principal transactions, commissions paid to futures commission merchants on transactions in futures contracts, and compensation from transactions in swaps or other derivative instruments are not protected.

Because many services and products OMT may receive from broker-dealers may benefit OMT, OMT's interests in allocating clients' securities transactional business may conflict with its clients'. For example, OMT may have an incentive, in order to induce brokers and dealers to provide it with services or benefits to, among other things, cause its clients to: (i) pay higher commissions and other compensation than it would otherwise pay broker-dealers that do not provide soft dollar services or products; (ii) place more trades than would be optimal for the client's investment strategy; (iii) use broker-dealers that do not obtain for the client the best possible price on portfolio transactions; (iv) agree to adjust negotiated commission rates upward in order to receive additional soft dollar "credits" and (v) use (and pay) broker-dealers in effect to act as intermediaries with other broker-dealers who actually execute transactions. OMT's agreements with its clients generally authorize OMT to use the client's soft dollars for a wide range of purposes, notwithstanding the conflicts of interest those uses may involve. The extent of the conflicts of interest arising out of the use of soft dollars depends in large part on the nature and uses of the services and products acquired with soft dollars. OMT may or may not use one client's soft dollars to pay for services and products another client pays for and, if it does, that use may not be in proportion to account size, transaction volume, or uses of those services and products. OMT may use client soft dollars to buy products or services that benefit OMT and/or other clients of OMT.

*"Research and Brokerage."* The types of "research" OMT may receive from broker-dealers include (but are not limited to): reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial and industry publications; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; analytical software; proxy analysis services and systems (to the extent used to assist in making investment decisions), quotation services; and other products or services that may enhance OMT's investment decision-making. "Brokerage" services and products (beyond typical execution services) include (but are not limited to): computer systems and facilities (including hardware) used for such things as communicating orders and settlement related information electronically to executing broker-dealers and prime brokers, post-trade matching of trade information, communicating allocation instructions, and other clearance and settlement functions. OMT may use soft dollars for "mixed use" products and services: products and services that are used in part for research or brokerage purposes and in part for other purposes. Even where OMT's use of soft dollars to acquire research and brokerage services and products is protected by Section 28(e), OMT will have a conflict of interest in connection with that use because it might otherwise have to pay cash for those services and products and it may have an incentive to use broker-dealers who provide those services and products more than it otherwise would.

**Client Expenses.** OMT has no formal arrangement with any party to pay for custodial, accounting, administrative and other similar non-research and non-brokerage expenses with soft dollars. However, some brokers through which client trades are executed are "full-service" brokers that "bundle" execution and research, or even other, services such as portfolio accounting or post-trade analytics, the value of which is difficult to "unbundle" from the cost of "pure" execution. Although clients do not "pay up" for these services and other factors including execution quality plays a role in the broker's selection, since a full-service broker's commissions

may be higher than the minimum available commission for the same trade, OMT may be deemed to have used client soft dollars for these bundled services. In addition to the use of brokerage commissions, markups and markdowns, and other transaction-related compensation (as well as interest a prime broker receives on a client's cash balances, margin borrowings and borrowings of securities to maintain short positions) may be considered to have been used to pay the prime broker for recordkeeping, custodial and related services provided to the client. Although not protected by the safe harbor, any use of client soft dollars as payment for client expenses does not represent a meaningful conflict of interest for OMT because the client, and not OMT, would otherwise be obligated to bear those expenses.

**Other Services and Products.** OMT has no formal arrangement with any party to use soft dollars to acquire services and products that provide benefits to OMT and that does not qualify as research or brokerage, and/or to pay expenses otherwise payable by OMT. However, certain services provided to clients may contain so-called "mixed-use items" – items that benefit both clients and OMT. OMT attempts to value the portions of these mixed-use items it benefits from, and pays for those portions directly. However, to the extent the value of any such benefit is deemed to exceed payments made by OMT, the difference could be considered soft dollars used outside the parameters of the safe harbor. Some examples of these products and services include order management systems consisting of safe harbor-eligible brokerage such as trading software used to route orders, and ineligible post-trade services such as recordkeeping, client reporting or portfolio management software. OMT will have a conflict of interest to the extent these services are paid for by broker-dealers; it will have all the incentives described above (including to use those broker-dealers regardless of whether using them would otherwise be in the client's best interests, to pay higher compensation and to effect more transactions than otherwise optimal).

**Referrals of Investors and Advisory Clients.** OMT does not direct transactions to a particular broker-dealer in return for client referrals. OMT has no formal arrangement with any broker or dealer to use Fund soft dollars for the referral of investors to the Fund or referrals of advisory clients to the General Partner. However, "full-service" brokers OMT executes through typically provide "capital introduction services" to their clients. To the extent the General Partner should obtain investor or client assets through any of its executing or the Prime Broker's capital introduction services, it may be deemed to have used client soft dollars for that referral. OMT considers multiple criteria when it selects Transacting Parties and does not make its determination based on the existence or absence of capital introduction services.

**Procedures.** Brokers and dealers from which OMT obtains soft dollar services or products generally establish "credits" based on past transactional business (including markups and markdowns on principal transactions, such as transactions with market-makers for Nasdaq securities), which may be used to pay or reimburse OMT for specified expenses. In some cases the process is less formal; a broker or dealer simply may suggest a level of future business that would fully compensate the broker or dealer for services or products it provides. A client's actual transactional business with a broker or dealer may be less than the suggested level but can—and often will—exceed that level, and credits established may exceed the amounts used to acquire services and products. This may be in part because the client's investment activities generate aggregate commissions in excess of the levels of future business suggested by all brokers and

dealers who provide services and products. And it may be in part because those brokers and dealers may also provide superior execution and may therefore be most appropriate for particular transactions. OMT may ask a broker or dealer who is executing a transaction for several accounts managed by OMT (see the discussion below regarding aggregation of orders) to “step out” of a portion of the transaction in favor of a broker or dealer who has provided or is willing to provide products or services for soft dollars. That is, the executing broker or dealer will allow a portion of the overall commissions or other compensation to be paid to the soft-dollar broker-dealer. This assists OMT in acquiring products and services with soft dollars while providing the benefits of aggregated transactions as described below. It may result in a client paying additional commissions or other transaction compensation to the broker or dealer to whom the client’s portion of an aggregated transaction is “stepped out” and therefore incurring higher transaction costs for that transaction than do other clients of OMT who are buying or selling the same security at the same time.

These procedures are generally consistent with the requirements of Section 28(e) when the products or services acquired constitute research and/or brokerage. However, Section 28(e)’s safe harbor is not available where transactions are effected on a principal basis, as most transactions with market-makers in over-the-counter securities are, with a markup or markdown paid to the broker or dealer. OMT does not intend to use such markups and markdowns as soft dollars with which to acquire services and products of the kinds described above.

**Aggregation of Orders.** OMT may combine orders on behalf of a client with orders for other clients for which it or its principals have trading authority, or in which it or its principals have an economic interest. In such cases, OMT will allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. OMT believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a client than if that client had been the only account effecting the transaction or had completed its transaction before the other participants. Because of OMT’s interests in the Funds, there may be circumstances in which a Fund’s transactions may not, under certain laws and regulations, be combined with those of some of OMT’s other clients, and a Fund may obtain less advantageous execution than such other clients.

**Directed Brokerage.** OMT may permit a separate account client to direct OMT to effect portfolio transactions for the account through one or more brokers or dealers identified by the client. In that case, OMT will comply with the client’s directions. Clients must be aware and are required to acknowledge in the investment management agreement that the use of any such broker or dealer may result in less favorable execution, including higher execution costs to the client, than if OMT had selected the broker or dealer.

## **Item 13 - Review of Accounts**

OMT portfolio managers, analysts and the Chief Compliance Officer monitor and review the Funds and separate accounts that OMT manages on an ongoing basis for overall adherence to the Fund’s or separate account’s investment objective and strategies, as well as any guidelines or restrictions.

Fund investors receive account statements directly from the Fund's administrator or OMT on a monthly basis. Separate account clients receive account statements directly from their chosen custodian on the frequency agreed with that custodian, but at least quarterly. OMT may supplement these statements with reports, letters or other communications. All Fund investors also receive annual reports that will include audited financial statements of the Fund as of the end of each fiscal year.

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

Other than as described under "Brokerage Practices" above, OMT does not receive any benefits from third parties for providing investment advice or other advisory services to its clients, nor does OMT or any of its related persons directly or indirectly compensate any third party for client referrals.

## **Item 15 - Custody**

OMT has no physical custody of assets. All assets of the Funds (cash, securities and other assets) are held in the custody of unaffiliated broker/dealers or banks. However, OMT, as the general partner of the U.S. Fund, which is a limited partnership, is deemed to have custody over the assets of that Fund. That is because the general partner of a partnership has broad authority to take possession of the partnership's assets. OMT also has the ability to instruct the custodians to deduct fees directly from the U.S. Fund's account. The SEC considers that ability also as a form of "custody." OMT employs various safeguards to balance its "custodial" powers. For example, a reputable, PCAOB<sup>1</sup>-registered independent accountant performs an annual audit of the Funds' financial statements. OMT employs an independent third-party administrator, which calculates management fees and other compensation, and prepares account statements. Fund investors receive account statements from the independent administrator on a monthly basis.

Separate account assets are custodied by the relevant client's custodian, which sends account statements to the client at least on a quarterly basis. OMT is not deemed to have custody of those assets. However, clients should carefully review all account statements, and compare OMT's statements with the custodian's.

## **Item 16 - Investment Discretion**

OMT has full investment discretion over all client accounts. Clients (the Funds and separate accounts) grant OMT that discretion through the execution of an investment management

---

<sup>1</sup> PCAOB is the Public Company Accounting Oversight Board, a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. The PCAOB also oversees the audits of broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.

agreement or similar contract. By signing a subscription application, each investor in the U.S. Fund also grants OMT discretion through a power of attorney.

Separate account clients can place reasonable restrictions on OMT's investment discretion by establishing guidelines or restrictions in the investment management or other contract between the client and OMT. Fund investors have no ability to modify a Fund's investment strategy. They must, therefore, carefully read the Fund's confidential offering memorandum to understand the investment strategy and risks involved.

## **Item 17 - Voting Client Securities**

Except if a client instructs OMT in writing not to, OMT will vote (by proxy or otherwise) in all matters for which a shareholder vote is solicited by issuers of securities held in a client's account. In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, OMT has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that OMT receives will be treated in accordance with these policies and procedures.

OMT seeks to vote client proxies in the best interests of its clients. The portfolio manager for the relevant Fund or separate account, or his delegate, will determine whether to vote in favor, against or to abstain from voting a particular proxy. This determination will be based on the judgment of the portfolio manager, or his delegate, as to the course of action that is in the best interests of the client. OMT considers a number of factors to determine whether exercising the client's voting rights as to its securities is in the relevant client's best interest, such as whether the securities are being held for a short period or a long time.

OMT attempts to identify conflicts of interest that may arise in the proxy voting process. If a material conflict of interest over proxy voting arises between OMT and its clients, OMT will seek to resolve the conflict and vote the proxy in a manner that is in its clients' collective best interests.

A copy of OMT's proxy voting policies and procedures, as well as specific information about how OMT has voted in the past, is available upon written request.

## **Item 18 - Financial Information**

OMT is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients. OMT has not been the subject of a bankruptcy petition.