

# **Oak Harbor Capital, LLC**

## **Form ADV Part 2A**

2001 WESTERN AVENUE

SUITE 430

SEATTLE, WA 98121

TELEPHONE: 1 (855) 330-9520

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**This brochure provides information about the qualifications and business practices of Oak Harbor Capital, LLC ("Oak Harbor"; formerly known as Ophrys, LLC). If you have any questions about the contents of this brochure, please contact us at 1 (855) 330-9520. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or by any state securities authority.**

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

**In this brochure, Oak Harbor refers to itself as a registered investment adviser. This means that Oak Harbor is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (together with all rules and regulations promulgated thereunder, the "Advisers Act"). Advisers Act registration does not and should not be read to imply a certain level of skill or training.**

### **Item 2 -- Material Changes**

In September 2014, Oak Harbor Capital, LLC ("Oak Harbor"), under its former name of Ophrys, LLC, filed an initial application to register as an investment adviser with the SEC. On October 1, 2014, the SEC issued an order declaring Oak Harbor's registration as an investment adviser effective. This is the sixth annual update of Oak Harbor's brochure, and the second annual update filed under the name of Oak Harbor Capital, LLC. The previous brochures were filed on March 9, 2015, March 30, 2016, March 31,

2017, March 30, 2018, and March 29, 2019. There are no material changes to report under this item other than to reference the additions made to Items 4 (Advisory Business) and 8 (Material Risks), and to update the amount of assets under management. The amount of assets under management by Oak Harbor changed from an estimated \$445,100,575 (as of 12/31/2018) to an estimated \$606,466,646 (as of 12/31/2019). The number of funds under management by Oak Harbor decreased from 38 last year to 25 as of the date of this filing, and includes one entity that is sub-managed by Oak Harbor.

In the future, this item will identify and discuss material changes since the last annual update to assist clients and investors in making them aware of certain information that has changed since the prior year's brochure that may be important to them. Oak Harbor encourages all recipients of the brochure to read it carefully in its entirety.

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## Item 4 -- Advisory Business

Oak Harbor is a Delaware limited liability company which has been in business since January 2007. Oak Harbor was formed under the laws of the state of Washington as Ophrys, LLC. The company domesticated as a Delaware limited liability company on February 27, 2019, at which time it changed its name from Ophrys, LLC, to Oak Harbor Capital, LLC. A new entity was not formed under applicable state laws. The principal beneficial owner of Oak Harbor is William S. Weinstein (hereinafter referred to as “WSW” or “principal”).

Oak Harbor was restructured as of July 31, 2019, pursuant to the terms of a Contribution and Exchange Agreement, whereby WSW and Holdphrying, Inc. exchanged their Class A Membership Units in Oak Harbor for like units in Oak Harbor Holdings, LLC (“Oak Harbor Holdings”), the result of which was that Oak Harbor became a wholly owned subsidiary of Oak Harbor Holdings. As of the same date, Oak Harbor transferred to a newly formed entity, Oak Harbor Management, LLC, a wholly owned subsidiary

of Oak Harbor Holdings, certain designated assets and employees of Oak Harbor to complete the restructuring.

Oak Harbor currently serves as investment manager for 25 private investment funds which are each structured as limited liability companies, except for one fund that is structured as a limited partnership (the "Oak Harbor Funds").

In addition to the Oak Harbor Funds, Oak Harbor also provides sub-advisory services to an unaffiliated private investment fund whose investment objectives and strategies are similar to those of the Oak Harbor Funds.

Oak Harbor's primary investment focus, on behalf of the Oak Harbor Funds, is to engage in the purchase, servicing, and recovery of certain asset classes of distressed consumer receivables, including Chapter 7 and Chapter 13 bankruptcy receivables, first and second lien deficiency receivables, state court litigation receivables, non-performing or distressed real property mortgage loans and receivables, title curative mortgage loans, consumer loan receivables, and auto deficiency receivables (collectively, the "Receivables"). The interests of the Oak Harbor Funds in Receivables may be direct, by ownership of Receivables, or indirect, through loans, participations, or other interests in special purpose entities created to own the Receivables. As of the date of this filing, Oak Harbor is focusing purchases on distressed and nonperforming whole residential mortgage loans.

Oak Harbor does not tailor its advice to the needs of any investor in an Oak Harbor Fund. However, Oak Harbor does tailor its advisory services to the specific investment objectives and restrictions of each Oak Harbor Fund pursuant to the investment guidelines and restrictions set forth in each Oak Harbor Fund's confidential offering memorandum, limited liability company (or, as applicable, limited partnership) agreement and other governing documents (collectively, the "Governing Documents"). Oak Harbor's activities on behalf of each Oak Harbor Fund generally include, without limitation and directly or indirectly through the engagement of service providers, (i) monitoring collection and posting of payments, (ii) responding to inquiries of obligors of the accounts, (iii) investigating delinquencies, (iv) sending statements to obligors, (v) reporting any required tax information to obligors, (vi) accounting for gross receipts collected on account of any Receivables, (vii) tracking the status of any guaranties or insurance policies relating to any account, (viii) commencing and pursuing recovery actions, (ix) entering into agreements for the settlement, compromise or satisfaction of accounts, and (x) such other practices and procedures as are generally employed in collecting similar accounts, loan portfolios, and other Receivables. Investors and prospective investors of each Oak Harbor Fund should refer to the Governing Documents of the applicable Oak Harbor Fund for complete information on the investment objectives and investment restrictions with respect to such Oak Harbor Fund. There is no assurance that any of the Oak Harbor Funds' investment objectives will be achieved.

Each Oak Harbor Fund is exempt from registration as an investment company pursuant to Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940, as amended. The limited liability company units (or, as applicable, limited partnership interests) ("Units") of each Oak Harbor Fund are privately offered pursuant to exempt offerings under the Securities Act of 1933, as amended (the "1933 Act"). Oak Harbor generally acts as the manager of each Oak Harbor Fund (the "Manager"). Unless and only to the extent that the context otherwise requires, references to Oak Harbor include the Manager.

In accordance with common industry practice, the Manager on behalf of one or more of the Oak Harbor Funds may enter into “side letters” or similar agreements with certain investors pursuant to which the Oak Harbor Fund grants the investor specific rights, benefits, or privileges that are not made available to investors generally.

Oak Harbor does not participate in any wrap fee programs.

Oak Harbor manages all assets of the Oak Harbor Funds on a discretionary basis in accordance with the terms and conditions of each Oak Harbor Fund’s Governing Documents. As of December 31, 2019, the amount of assets Oak Harbor manages on a discretionary basis, including the sub-advised entity, was \$606,466,646 (which was computed using the same method as was used in responding to Item 5.F of Part 1A of Oak Harbor’s Form ADV).

## Item 5 -- Fees and Compensation

### General

Oak Harbor typically receives compensation from fees based either on a percentage of unrecovered invested capital or assets under management or on a share of net recoveries, all in accordance with the relevant Governing Documents. All investors and prospective investors should review the Governing Documents of each Oak Harbor Fund in conjunction with this brochure for complete information on the fees and compensation payable with respect to a particular Oak Harbor Fund.

Oak Harbor Funds may be subject to different management fees and performance-based compensation arrangements.

### Management Fees

Oak Harbor Funds generally pay an annual management fee to Oak Harbor of 1.75% per annum of the unrecovered invested capital or assets under management of each Oak Harbor Fund. Oak Harbor in limited cases may elect to defer or waive all or any portion of any future management fees payable by the Oak Harbor Fund. Where assets are held by a special purpose entity for the benefit of another Oak Harbor Fund, Oak Harbor’s policy is to assess a single management fee for the structure and avoid payment of multiple fees of a single kind against a single pool of assets.

### Performance-Based Fees

Oak Harbor typically will be eligible to receive a performance-based profit allocation of 20% with respect to realized investments (“Carried Interest”), which is generally not earned until the investors have achieved an 8% per annum preferred rate of return on their invested capital (the “Preferred Return”). Because the Carried Interest is not paid until investors receive a return of their capital and the Preferred Return, there is generally no claw back or escrow arrangement with respect to the Carried Interest. Separately, certain older funds owning bankruptcy Receivables may pay Oak Harbor a management fee based upon net recoveries, generally 4-5%, and a success fee ranging from 5-25% based upon the internal rate of return realized by investors.

### Deduction of Fees; Timing of Payments; Termination

Oak Harbor is authorized under the Governing Documents to charge and deduct its management fees directly from the Oak Harbor Funds. Management fees are generally payable monthly in arrears and occasionally quarterly in arrears in accordance with the Governing Documents of each respective Oak

Harbor Fund. Carried Interest which has been earned is generally payable when there is a distribution of distributable cash which is generally monthly and in some cases quarterly. Please refer to the Governing Documents of each of the Oak Harbor Funds for complete information on the timing of management fee and Carried Interest payments.

For certain of the Oak Harbor Funds, to the extent Oak Harbor has engaged in Disabling Conduct (as defined in the Servicing Agreement which Oak Harbor typically enters into with each Oak Harbor Fund), Oak Harbor may be removed as the Manager by a vote of the holders of at least 80% of the outstanding Units of such Oak Harbor Fund and in some cases 66-2/3% of the outstanding Units of an Oak Harbor Fund. For others of the Oak Harbor Funds, governing or managing members hold the right to remove Oak Harbor as Manager. In such event, the Servicing Agreement Oak Harbor has entered into with the Fund is terminated and Oak Harbor is only entitled to its management fees and Carried Interest through the date of termination and in some cases the entitlement to Carried Interest survives termination.

### Other Fees and Expenses

In addition to the fees payable to Oak Harbor, each Oak Harbor Fund may incur certain charges imposed by third parties, including (but not limited to) legal, regulatory (including, but not limited to, blue sky compliance), audit, consulting and accounting expenses; registration fees and expenses and related fees and expenses (including, but not limited to, fees and expenses related to the preparation and filing of Form PF and any other SEC filings and registrations, and related requirements under the Dodd-Frank Act), expenses associated with such Oak Harbor Fund's financial statements and tax returns; expenses in connection with directors' and officers' liability and other insurance premiums; taxes, fees or other government charges levied against such Oak Harbor Fund; all costs related to the Oak Harbor Fund's indemnification obligations; extraordinary expenses including litigation costs and costs associated with obtaining leverage such as the lender's attorney fees and the cost of obtaining legal opinions regarding the transaction; any expenses of liquidating such Oak Harbor Fund; and any other expenses, whether ordinary or extraordinary, reasonably determined by Oak Harbor to relate to the affairs of such Oak Harbor Fund. In addition, the Oak Harbor Funds will bear offering and organizational expenses that are not reimbursed by Oak Harbor, as set forth in the Governing Documents. The Oak Harbor Funds may bear costs associated with sourcing and performing due diligence upon prospective pools of assets to purchase—even if the transaction does not close—and such costs may be paid to WR, as discussed in greater detail below.

Third parties that deliver opportunities to purchase Receivables portfolios to Oak Harbor may be paid brokerage fees or commissions, which range from 0.166% to 1% of the total purchase price. The commission is borne by the Ophrys-managed fund that is allocated the portfolio of Receivables and is payable only if a purchase is completed.

### Other Compensation

The law firm of Weinstein & Riley, P.S., ("WR"), of which WSW is the principal owner, has a contractual legal servicing arrangement with certain of the Oak Harbor Funds. As legal services provider, WR provides and oversees legal services in the collection process on behalf of the Oak Harbor Funds. For its services, WR generally is paid either (a) a one-time administrative fee of \$17.50 for each Chapter 7 and Chapter 13 bankruptcy Receivable it handles and (b) a contingency fee of 25% of net receipts with respect to consumer receivables WR handles that are not in a Chapter 13 or 7 bankruptcy proceeding,

due to the greater level of work involved with such accounts (collectively with the other legal fees referenced herein, the “Legal Servicer Fees”).

Oak Harbor retains WR to handle certain matters that are handled on an hourly basis, including related to performing due diligence on Receivable portfolios to be acquired. These matters are referred individually. While rates are always subject to negotiation, they historically have been approximately \$75 - \$110 per hour of paralegal time and \$215 - \$350 per hour of attorney time. To illustrate, WR charges FNMA (defined below) rates for all uncontested default service legal proceedings; and hourly rates on contested and litigation matters.

Oak Harbor also retains WR to handle flat rate work in the mortgage/default servicing area. The flat fee structures are approved in advance of any work being performed. To illustrate, the work has included monitoring and legal services fees of \$500 on certain defaulted loan pools.

WR provides collateral review services in connection with pre-purchase diligence and custody of mortgage assets. Prior to a transaction closing and upon request from Oak Harbor, WR personnel travel to the location of the asset seller’s custodian to review the original collateral documents comprising the mortgage loan obligation. Alternatively, sellers may ship the documents to the Seattle office of WR for review. Finally, sellers may insist on only sending electronic copies of documents, in which case a more limited review is conducted. Based on the collateral file review, a report of missing, incomplete or otherwise defective documents (“Document Exceptions”) for each loan proposed to be purchased is generated as an exhibit to the mortgage loan purchase agreement. WR charges \$75 per mortgage file collateral review during this stage of due diligence.

WR provides legal review services in connection with pre-purchase diligence. Prior to a transaction closing and upon request from Oak Harbor, WR attorneys review information provided by Oak Harbor or outside vendors, including title reports, bankruptcy case information and deceased borrower information. Based on the information or reports provided to WR’s legal team, the legal team provides a report of potential legal issues to Oak Harbor for their use in making recommendations to purchase or not purchase assets. WR also responds to follow up questions from Oak Harbor regarding specific legal issues raised by WR. WR performs this service for a flat fee of \$200 per file.

After a transaction closes, WR may retain the original collateral files or ship them to an offsite custodian, depending on the client’s request. All files are imaged, named, and boarded in Oak Harbor’s proprietary asset management software, “Secure Blossom;” although, some files are simply uploaded from images sent by the Seller’s custodian of record. WR prepares and records assignments of mortgage, at a cost of \$25 per assignment drafted and \$50 per assignment recorded, plus costs for recording the document.

In setting rates, Oak Harbor and WR review together market based rates related to the specific legal services, including the rates set by the Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA) and major banks and mortgage service providers. Any differences are negotiated between Oak Harbor’s Chief Operating Officer and WR’s Managing Partner.

These types of additional fee arrangements present potential conflicts of interest related to the selection of WR to provide legal and custodial services to the Oak Harbor Funds. Investors are requested to refer to the Governing Documents of each of the Oak Harbor Funds for complete

information on the additional compensation received by WR, Oak Harbor or its affiliates or supervised persons in connection with a particular Oak Harbor Fund's investments.

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

As described in the *Fees and Compensation* section above, Oak Harbor generally will receive a Carried Interest.

The performance-based profit allocation described above complies with Rule 205-3 under the Advisers Act.

Performance-based profit allocations received by Oak Harbor may create an incentive for Oak Harbor to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Please refer to the Governing Documents of each Oak Harbor Fund for complete information on the "performance-based profit allocations" of each Oak Harbor Fund.

## Item 7 -- Types of Clients

Oak Harbor provides advice to the Oak Harbor Funds. The investors in the Oak Harbor Funds may include corporations, endowments, foundations, trusts, estates, individuals, family offices, and pension and profit sharing plans.

Each investor in an Oak Harbor Fund must be (1) an accredited investor as defined in Rule 501(a) of Regulation D under the 1933 Act and (2) a qualified client as defined in Rule 205-3 under the Advisers Act. Details concerning applicable prospective investor suitability criteria are set forth in the respective offering memoranda for newly created Oak Harbor Funds, which are furnished to each prospective investor. Additionally, investors must complete questionnaires in which the investors represent that they are qualified to invest in an Oak Harbor Fund.

In the future, Oak Harbor or its related persons may also establish certain Oak Harbor Funds or special purpose or alternative investment vehicles for certain investors or investments ("Feeder Funds") to address certain tax or regulatory requirements. Each Feeder Fund, if formed, would be an investor of an Oak Harbor Fund and interests in such Feeder Fund would be held by the investors who elect to participate in the Oak Harbor Fund through such Feeder Fund. Investors and prospective investors are requested to refer to the Governing Documents of the applicable Oak Harbor Fund for complete details on any Feeder Fund established to invest in an Oak Harbor Fund.

In general, the minimum investment commitment required of an investor to participate in an Oak Harbor Fund is \$250,000. However, Oak Harbor has discretion to increase or reduce the minimum investment commitment. Investors and prospective investors are requested to refer to the Governing Documents of each of the Oak Harbor Funds for complete information on advisory fees and minimum investment requirements for participation in a particular Oak Harbor Fund.



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

### Investment Strategies and Methods of Analysis

Oak Harbor seeks capital appreciation by investing in certain asset classes of the distressed consumer receivables market. The Receivables in which the Oak Harbor Funds invest include Chapter 7 and Chapter 13 bankruptcy receivables, first and second lien and lien deficiency receivables, state court litigation receivables, non-performing or distressed real property mortgage loans or receivables, title curative receivables, consumer loan receivables, and auto deficiency receivables. Some investors in the Oak Harbor Funds may be entitled to receive cash distributions from time to time during the term of an Oak Harbor Fund as Receivables are collected. Alternatively, investors in some Oak Harbor Funds may have such cash automatically reinvested.

Oak Harbor analyzes investments by incorporating years of historical data into its proprietary recovery models. These models help Oak Harbor to facilitate accurate pricing and investment return projections with respect to Receivable portfolios across many asset classes.

Oak Harbor is managed by a ten-person management team, which consists of the Chief Executive Officer, the Chief Information Officer, the Chief Technology Officer, the Chief Legal and Compliance Officer, the Chief Financial Officer, the Chief Operating Officer and certain other senior personnel. The management team relies, in part, on the legal and compliance support of its legal service provider, WR, which operates a sophisticated automated legal servicing platform. WR's bankruptcy servicing platform includes electronic notification, proof of claim filing, responses to objections to claim, reaffirmations, motions for relief from stay, bankruptcy adversary litigation, and Chapter 13 monitoring. The legal servicing platform also assists in document management with respect to the mortgage loans.

### Material Risks

There can be no assurance that an Oak Harbor Fund will be able to make and/or realize any particular investment or that the Oak Harbor Funds will be able to generate returns for their investors. Investing in the Oak Harbor Funds involves a risk of loss that investors should be prepared to bear. Investors in the Oak Harbor Funds should carefully consider, among other factors, the following material risks involved with Oak Harbor's investment strategies. Investors in the Oak Harbor Funds are requested to refer to the Governing Documents of the applicable Oak Harbor Fund for complete information on investment strategies employed by the Oak Harbor Fund and the corresponding risks associated with such investment strategies.

### Uncertainty of Outcomes

The past performance of the management team may not be relied upon to indicate the future performance of an Oak Harbor Fund. Oak Harbor Funds may not have identified any particular investment at closing and may be unable to find a sufficient number of attractive opportunities to meet its investment objectives or fully invest its committed capital. Investors must rely on the ability of the management team to identify, structure, and implement investments consistent with each Oak Harbor Fund's investment objectives and policies. Investors should note that the past performance of other funds managed by the management team is not a guarantee of future results for an Oak Harbor Fund. Oak Harbor cannot assure its clients or

investors that it will be able to continue to operate its business successfully or implement its operating policies and strategies. There can be no assurance that it will be able to continue to generate sufficient returns to pay operating expenses and make satisfactory distributions to investors. The results of operations depend on factors over which Oak Harbor has no control, including the availability of acquisition opportunities, the availability of adequate short and long-term financing, conditions in the mortgage loan and financial markets, and general economic conditions.

#### Coronavirus-COVID 19

Oak Harbor cannot at this time predict the full impact of the COVID-19 pandemic on the Oak Harbor Funds. There are evolving federal, state and local legislation and regulations in response to the pandemic's massive disruption to the economy and peoples' health which could serve to restrict or delay consumer debt enforcement through prohibitions and moratoriums pending the crisis being resolved. As stated, Oak Harbor analyzes investments by incorporating years of historical data into its proprietary recovery models. These models help Oak Harbor to facilitate accurate pricing and investment return projections with respect to Receivable portfolios across many asset classes. Legislative and regulatory changes brought on by the pandemic could distort expected recovery curve realizations and generally create disruptive price volatility in the defaulted consumer debt market. Oak Harbor continues to closely monitor the pandemic's rapidly evolving events as they relate to the defaulted consumer debt industry.

#### Management of Oak Harbor Funds

Decisions with respect to the management of the Oak Harbor Funds will be made by Oak Harbor. Investors generally have no right or power to take part in the management of any Oak Harbor Fund. Accordingly, no person should purchase an interest unless such person is willing to entrust all aspects of the management of an Oak Harbor Fund to Oak Harbor.

#### Dependence on Key Management

The Oak Harbor Funds' successful operations will be dependent on the management capabilities of Oak Harbor and, in particular, of William S. Weinstein. Any significant change in the physical or mental condition, or commitment or availability, of Mr. Weinstein could have an adverse effect on the Oak Harbor Funds and, therefore, on the interests of the investors therein.

#### Leverage

Oak Harbor Funds may invest, directly or indirectly, in leveraged vehicles, or borrow under credit agreements or other facilities. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss.

#### Illiquidity of Investor Interests

Interests in the Oak Harbor Funds are highly illiquid, have no public market and are not transferable except with the prior consent of Oak Harbor. Accordingly, an investor in an Oak Harbor Fund may not be able to liquidate its investment and must be prepared to bear the risks of owning its interest for an extended period of time.

### Speculative Nature of Receivables

Receivables are risky and speculative investments. Receivables depend entirely on payments by the corresponding account debtors. Accordingly, each Oak Harbor Fund may lose the entire amount of its investment in the Receivables it purchases.

### Illiquidity of Receivables

The Receivables held by the Oak Harbor Funds will not be listed on any securities exchange. There can be no assurance that a market for such Receivables will develop and, therefore, the Oak Harbor Funds must be prepared to hold the Receivables for an indeterminate period of time.

### Investments in Mortgage Loans

Oak Harbor invests in residential mortgage loans on behalf of certain Oak Harbor Funds. Although such investments may result in significant returns, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful investment in distressed assets is unusually high.

### Allocation of Basis

The assets contemplated for purchase are all non-performing assets that generally require some type of legal remediation. The purchase price of the portfolios is determined and valued on a pool basis because the recovery of each of the underlying assets comprising the pool is highly speculative and uncertain. The sellers and buyers have recognized that the deep discounts offered on the pool of assets are justified by the speculative and high-risk nature of perfecting legal remedies, liquidating these non-performing assets, and attempting to estimate the value of the underlying assets in the pool. Based on these speculative and risky factors, there is difficulty, high risk, and great uncertainty in projecting whether any gain or a loss will occur in the liquidation of the pool of assets or of any specific individual asset in the asset pool.

As mentioned above, the purchase price is agreed on by the buyer and seller on a pool basis with no allocation of purchase price to specific individual assets of the pool. Any internally based estimated valuation of an individual asset does not incorporate a detailed and comprehensive analysis of all assumptions, information, and risks with respect to such asset. Therefore, while the methodologies utilized to determine the aggregate value of the total purchase were accurate enough for purposes of valuing the proposed pool purchase as a whole, it is impossible to accurately determine the value of or recoveries from individual asset accounts within the total purchase.

### Valuation

Oak Harbor generally determines the values of mortgage assets and consumer accounts using internal projections and analysis. These investments are not traded nor have a reliable or readily available quotation service to ascribe value. Therefore, Oak Harbor's determination of fair value is then based on the best information available in the circumstances and may incorporate Oak Harbor's own assumptions. Such assumptions involve a significant degree of judgment, taking into consideration a combination of observable and unobservable inputs, including appropriate risk adjustments for nonperformance and uncertainty inherent in cash flows. In valuing such assets for purchase and investor reporting, Oak Harbor may consider third-party broker price opinions or other estimates, but will have broad discretion to establish fair value based upon representative bids received from dealers,

recent sales of similar securities, and pricing models. In contrast, the management fee is determined using invested capital and not an Oak Harbor Fund's value.

### Uncertainty of Projections

Each Oak Harbor Fund's confidential offering memorandum may contain certain financial projections, estimates and other forward-looking information. This information was prepared by Oak Harbor based on its experience in the industry and on assumptions of fact and opinion as to future events which Oak Harbor believed to be reasonable when made. There can be no assurance, however, that assumptions made are accurate, that the financial and other results projected or estimated will be achieved, or that similar results will be attainable by the Oak Harbor Funds.

### Residential Mortgage Loans

While distressed residential mortgage loans will be secured by one- to four-family residences, the Oak Harbor Funds may be exposed to losses resulting from default. The value of the underlying real property, the creditworthiness of the borrower and the priority of the lien are each of great importance. Oak Harbor cannot guarantee the adequacy of the protection of these underlying interests, including the validity or enforceability of the loan, or the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, Oak Harbor cannot assure that claims may not be asserted that might interfere with enforcement of these rights. The liquidation proceeds upon sale of such assets may not exceed the Oak Harbor Fund's cost basis in such assets, resulting in a loss to the Oak Harbor Fund. Any costs or delays involved in the effectuation of a foreclosure of the asset or a liquidation of the underlying property will further reduce the sale proceeds and thus increase the loss to the Oak Harbor Fund.

### Supply of Defaulted Consumer Receivables

Credit and consumer spending in the U.S. economy as well as the availability of consumer credit fluctuates. As a result, there may be a reduction from time to time in the supply of distressed consumer receivables (including Chapter 13 consumer receivables) available to be acquired, which may negatively affect the financial results of the Oak Harbor Funds.

There can be no assurance that the Oak Harbor Funds will be able to acquire Receivables or distressed residential mortgage loans in the quantities and at the times that Oak Harbor otherwise desires. In such cases, Oak Harbor may cause the Oak Harbor Funds to hold extensive cash positions for extended periods of time, potentially reducing the returns of the Oak Harbor Funds.

### Competition

Oak Harbor expects that it will encounter significant competition from other entities seeking opportunities comparable to those being sought by the Oak Harbor Funds. Such competitors may have greater resources than the Oak Harbor Funds or may be able to offer unique assistance that cannot be provided by the Oak Harbor Funds. Due to the level of competition and fluctuating supply of defaulted consumer receivables, the Oak Harbor Funds may not be able to purchase defaulted consumer receivables at appropriate prices which would have an adverse effect on investment returns.

### Counterparty Risks

The Oak Harbor Funds will acquire Receivables from counterparty sellers. There is no assurance that such Receivables will not be subject to legal defenses, such as identity theft, unauthorized use of cards or other forms of fraud, or clerical or documentary error. The Oak Harbor Funds do not perform a

detailed examination of each Receivable acquired, but rely on the enforcement of representations and warranties under the transfer documentation that will provide recourse in most such instances against the seller. There is no assurance that the Oak Harbor Funds will be successful in enforcing such recourse rights, which are subject to counterparty risk.

To the extent an Oak Harbor Fund is required to sell any Receivables to third parties, there is no assurance based on the quality of the Receivables and market conditions that there will be a buyer for such Receivables.

#### [Risks Associated with Service Providers](#)

Oak Harbor will seek to collect on the distressed Receivables through its network of relationships with law firms and collection agents throughout the United States. There is no assurance that such third-party entities will perform collection services for the Oak Harbor Funds adequately or accurately account for the recoveries they obtain in providing their services, although Oak Harbor tries to reduce the risk of fraud through its technology platform and the use of lockbox arrangements. There is also no assurance that such third-party entities will comply with all laws, rules and regulations related to their collection efforts on behalf of the Oak Harbor Funds. Additionally, as set forth in the “Technology Risks” section below, third-party service providers may experience data breaches or other technology failures that may compromise data concerning the Oak Harbor Funds or the borrowers obligated on the consumer accounts.

#### [Legal/Regulatory Risk](#)

Legal, tax and regulatory developments may adversely affect Oak Harbor. The regulatory environment for private investment funds is evolving, and changes in the regulation of private investment funds and their investment activities may adversely affect the ability of Oak Harbor to pursue its investment strategy and to determine the value of investments on behalf of the Oak Harbor Funds. In recent years, there has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. For example, in the United States, the Dodd-Frank Act, which makes significant changes to the regulation of banks, hedge funds and other financial services firms, is still in the process of being clarified and implemented by U.S. federal agency rulemaking and interpretation.

Oak Harbor’s investment in Receivables and residential mortgages presents additional risk. Laws related to debt collection directly apply to key portions of Oak Harbor’s business. Oak Harbor’s failure or the failure of third party agencies and attorneys, or the originators of the Receivables, to comply with existing or new laws, rules, or regulations could limit the ability to recover on the Receivables. Changes or additions to those laws and regulations and heightened judicial scrutiny could make it more difficult to collect payments on the Receivables, resulting in reduced recoveries. Receivables that do not comply with existing and future consumer protection laws may not be valid or enforceable under their terms against the obligors on those receivables.

The most recent developments in this regard have taken place as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “[Dodd-Frank Act](#)”), which was enacted July 21, 2010. The Dodd Frank Act created the Consumer Financial Protection Bureau (“[CFPB](#)”) and gave it supervisory examination authority over a variety of institutions that may engage in debt recovery. The purpose of supervision, including examination, is to assess compliance with federal consumer financial laws, obtain information about activities and compliance systems or procedures, and detect and assess risk to

consumers and to markets for commercial financial products and services. On October 24, 2012, the CFPB issued a consumer debt recovery regulation which took effect January 2, 2013. Under the rule, firms that have more than \$10 million in annual receipts from consumer debt recovery activities, as defined in the rule, are subject to the CFPB supervision authority. This definition covers Oak Harbor and, accordingly, authorizes the CFPB to conduct examinations of Oak Harbor's business practices.

#### Technology Risks/Cybersecurity

The success of Oak Harbor's business model is highly dependent on its proprietary technology, models, procedures and methods that are subject to viruses, crashes, misappropriation and obsolescence, all of which could have an adverse effect on the Oak Harbor Funds. In the ordinary course of our business, Oak Harbor may acquire and store sensitive data on its network, such as our proprietary business information and personally identifiable information of borrowers obligated on consumer accounts. The secure processing and maintenance of this information is critical to Oak Harbor's business strategy and the success of the Oak Harbor Funds. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to our operations and the services that Oak Harbor provides or damage its reputation, which could materially and adversely affect Oak Harbor. These risks apply equally to third-party service providers such as mortgage servicers who possess information about the Oak Harbor Funds and the borrowers obligated on consumer accounts.

#### Allocation of Investment Opportunities

Certain Oak Harbor Funds, including those that are not in existence at the date of this Brochure, may follow an identical or similar investment strategy as that employed by previous Oak Harbor Funds. Allocation of investment opportunities among the Oak Harbor Funds will be subject to Oak Harbor's allocation procedures, which generally provide that investments will be allocated in Oak Harbor's sole discretion while taking into account the best interests of the Oak Harbor Funds. Allocations will not necessarily be pro rata to available capital and may consider the following factors, among others: investment programs/guidelines and portfolio positions of the Funds; concentration limits and other investment limitations of the Funds; the amount of unfunded commitments or available capital of each of the Funds; the applicable tax, legal and regulatory restrictions of the Funds; and other factors and considerations deemed relevant, including without limitation whether or not the Oak Harbor Fund permits its investments to be leveraged.

### Item 9 -- Disciplinary Information

Except as described below, there are no legal or disciplinary events required to be disclosed pursuant to this Item 9.

On September 21, 2018, without admitting or denying the SEC's findings, Oak Harbor consented to the entry of an order (the "Order") to cease and desist from committing or causing any violations and any future violations of Section 206(3) of the Advisers Act. According to the Order, Oak Harbor failed to properly disclose its conflicted role in and to obtain prior investor consent for three (3) transactions that occurred between 2012 and 2014 involving the sale of Receivables between entities owned and/or

managed by it. Oak Harbor agreed to pay a civil monetary penalty of \$500,000 to the SEC in settlement of the matter.

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

No management persons are registered as a broker-dealer or representative of a broker-dealer, futures commission merchant, commodity pool operator or commodity trading advisor, nor are there any pending applications for such registrations. Oak Harbor may enter agreements with placement agents and broker dealers to assist with raising investment in an Oak Harbor Fund. In these circumstances, Oak Harbor enters a written agreement with the agent and the Oak Harbor Fund. Any fees or expenses associated therewith may ultimately be payable by Oak Harbor either directly or through an offset of the management fee payable by the relevant Oak Harbor Fund to Oak Harbor. Alternatively, such fees and expenses may be borne, directly or indirectly, by the relevant Oak Harbor Fund. As discussed elsewhere in this brochure, WSW is the majority owner and a principal of WR, which will be providing and overseeing legal services in connection with each Oak Harbor Fund's Receivable collection process. The legal and business arrangements between Oak Harbor and WR result from independent discussions held at least annually between the Chief Operating Officer of Oak Harbor and the Managing Partner of WR, who focus on tying the legal fees to market-based rates. Please see the section entitled *Fees and Compensation -- Other Compensation*, for more information.

Oak Harbor is the Manager of each of the Oak Harbor Funds. Oak Harbor is not required to spend substantially all of its business time and resources on any one Oak Harbor Fund.

Oak Harbor does not recommend or select other investment advisers for its clients or have any business relationships with other investment advisers that might create a conflict of interests.

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

Oak Harbor has adopted a Code of Ethics under Rule 204A-1 of the Advisers Act expressing Oak Harbor's commitment to ethical conduct. Oak Harbor's Code of Ethics describes its fiduciary duties and responsibilities to its clients, and sets forth Oak Harbor's policy of monitoring the personal securities transactions of supervised persons with access to investment recommendations. Also, Oak Harbor's Code of Ethics sets forth Oak Harbor's policies on receipt of and giving of gifts by supervised persons. Under Oak Harbor's Code of Ethics, all supervised personnel have a duty to act only in the best interests of the Oak Harbor Funds, and all potential conflicts and violations of the Code of Ethics must be promptly reported to Oak Harbor's Chief Compliance Officer ("CCO"). All supervised personnel must acknowledge the terms of the Code of Ethics initially and annually or as amended. It is the expressed policy of Oak Harbor that no person employed by Oak Harbor shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients.

Oak Harbor's policy currently requires that all access persons as defined under Rule 204A-1 of the Advisers Act provide initial and annual securities holdings reports and quarterly reports of all personal securities transactions, which quarterly reports on personal securities transactions are due no later than 30 days after the close of each calendar quarter, and that personnel receive approval from the CCO prior to investing in any initial public offerings or private placements. To date, this portion of the Code of



Ethics has not been implemented because of the difficulty of relating it to the particular asset class with which Oak Harbor deals and there being no identifiable risk of “insider trading” which the policy is intended to address. The Receivables are not publicly traded securities or tradable by the general public and access people do not individually enter into Receivables transactions with the Oak Harbor Funds or otherwise for their own account.

Oak Harbor requires that all individuals act in accordance with all applicable federal securities laws and the rules governing the capital markets. Oak Harbor’s Code of Ethics also includes the firm’s policy prohibiting the use of material nonpublic information. Any individual not in observance of the above may be subject to discipline or termination.

Oak Harbor will provide a complete copy of its Code of Ethics to any investor or prospective investor upon request.

As Manager of each of the Oak Harbor Funds, Oak Harbor and its principal have direct and indirect beneficial interests in the investments owned by the Oak Harbor Funds and will share in any profits and losses generated by the Oak Harbor Funds’ investments. This creates a conflict of interest because Oak Harbor receives performance fees from the Oak Harbor Funds, as discussed above in the section entitled *Fees and Compensation*, and may have an incentive to recommend investments that are more risky than it would otherwise recommend if Oak Harbor did not receive performance fees. This conflict is mitigated by Oak Harbor’s applicable fiduciary duties; all investment decisions undergo a thorough analysis by a ten (10) member Credit Committee; and the principal of Oak Harbor is generally also an investor in each Oak Harbor Fund to align the principal’s interests with that of each Oak Harbor Fund and its investors.

In addition, as discussed elsewhere in this brochure, WSW is the majority owner and a principal of WR, which provides and oversees legal services in connection with the collection process. This may create a conflict of interest because WR will receive additional compensation in connection with performing due diligence and the collection of Receivables in which each Oak Harbor Fund invests. The legal and business arrangements between each Oak Harbor Fund, on the one hand, and Oak Harbor and WR, on the other hand, resulted from independent discussions held between the Chief Operating Officer of Oak Harbor and the Managing Partner of WR, who focused on tying the legal fees to market-based rates in an effort to mitigate this conflict. Please see the section entitled *Fees and Compensation -- Other Compensation*, for more information.

Oak Harbor and its principal and employees may carry on investment activities for their own accounts and for family members, friends or others who do not invest in the Oak Harbor Funds, and may give advice and recommend securities to other accounts or certain Oak Harbor Funds or vehicles which may differ from advice given to, or securities recommended or bought for, other Oak Harbor Funds or vehicles, even though their investment objectives may be the same or similar.

Reference is made to the following two categories of transactions, whereby “Affiliate” means any other entity controlling or controlled by or under common control with such specified entity:

**Principal Transaction:** Any transfer of an asset between (i) Oak Harbor or any of its Affiliates (excluding an entity with respect to which the only indicia of control is Oak Harbor or its Affiliate serving as its investment manager, with or without a carried interest) as principal on the one hand



and (ii) any account or entity for which Oak Harbor or any of its Affiliates serves as investment manager on the other.

**Client Cross-Transaction:** Any transfer of an asset caused, effected, or arranged by Oak Harbor or any of its Affiliates between two accounts or entities for which Oak Harbor or any of its Affiliates serves as investment manager other than in connection with a transaction whereby the owner of the ultimate beneficial interest in the asset does not change.

Oak Harbor Funds historically have acquired assets from, or sold assets to, entities owned, managed or advised by Oak Harbor in what may be Principal Transactions or Client Cross-Transactions. These transactions by their nature involve a potentially conflicting division of loyalties and responsibilities with respect to the parties to such transactions.

Oak Harbor believes that these transactions can be beneficial to the Oak Harbor Funds and their investors notwithstanding potential conflicts of interest. Frequently in these transactions an Oak Harbor Fund acquires assets from parties affiliated with Oak Harbor at a price no greater than the Affiliate's cost of acquisition. These types of transactions permit the Oak Harbor Funds to benefit from Oak Harbor's ability, as a qualified debt buyer, to acquire distressed consumer receivables through its wholly-owned licensed subsidiaries and other licensed Affiliates.

In order to address the inherent conflict of interest that may exist in these transactions, Oak Harbor's general policy is that it does not engage or permit any of the Oak Harbor Funds or managed Affiliates to engage in Principal Transactions or Client Cross-Transactions unless each of the following conditions is satisfied:

1. The price paid for the assets being transferred in such transaction equals their Arm's Length Fair Market Value, which is defined to be the amount of money which would change hands between a willing buyer and willing seller, when the former is not under any compulsion to buy, and the latter is not under any compulsion to sell, with both parties having reasonable knowledge of the relevant facts and acting independently of each other;
2. In acknowledgement of the lack of public information to establish an Arm's Length Fair Market Value for the asset class subject to this policy, absent readily apparent changes in market conditions, the Arm's Length Fair Market Value will equal the Adjusted Cost Basis of any asset acquired by Oak Harbor or its Affiliates in an arm's-length transaction with a non-Affiliate within sixty (60) days of such asset being transferred in a Principal Transaction or Client-Cross Transaction, with Adjusted Cost Basis being defined as the original cost of the asset plus any capitalized improvement costs less any amounts received with respect to the asset;
3. Adequate disclosure is made to the Oak Harbor Funds and their investors that Oak Harbor and the Oak Harbor Funds may engage in Principal and/or Client Cross-Transactions and the investors give prior written consent to Oak Harbor and the Oak Harbor Funds engaging in such transactions in their subscription documents;
4. Any such transaction otherwise complies with all applicable laws related to such transaction;

5. Details of all such transactions are posted on Oak Harbor's Secure Blossom website server and the Oak Harbor Funds and their investors have direct password access to all such information, which information shall include items such as asset amount, price, default and collection history, last payments, likelihood of collection, propensity to settle, title curative issues and other material information regarding the asset;
6. In the case of Principal Transactions, such transaction has had the prior review and approval of an independent advisory committee sufficiently representative of such Oak Harbor Fund's investors consisting of members who are unaffiliated with Oak Harbor or its Affiliates, or the prior review and approval of all the investors in an Oak Harbor Fund that has three (3) or fewer investors, including in each case from both the transferor and transferee Oak Harbor Fund in the transaction, and otherwise complies with the contractual terms of the Oak Harbor Fund's applicable fund documents;
7. As a part of such approval process for Principal Transactions, in addition to the details of such transactions being posted on Blossom as referenced above, the independent advisory committee, or all of the investors in the case of Oak Harbor Funds with three (3) or less investors, has been provided with the detailed Credit Memos used by the Credit Committee to approve the transaction which together with other preliminary disclosure regarding the transaction has been delivered via e-mail or hard copy with a record of such e-mail and/or hard copy communications, including the investors' responses, being maintained by Oak Harbor; and
8. Disclosure in the case of each Principal Transaction sets forth the nature of the conflict being addressed and includes the models used to determine pricing which are set forth in the attachments to the Credit Memos and on Blossom, which valuation methodologies are generally based on historical data patterns relative to similarly situated assets, and Oak Harbor's management has made itself available to answer questions during the approval process.

Investors are requested to refer to the Governing Documents of the applicable Oak Harbor Fund for more complete information on the requisite time commitments of Oak Harbor and its related persons to the Oak Harbor Funds and its conflicts policies.

## Item 12 -- Brokerage Practices

Oak Harbor focuses on making investments in Receivables and other private securities. As such, it does not ordinarily deal with intermediaries such as broker-dealers that execute securities transactions for "commissions." To the extent Oak Harbor were to transact in public securities, it would select broker-dealers based upon their ability to provide best execution for the Oak Harbor Funds. Subject to the investment objectives, policies and restrictions of each Oak Harbor Fund, as set forth in such Oak Harbor Fund's Governing Documents, Oak Harbor would generally have discretionary authority to select the broker or dealer or other intermediary to be used to execute transactions on behalf of the Oak Harbor Funds and to negotiate the commission (or other) costs to be paid.

Oak Harbor does not currently have any formal soft dollar arrangements that would commit the Oak Harbor Funds to any implied or explicit level of trading.

## Item 13 -- Review of Accounts

Oak Harbor will continuously monitor investments on behalf of the Oak Harbor Funds. Investments are reviewed in the context of each Oak Harbor Fund's stated investment objectives and guidelines as set forth in the Governing Documents of each Oak Harbor Fund. Oak Harbor's management team is responsible for monitoring the risks associated with Oak Harbor's investment strategies, as well as counterparty risk and risks associated with the use of leverage or credit lines by the Oak Harbor Funds.

Oak Harbor's Credit Committee consists of the Chief Executive Officer, the Chief Information Officer, the Chief Technology Officer, the Chief Legal and Compliance Officer, the Chief Operating Officer, the Chief Asset Officer, two Financial Controllers and certain other senior personnel, and is chaired by the Chief Financial Officer. The Credit Committee, which formulates all investment recommendations, meets and deliberates as opportunities arise.

Oak Harbor distributes monthly, quarterly, and annual written reports to investors. Annual reports generally contain an individual capital account statement as of the end of such fiscal year and the audited financial statements of the Oak Harbor Fund. The monthly reports generally contain a discussion and analysis of certain factual and numerical information about the Oak Harbor Funds' investments and a summary of distributable cash from the applicable Oak Harbor Fund. Quarterly reports include adjustments to fair market valuations. In addition, Oak Harbor offers investors access to a remote viewer known as "Secure Blossom." Secure Blossom provides investors access to detailed information that provides the ability to analyze all activity on all Oak Harbor Fund Receivable accounts remotely, including detailed account, portfolio and entity information, and access to legal documents, notes and distribution reports.

Oak Harbor also provides annual tax forms to investors.

Investors are requested to refer to the Governing Documents of the applicable Oak Harbor Fund for further information on the reports provided by a particular Oak Harbor Fund to its investors.

## Item 14 -- Client Referrals and Other Compensation

As discussed elsewhere in this brochure, WSW is the majority owner and a principal of WR, which provides and oversees legal services in connection with the collection process and conducting due diligence on investment opportunities. This may create a conflict of interest because WR receives additional compensation in connection with the Receivables in which each Oak Harbor Fund invests. The legal and business arrangements between Oak Harbor and WR result from independent discussions held at least annually between the Chief Operating Officer of Oak Harbor and the Managing Partner of WR, who focus on tying the legal fees to market-based rates in an effort to mitigate this conflict. WR is one of the largest consumer debt recovery law firms in the country with state-of-the art technologies and systems related to debt recovery legal services. Oak Harbor believes that WR's technology capabilities make it the most efficient low-cost provider of legal services for the Oak Harbor Funds. Please see the section entitled *Fees and Compensation -- Other Compensation*, for more information.

Oak Harbor occasionally enters into cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to an Oak Harbor Fund. Any fees or expenses associated therewith may ultimately be payable by Oak Harbor either directly or through an offset of

the management fee payable by the relevant Oak Harbor Fund to Oak Harbor. Alternatively, such fees and expenses may be borne, directly or indirectly, by the relevant Oak Harbor Fund.

### Item 15 -- Custody of Client Assets

Oak Harbor acts as the investment manager of the Oak Harbor Funds and is generally authorized under the Oak Harbor Funds' Governing Documents to deduct fees from each Oak Harbor Fund investor's account. Such powers cause Oak Harbor to be deemed to have custody of the Oak Harbor Funds' assets for purposes of the SEC's custody rule. Accordingly, to meet the requirements of the custody rule, each Oak Harbor Fund is subject to an annual audit by independent public accountants and the audited financial statements are distributed to each investor. The audited financial statements of an Oak Harbor Fund will be prepared in accordance with U.S. generally accepted accounting principles and distributed to Oak Harbor Fund investors within 120 days of such Oak Harbor Fund's fiscal year end.

### Item 16 -- Investment Discretion

Oak Harbor has full discretionary authority over the investment activities of the Oak Harbor Funds. The limitations in its investments for an Oak Harbor Fund, if any, are set forth in the applicable Governing Documents. Except as set forth in Item 4 relating to side letters, no investor may impose limitations on the investment activities of an Oak Harbor Fund.

### Item 17 -- Voting Client Securities

No Oak Harbor Funds invest in securities for which proxies may ever need to be voted, even if the securities are purchased for cash management purposes.

### Item 18 -- Financial Information

Oak Harbor does not require prepayment of management fees more than six months in advance.

Registered investment advisers are required to provide you with certain financial information or disclosures about their financial condition. Oak Harbor has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.