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**Part 2A of Form ADV: Firm Brochure**

**Item 1      Cover Page**

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This Part 2 of Form ADV ("the Brochure") provides information about the qualifications and business practices of First Oak Capital Management LLC ("First Oak"). If you have any questions about the contents of this Brochure, please contact us at (415) 544-7800 or [compliance@firstoak.com](mailto:compliance@firstoak.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about First Oak Capital Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC does not imply a certain level of skill or training.

**Item 2      Material Changes**

There are no material changes to the Brochure with this filing. In the future, Item 2 will be used to provide clients with a summary of material changes that are made to this Brochure since the last annual update.

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**Item 4            Advisory Business**

First Oak Capital Management LLC (subsequently referred to as “First Oak” or “the Firm”) was established in July of 2010. The investment team, led by Ashish Shah and Joshua Wyss, managed long/short strategies for three years at Seasons Capital Management, LLC. First Oak’s founding investment team worked together for more than seven years prior to founding First Oak.

The Firm’s principal owners are:

- Ashish Shah, Senior Managing Director & Portfolio Manager
- Joshua Wyss, Managing Director & Director of Research
- Jonathan Kahn, Managing Director & Director of Trading
- Scott Devinsky, Managing Director & Chief Financial Officer
- Kathlyne Kiaie, Managing Director & Chief Compliance Officer

First Oak provides discretionary advisory services to a number of private funds (which are subsequently referred to as “Funds” throughout this document). At present, two of the Funds are organized as limited partnerships in which First Oak serves as the sole general partner. The other Funds are organized as non-U.S. companies or partnerships. For each of the non-U.S. Funds First Oak serves as either investment adviser or general partner.

Investment advisory services are offered for a percentage of assets under management as well as other compensation structures, as described in more detail below.

One hundred percent of First Oak’s business involves managing investment advisory accounts not involving investment supervisory services. Our services are not considered “Financial Planning.”

First Oak generally provides investment advice to private Investment Funds, which are structured as partnerships or offshore investment companies in which clients or investors may be solicited to invest. First Oak serves as the general partner of First Oak Acorn Fund, L.P. and First Oak Acorn Institutional Fund, L.P., Delaware limited partnerships. First Oak also serves as the general partner of First Oak Acorn Master Fund, L.P., a Cayman Islands exempted limited partnership.

First Oak is authorized to enter into any type of investment transaction that it deems appropriate for its investors, pursuant to the terms of the partnership or other account agreement. First Oak does not currently advise investors on any types of investments other than those identified below.

Currently, First Oak may offer investment advice on the following types of investments:

- Equity securities, including exchange-listed securities, securities traded over-the-counter and foreign issues
- Corporate debt securities (other than commercial paper)
- United States government securities
- Option contracts on securities
- Limited partnership interests
- Private investment funds
- Futures contracts

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The offshore Fund organized as an exempted company, to which First Oak serves as investment adviser, has a board of directors with the authority to determine the Fund's objectives, subject to First Oak's agreement, and to supervise the Fund's investment and trading activities. First Oak's agreements with the Funds generally impose no limits on the types of securities or other instruments in which the Funds may invest, the types of positions they may take, the concentration of their investment by sector, industry, fund, country, class or otherwise, the amount of leverage they may employ or the number or nature of short positions they may take. The Funds' investors do not have the right to specify, restrict, or influence their Funds investment objectives or any investment or trading decisions.

First Oak provides discretionary investment advisory services to clients who are not Funds, which are referred to as "Separately Managed Accounts." First Oak manages the Separately Managed Accounts according to strategies that are similar to those of the Funds, but they may be subject to express investment restrictions or other special terms that do not apply to the Funds. These special terms are subject to negotiation on a client- by-client basis.

First Oak does not participate in wrap fee programs.

As of May 1, 2011, First Oak had approximately \$76.0 million in assets under management on a fully non-discretionary basis.

#### Item 5 Fees and Compensation

First Oak's advisory services are offered for a percentage of assets under management as well as other compensation structures. For onshore funds, we typically charge a management fee and performance allocation; for offshore funds we charge a management fee and incentive fee.

First Oak generally requires a minimum of \$1,000,000 for investors investing in the Firm's Investment Fund, but the Firm reserves the right to waive the minimum.

Fees are deducted from Clients' assets and are charged as follows:

#### Onshore Funds:

1.5% annual management fee, payable quarterly in advance  
20.0% performance allocation with traditional "high-water mark"

#### Offshore Fund:

1.5% annual management fee, payable quarterly in advance  
20% incentive fee with traditional "high-water mark"

Clients may pay other expenses in addition to the fees paid to First Oak. For example, Clients may pay costs such as brokerage commissions, transaction fees, custodial fees, transfer taxes, wire transfer fees, and other fees and taxes charged to brokerage accounts and securities transactions, which are unrelated to the fees collected by First Oak. (Item 12 provides more information on our brokerage practices.)

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Management fees are paid quarterly in advance. Performance fees and performance allocations are assessed in arrears on an annual basis, and are only applied to profits that exceed the cumulative losses previously incurred by or allocated to the respective Clients. Performance fees are charged in accordance with the requirements of Rule 205-3 under the Investment Advisors Act of 1940, as well as limitations applicable in California, and First Oak will not accept Clients who do not satisfy the eligibility criteria of applicable law

#### **Other Expenses**

Each Fund also pays all of the expenses of its administration and operation. These expenses include, among other things:

- brokerage commissions on portfolio transactions;
- interest on margin and other borrowings;
- borrowing charges on securities sold short;
- custodial fees;
- bookkeeping, accounting, audit and other professional fees and expenses;
- legal fees;
- governmental fees and taxes;
- costs of reporting to interestholders;
- costs of governance activities;
- fees paid to any third-party administrator; and
- all other reasonable expenses related to the Fund's management and operation or the purchase, sale or transmittal of Fund assets, all as First Oak determines in its sole discretion.

The Funds do not currently pay custodial fees directly. Instead, their assets are held by "prime brokers" as custodians. Nevertheless, the Funds may be considered to pay for custodial services indirectly through: payments to the prime brokers of commissions and other transaction costs; payments of financing charges related to margin borrowings and stock loans; and the prime brokers' ability to earn money on certain balances the Funds maintain with them (subject to laws and regulations governing their activities). Each Fund also bore certain costs in connection with its organization and the initial offering and sale of ownership interests in it, and each Fund also continues to bear the costs of its ongoing offering of those ownership interests.

First Oak may advance costs described above for a Fund, and the Fund may reimburse First Oak for those costs.

First Oak provides office personnel and space required for the performance of its services for the Funds. The Funds do not reimburse First Oak for doing so (except to the extent of the fees and incentive allocations).

For a more detailed discussion of brokerage and transaction costs, clients are directed to "Item 12: Brokerage Practices."

#### **Separately Managed Accounts**

For Separately Managed Accounts, First Oak generally receives a combination of asset-based and performance-based fees. These fees are negotiated on a case-by-case basis with the client; however, for

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Separately Managed Accounts that are managed according to strategies similar to particular Funds, the asset- and performance-based fees First Oak charges its clients will generally be similar to the fees and allocations that First Oak charges or assesses as to those Funds.

Relationships with First Oak' Investment Fund investors may be terminated at the expiration of the term of the Fund or upon the dissolution of the Fund, in accordance with the governing documents. In the case of Funds structured as a partnership, relationships with investors may be terminated upon First Oak's withdrawal as general partner of that partnership. More detail about the withdrawal rights of investors in First Oak' funds can be found in each Fund's offering and governing documents, but are generally as follows:

- One-year soft lockup (3% fee for withdrawal in the first year)
- Quarterly liquidity with 45 days' notice

#### **Prepayment of Fees**

As noted above, the Funds pay management fees to First Oak quarterly in advance. Fund investors are generally allowed to withdraw capital or redeem shares as of the end of a calendar quarter, at which time there generally will be no prepaid fees. First Oak is not required to refund any portion of its management fee if a Fund allows an investor to withdraw or redeem as of a time other than a calendar quarter-end, however.

If First Oak were to terminate its status as general partner or investment adviser of a Fund at a time other than as of the end of a quarter, First Oak would refund to the Fund a portion of the management fee that was paid at the beginning of the termination quarter, pro rated based on the number of days remaining in that quarter.

Similarly, for Separately Managed Accounts, the investment management agreements generally provide for payment of quarterly asset-based fees in advance. Those agreements also provide that if the client (or First Oak) terminates the agreement other than as of the end of a quarter, First Oak will refund to the client a portion of any asset-based fee that was paid at the beginning of the termination quarter, pro rated based on the number of days remaining in that quarter.

#### **Other Compensation**

First Oak does not and its personnel do not accept compensation for the sale of securities or other investment products.

Investors should refer to each Fund's Offering Memorandum, Subscription Agreements and other offering documents for addition/supplementary information regarding the Funds as well as the fees and expenses paid by the Funds.

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

First Oak receives performance-based compensation. Because First Oak's compensation is based in part on capital appreciation, there may be an incentive for First Oak to make investments that are riskier or more speculative than would be the case in the absence of such a compensation framework.

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Each Fund allocates or pays First Oak a portion of the increase in value of investors' investments, as described above under "Item 5: Fees and Compensation." First Oak also generally charges performance-based fees to its Separately Managed Account clients, though those fees are generally subject to negotiation and may therefore vary from client to client.

While First Oak has the right to waive incentive fees or incentive allocations as to particular investors in a Fund, First Oak manages each Fund's assets as an undivided pool. First Oak also generally manages its Separately Managed Accounts in parallel with the Funds (subject to any investment limitations or other special requirements that it may negotiate). As a result, First Oak does not believe that its performance-based fee arrangements give rise to incentives to favor any particular Fund or Separately Managed Account over another. First Oak's potential to receive incentive fees or allocations, and the fact that it will not have to refund any such fees or allocations if the Funds later experience losses, may nevertheless create an incentive for First Oak to make investments that are riskier or more speculative than would otherwise be the case.

**Item 7            Types of Clients**

First Oak generally provides investment advice to private Investment Funds. Investors in the Investment Funds include:

- Individuals
- Pension and profit-sharing plans
- Trusts, estates and charitable organizations
- Corporations and business entities other than those listed.

The Funds are privately-offered Funds that are not regulated under the U.S. Investment Company Act of 1940, as amended, because of Sections 3(c)(1) and 3(c)(7) of that act and, in the case of offshore Funds, their adherence to the substantive provisions of Section 3(c)(7) as to U.S. investors. Each Fund imposes minimum investor qualification standards and minimum investment requirements.

Separately Managed Account clients may be pooled investment vehicles, high net worth individuals or institutional investors. Separately Managed Account clients must generally be "qualified clients" under Rule 205-3 of the Investment Advisers Act of 1940, as amended.

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

First Oak's security analysis methods include:

- Charting
- Fundamental analysis
- Technical analysis

First Oak's investment strategies incorporate the following philosophies:

- Methodical approach: Bottom-up fundamental research-gathering is distilled in
- proprietary financial models; the process is repeated continually
- Single-stock ideas: We strive to create portfolios that will capitalize on creative destruction, which requires that we remain intellectually nimble

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- **Short alpha:** We believe that non-correlated returns and alpha-generation require successful single-stock shorting; we hunt for pockets of complacency and misguided earnings models
- **Dispersion:** Our investment selection process is uncompromising: no dispersion, no position in book
- **Liquidity:** Position liquidity is critical
- **Unemotional:** Portfolio management is objective and centered around a single-stock risk/reward; we measure alpha vs. beta

Investing in securities involves a risk of loss that Clients should be prepared to bear.

Investment strategies we use to implement investment advice given to Clients include:

- Long-term purchases (securities held at least a year)
- Short-term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Short sales
- Margin transactions
- Option writing, including covered options, uncovered options or spreading strategies
- Exchange-traded and OTC derivatives, including interest rate, currency and equity swaps; interest rate caps, collars and floors; equity and currency options; futures and options on futures; forward foreign currency exchange contracts; capped, inverse, dual index and range floaters; and structured notes.

First Oak is authorized to enter into any type of investment transaction that it deems appropriate for its investors, in accordance to the terms of the partnership or other account agreement. First Oak does not currently advise investors on any types of investments other than those identified below:

- Equity securities, including exchange-listed securities, securities traded over the counter and foreign issues
- Corporate debt securities (other than commercial paper)
- United States government securities
- Option contracts on securities
- Limited partnership interests
- Private investment funds
- Futures contracts

In managing the Funds and Separately Managed Accounts, First Oak intends to cause such investment vehicles to principally invest in, hold, sell (long or short), trade and otherwise deal in securities. It is First Oak's policy to trade and invest principally, but not solely, in equity securities that are traded in U.S. and non-U.S. public markets. First Oak selects investments for purchase and sale (long and short) by the Fund and any Separately Managed Account through trading and hedging strategies with the principal objective of achieving strong absolute and risk-adjusted returns primarily by investing and trading in securities issued by companies that focus on the global information technology, media, telecom, consumer and infrastructure sectors.



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When deemed appropriate by First Oak for a Fund or Separately Managed Account, First Oak may also invest in long or short positions in options, bonds, convertible debt, preferred stock, swaps (including, but not limited to, interest rate swaps, variance swaps, volatility swaps, commodity swaps, credit default swaps, asset swaps, total return swaps, equity swaps (including baskets and emerging markets swaps), variations on any of the foregoing and any other types of over-the-counter instruments), notes, bills, warrants, futures, rights, derivatives, non-U.S. currencies, restricted securities, fixed-income assets and other securities or assets. First Oak may seek to hedge and enhance returns by short selling, trading in publicly traded and over-the-counter options (including covered and uncovered puts and calls) and other strategies. First Oak intends to trade and invest on margin.

First Oak's current investment universe comprises the following broad categories:

- Information technology and services
- Consumer/Media/Telecommunications
- Capital Goods/Energy/Materials

These sectors and industries include but are not limited to: enterprise hardware; enterprise software; communications equipment and services (both wireline and wireless); semiconductors and semiconductor capital equipment; personal computers and related peripheral, consumer technology and related services; Internet-related media, commerce and service; cable and satellite; traditional media and entertainment, including gaming, lodging and leisure; capital goods and alternative energy; basic materials and natural resources; retail and restaurants; food; beverages; household products and personal care.

**Item 9            Disciplinary Information**

First Oak has not been involved in any legal or disciplinary events since inception that would be material to a client's evaluation of First Oak or its personnel.

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

Neither First Oak and/or any of its employees are not registered and do not, or have an application pending to register, as a broker-dealer or registered representative of a broker-dealer, futures commission merchant, or commodity pool operator. Neither First Oak nor any of its employees have any relationships or arrangements with other financial service companies that pose material conflicts of interest.

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

First Oak has adopted a Code of Ethics that establishes standards of conduct for the Firm and its affiliates' personnel. The Code of Ethics includes general requirements that First Oak's and its affiliates' personnel comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading and insider trading. It requires First Oak's and its affiliates' personnel to arrange for duplicate copies of all trade confirmations and brokerage statements to be sent directly to First Oak's Chief Compliance Officer, and requires the Chief Compliance Officer to review those reports.

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First Oak's Code of Ethics establishes standards of conduct for the Firm's personnel. Subject to the Chief Compliance Officer's pre-approval, the Code of Ethics requires each employee who (i) has access to non-public information regarding any client's purchase or sale of securities, or (ii) is involved in making securities recommendations to clients or has access to such recommendations that are non-public (an "access person") and his or her Family Members (including through adoptive relationships), to dispose of all single-stock securities held in proprietary accounts within 30 days of providing an initial holding report (which must be provided within 10 days after such access person becomes subject to the Code of Ethics); the Chief Compliance Officer may make exceptions to this policy for securities whose disposal is impractical (such as investments in restricted or otherwise illiquid securities). Employees who are not access persons and their Family Members may continue to hold single-stock securities that were held at the time of hiring by the Firm and, subject to the Chief Compliance Officer's approval, may dispose of such securities. All employees, whether access persons or not, and their Family Members are prohibited from purchasing single stock securities while employed by the firm. All employees are also subject to quarterly and annual transactions-reporting requirements. In addition, the Chief Compliance Officer shall consider, on a case-by-case basis, whether third-party consultants, vendors, service providers and other independent contractors or temporary employees should be subject to these policies and procedures as well. The Code of Ethics also contains policies involving the safeguarding of proprietary and non-public information and the use of nonpublic information in relation to clients.

The Code of Ethics requires employees to promptly report any violations of it to First Oak's Chief Compliance Officer. Each employee of First Oak receives a copy of the Code of Ethics and any amendments to it, and must acknowledge in writing having received the materials. Quarterly, each employee must certify that he or she complied with the Code of Ethics during that period. Clients and prospective clients may obtain a copy of First Oak's Code of Ethics by contacting compliance at First Oak Capital Management, 600 Montgomery Street, 11th Floor, San Francisco, CA 94111, [compliance@firstoak.com](mailto:compliance@firstoak.com).

First Oak may recommend to clients that they buy or sell securities in which it has some financial interest. First Oak may also buy or sell for itself securities that it also recommends to clients. Such participation by First Oak is governed by First Oak's Code of Ethics, as previously described.

#### Item 12 Brokerage Practices

**Prime Brokerage.** The Funds and Segregated Managed Accounts obtain custodial, clearing and related services through what is known as a "prime brokerage" arrangement. Under this type of arrangement, one or more "Prime Brokers": (i) maintain custody of the Funds' and Segregated Managed Accounts' assets (either directly or through affiliated companies or subcustodians); (ii) provide margin credit and locate securities to borrow to facilitate short sales; (iii) arrange for the receipt and delivery of securities bought, sold, borrowed and lent; (iv) make and receive payments for securities; (v) tender securities in connection with tender offers, exchange offers, mergers or other corporate reorganizations; (vi) provide the First Oak detailed portfolio and related reports; and (vii) provide related services. The Funds' and Segregated Managed Accounts' arrangement with its Prime Broker(s) permits the Funds and Segregated Managed Accounts to maintain a single (or a limited number of) custodial relationship(s), and still use a variety of brokers to execute transactions. Using multiple brokers for transaction execution gives First Oak the flexibility to seek best execution and favorable commission rates and also to seek valuable research and to compare execution quality and commission rates. By using a Prime Broker rather than a bank or other

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institution for custodial services the Funds and Segregated Managed Accounts also may avoid or reduce custodial fees. The Funds and Segregated Managed Accounts compensate their Prime Brokers through interest on credit balances, margin borrowings, stock loans and brokerage commissions. At times a material amount of the Funds' and Segregated Managed Accounts' capital may be treated by their Prime Brokers as collateral for amounts the Funds and Segregated Managed Accounts owe the Prime Brokers and/or a portion of the Funds' and Segregated Managed Accounts' assets may be held by financial institutions other than the Prime Brokers as collateral for amounts the Funds and Segregated Managed Accounts owe or may owe those institutions as counterparties to derivative agreements.

The Funds' current Prime Brokers are Morgan Stanley & Co., Incorporated and Goldman, Sachs & Co. The Funds and Segregated Managed Accounts may change their Prime Brokers, use additional Prime Brokers, alter the terms of its arrangements with the Prime Brokers, or make alternative arrangements to receive the services currently provided by the Prime Brokers, all in First Oak's sole discretion. Notwithstanding its prime brokerage arrangements, there may be times when a portion of the Funds' or Segregated Managed Accounts' assets will be deposited as collateral with financial institutions that serve as counterparties to derivative instruments to which the Funds or Segregated Managed Accounts are parties. The Prime Brokers may appoint sub-custodians for portions of the Funds' and Segregated Managed Accounts' assets held in prime brokerage accounts.

A Prime Broker may provide services to First Oak distinct from the custodial, lending and related services the Prime Broker provides to the Funds, Segregated Managed Accounts and other clients. These services may include, among other things, consulting services with respect to various aspects of First Oak's business and introducing First Oak to prospective advisory clients and prospective investors in the Funds First Oak manages. A Prime Broker may provide those services at prices that are lower than market prices for similar services or for no charge. A Prime Broker may also enter into financial transactions with First Oak or its affiliates, including lending transactions and through providing initial or other investment capital for Funds or products that First Oak or its affiliates manage or sponsor. These transactions may be on terms more favorable than the terms available to First Oak or its affiliates from other counterparties.

To the extent First Oak or any of its affiliates receive services from a Prime Broker at lower than market prices, enters into transactions on terms better than terms otherwise available in the market, or collects fees from a Prime Broker's investments in the Funds or Segregated Managed Accounts, conflicts may exist between First Oak's interests and the Funds' or Segregated Managed Accounts' interests. That is, the services and benefits First Oak receives in connection with the Funds' or Segregated Managed Accounts' relationship with a Prime Broker may give First Oak an incentive to cause the Funds or Segregated Managed Accounts to accept less favorable pricing for prime brokerage services (including interest and similar charges on margin borrowings and short positions and including brokerage transaction volume and compensation rates) than might be available otherwise or to continue to use a Prime Broker when it would not otherwise cause the Funds or Segregated Managed Accounts to do so. First Oak believes the compensation the Funds and Segregated Managed Accounts will pay the Prime Broker is reasonable and competitive with rates charged by other prime brokers and service providers for services of comparable quality.

The Funds and Segregated Managed Accounts may grant any Prime Broker a security interest over all of the Funds' or Segregated Managed Accounts' assets that the Prime Broker holds in custody to secure the

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Funds' or Segregated Managed Accounts' obligations it and/or its affiliates. Under certain circumstances, the Prime Brokers and their respective affiliates may also transfer to themselves all rights, title and interest in and to those assets as collateral and may deal with, lend, dispose of, pledge or otherwise use all such collateral for their own purposes.

**Transactional Practices.** The Funds and Segregated Managed Accounts will incur substantial brokerage commissions and other transaction expenses. First Oak has complete discretion in deciding what Transacting Parties through or with which to execute or enter into portfolio transactions. First Oak also has complete discretion to negotiate compensation arrangements and transaction terms with Transacting Parties. These arrangements may include not only paying commissions for transactions effected on any agency basis, but also compensation implicit in prices of transactions directly with Transacting Parties acting as principal (such as market-makers for over-the-counter securities) and dealers in fixed income securities and derivatives. The following describes some noteworthy aspects of First Oak's, the Funds' and the Segregated Managed Accounts' use of and relationships with Transacting Parties.

**Selection Criteria, Generally.** In choosing Transacting Parties, First Oak is not required to consider any particular criteria. For the most part, First Oak seeks "best execution" of the Funds' and Segregated Managed Accounts' securities transactions. However, what constitutes "best execution" and determining how to achieve it are inherently uncertain. In evaluating whether a Transacting Party will provide best execution, First Oak considers a range of factors. These include, among others, historical net prices (after markups, markdowns and other transaction-related compensation); Transacting Party's execution, clearance and settlement and error correction capabilities generally and in connection with securities of the type and in the amounts to be bought or sold; the Transacting Party's willingness to commit capital; the Transacting Party's reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; the market for the security; and, as discussed more fully below, the nature, quantity and quality of research provided by the Transacting Party. First Oak is not required to select the Transacting Party that charges the lowest transaction cost, even if that Transacting Party can provide execution quality comparable to other Transacting Parties.

**"Soft Dollars."** When a Transacting Party provides the Funds, Segregated Managed Accounts or First Oak with services or products in addition to transaction execution, or pays for those services or products for the Funds, Segregated Managed Accounts or First Oak, the Funds, Segregated Managed Accounts or First Oak is said to have acquired those services or products with "soft dollars." This is common in the professional management of securities portfolios.

A federal statute, Section 28(e) of the Exchange recognizes the potential conflict of interest involved in the use by an investment manager (such as First Oak) of soft dollars to pay for various expenses but provides a safe harbor from breach of fiduciary duty claims if certain conditions and requirements are met. First Oak intends to use soft dollars only to acquire research and brokerage services within the Section 28(e) safe harbor. For those arrangements that provide both research and non-research purposes ("mixed-use items"), First Oak will make a good-faith effort to allocate the costs of such products between their research and non-research uses, and use soft dollars to pay only for the portion allocated to research uses.

First Oak has established a best execution committee and a soft dollar committee consisting of members from administration, operations and compliance. These committees meet regularly to review best-

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execution reports and brokerage-allocation activity of First Oak and to approve all new arrangements for research and brokerage service provided by brokers. These committees serve as the focal point in managing First Oak's brokerage-allocation practices so as to ensure that there are no improprieties or undisclosed referrals affecting the selection of brokers or allocation of brokerage transactions.

**"Research and Brokerage."** The types of "research" First Oak may receive from Transacting Parties 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 First Oak'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 Transacting Parties, post-trade matching of trade information, communicating allocation instructions, and other clearance and settlement functions. First Oak may use Fund or Segregated Managed Account 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 First Oak's use of soft dollars to acquire research and brokerage services and products is protected by Section 28(e), First Oak 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 Transacting Parties who provide those services and products more than it otherwise would.

**Referrals of Investors and Advisory Clients.** In selecting a Transacting Party, First Oak may consider the Transacting Party's referrals of investors to the Funds First Oak manages, referrals of advisory clients to First Oak, the potential for future referrals, and/or the Transacting Party's willingness to pay third-party finders' fees for such referrals. To the extent First Oak would otherwise be obligated to pay for "finding" services, it has a conflict of interest in considering those services when selecting a Transacting Party. It also faces a conflict because it benefits from increases in the Funds' size.

**Procedures.** Transacting Parties from which First Oak 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 First Oak for specified expenses. In some cases the process is less formal; a Transacting Party simply may suggest a level of future business that would fully compensate the broker or dealer for services or products it provides. A Fund's actual transactional business with a Transacting Party may be less than the suggested level but may exceed that level, and credits established may exceed the amounts used to acquire services and products. This may be in part because a Fund's investment activities generate aggregate commissions in excess of the levels of future business suggested by all Transacting Parties who provide services and products. And it may be in part because those Transacting Parties may also provide superior execution and may therefore be most appropriate for particular transactions. First Oak may ask a Transacting Party who is executing a transaction for several accounts (see the discussion below regarding aggregation of orders) to "step out" of a portion of the transaction in favor of a Transacting Party who has provided or is willing to provide products or services for soft dollars. That is, the executing Transacting Party will allow a portion of the overall commissions or other compensation to be paid to the soft-dollar

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**Transacting Party.** This assists First Oak in acquiring products and services with soft dollars while providing the benefits of aggregated transactions described below. It may result in a Fund paying additional commissions or other transaction compensation to the Transacting Party to whom such Fund's portion of an aggregated transaction is "stepped out" and therefore incurring higher transaction costs for that transaction than do other clients of First Oak 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 Transacting Party. First Oak will not use such markups and markdowns as soft dollars if to do so would be inconsistent with the requirements of Section 28(e).

**Aggregation of Orders.** In some cases, the Funds and Segregated Managed Accounts may seek to buy or sell the same security or other financial instrument at the same time. In those cases, First Oak may combine purchase and sale orders on the Funds' or Segregated Managed Accounts' behalf with orders for those of other accounts. When it does so, First Oak will generally allocate the proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants in the transactions. First Oak believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to the Funds or Segregated Managed Accounts than if the Funds or Segregated Managed Accounts had been the only account effecting the transaction or had completed its transaction before the other participants. Because of First Oak's interest in the Funds and Segregated Managed Accounts, there may be circumstances in which the Funds' and Segregated Managed Accounts' transactions may not, under certain laws and regulations, be combined with those of some of First Oak's and its affiliates' other clients, and the Fund may obtain less advantageous execution than those other clients.

First Oak may place orders for the same security for different clients at different times and in different relative amounts due to, among other things, differences in investment objectives, cash availability, size of order and practicability of participating in "block" transactions. The level of participation by different clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular client. For example, in certain situations a security may be suitable for a Fund and for portfolios that use investment criteria similar to that Fund's, but the Fund's objectives may make it appropriate for that Fund to take a larger or smaller proportionate position in the security than the other accounts. In cases of that kind, some of the Fund's transactions in the security may not be aggregated with other clients. Other examples may include where a security's small capitalization or trading volume may make it suitable only for a specific Fund or Segregated Managed Account and not for larger accounts, due to the large scale of assets that would need to be deployed should all accounts attempt to invest. First Oak has adopted policies and procedures intended to ensure that its trading allocations are fair to all of its clients.

In addition, First Oak and/or its related persons or funds may buy or sell specific securities for its or their own account that are not deemed appropriate for the Funds or Segregated Managed Accounts at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments for the Funds or Segregated Managed Accounts are made. Where execution opportunities for



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

**Cross Transactions.** First Oak may (but is not obligated to) cause the Funds and Segregated Managed Accounts to effect “cross” transactions (i.e., buy and sell securities from and to each other), subject to applicable law or regulation. First Oak may do so, if First Oak believes that the cross transaction will be beneficial to both parties. ERISA and other laws or regulations may prevent the Funds and Segregated Managed Accounts from engaging in “cross” transactions that could be beneficial to such Funds or Segregated Managed Accounts Fund.

#### Item 13      Review of Accounts

First Oak applies the following procedures for and involves the following individuals in the Firm’s account reviews. Ashish Shah, Portfolio Manager, and Joshua Wyss, Director of Research, jointly review all accounts managed by First Oak. All accounts are reviewed weekly. Asset allocation, cash management, market prospects and individual issue prospects are considered. Particular attention is given to changes in company earnings, industry outlook, market outlook and price levels.

Clients may receive the following reports:

- **Monthly:** Letter to investors stating performance for the month
- **Quarterly:** Letter to investors stating performance for the quarter
- **Annually:** Letter to investors stating annual performance and investment outlook

Fund investors receive monthly and/or quarterly account statements listing the value of their investments. Fund investors also receive an annual K-1, if applicable and a copy of the annual audit for each Fund in which they are invested. Taxable accounts receive an annual tax summary.

In addition, due to legal and/or regulatory constraints that must be followed by some of the Firm’s investors and/or the specific needs and requests by certain investors, First Oak may at its discretion agree to provide certain investors more-frequent reports and/or certain other reports than those described above.

#### Item 14      Client Referrals and Other Compensation

First Oak may retain Morgan Stanley, Goldman Sachs or another brokerage firm to serve as prime broker and custodian for its Clients. The prime broker holds most of the Client’s assets in an account in the Client’s name, acts as the broker for many of the Client’s securities transactions and provides First Oak with a number of reports that reflect the Client’s consolidated trading activities. The prime broker also provides First Oak with a number of additional services at no additional cost to First Oak. These services may include: technology services, including Internet access, information technology support, and disaster recovery systems; capital introduction services; portfolio reporting; and access to electronic communications networks. Although First Oak expects to use a substantial portion of these services for research and trading on behalf of its Client Accounts, some portion may be used for administrative purposes. Although many prime brokers provide similar services to investment advisers in exchange for brokerage, custody and clearance fees, if First Oak did not receive these services from the prime broker, First Oak would have to pay for them itself. First Oak is not required to direct any number or percentage of

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trades to Morgan Stanley, Goldman Sachs or any other brokerage firm or to continue to any specific brokerage firm as the prime broker and custodian for its Clients, but First Oak has an incentive to do so based on the prime broker's prior and continued services.

First Oak has arrangements where it is paid cash by or receives some economic benefit from a non-Client in connection with giving advice to Clients, as well as directly or indirectly compensates others for Client referrals.

First Oak does not enter into agreements with or make commitments to broker-dealers under which First Oak is obligated to compensate broker-dealers for Client referrals. However, when First Oak believes that a broker-dealer who has referred Clients to First Oak is capable of providing the best-price services and overall execution as to a particular portfolio transaction, considering all the factors described herein, First Oak may select that broker-dealer in recognition of the broker-dealer's referrals or possible future referrals. While this may create a potential conflict of interest, capital introduction is not a consideration when selecting or retaining prime brokers or executing trades. While the meetings may be arranged by the brokers, there is no guarantee that the Clients will invest with First Oak. Other than the standard commission rates paid by First Oak's Investment Funds, and customary prime brokerage fees, the broker does not receive any compensation, directly or indirectly, for the meetings or the subsequent investments, if any. See Custodial Brokerage Accounts With Prime Broker (page XX) for additional information.

#### Item 15 Custody

Under the SEC's custody rules, as to those Funds for which First Oak serves as general partner, First Oak is considered to have "custody" of those Funds' assets, even though an independent custodian actually holds those assets. The SEC's rules generally require SEC-registered investment advisers that have custody of their clients' assets to cause certain account statements detailing holdings and transactions to be sent to clients and impose certain other obligations. However, advisers to Funds like the Funds need not comply with those requirements if, among other things, the Funds provide investors with audited financial statements by a specified time each year and those financial statements meet certain requirements. First Oak satisfies those conditions and therefore is not subject to reporting and other obligations.

#### Item 16 Investment Discretion

First Oak's agreements with its Funds generally grant it complete discretion to manage the Funds' investment portfolios, without any specific limitations. Separately Managed Account clients may negotiate investment restrictions relevant to their specific circumstances. See the description above in "Advisory Business" and "Methods of Analysis, Investment Strategies and Risk of Loss."

#### Item 17 Voting Client Securities

First Oak has retained the services of Institutional Shareholder Services, Inc. ("ISS"), which provides research and recommendations on proxy voting issues. First Oak has instructed ISS to provide a recommendation to First Oak regarding voting decisions on behalf of each of First Oak' accounts based solely on the considerations described in the detailed proxy voting guidelines that ISS periodically provides to First Oak. First Oak may instruct ISS to vote in a manner other than that recommendation if First Oak deems it in the best interests of First Oak' accounts. In certain cases, First Oak may decide not to vote a



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proxy on behalf of a particular account if it determines that the proposal will not have a material effect on the investment strategy pursued by First Oak for that account. If First Oak does not affirmatively instruct ISS to vote or abstain from voting in a particular manner, ISS will vote in accordance with its recommendation.

If a material conflict of interest over proxy voting arises between First Oak and a Client, First Oak will, in its exclusive discretion, either (a) vote the proxy through ISS in accordance with ISS' recommendation or (b) notify the Client of the conflict and request that the Client consent to First Oak' intended response to the proxy solicitation. If the Client consents to First Oak' intended response or fails to respond to the notice within a reasonable period of time specified in the notice, First Oak will vote the proxy as described in the notice. If the Client objects to First Oak' intended response, First Oak will vote the proxy as directed by the Client.

A Client can obtain a copy of First Oak' proxy voting policy and a record of votes cast by First Oak on behalf of that Client by contacting compliance at First Oak Capital Management LLC, 600 Montgomery St., 11<sup>th</sup> Floor, San Francisco, CA 94111, (415) 544-7800 or [compliance@firstoak.com](mailto:compliance@firstoak.com).

**Item 18 Financial Information**

First Oak Capital Management LLC has never filed for bankruptcy and is not aware of any financial conditions that are likely to impair First Oak's ability to meet its contractual commitments to clients.