

Item 1 – Cover Page



WMD Asset Management, LLC

WMD Asset Management, LLC
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904-683-4950

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This Brochure provides information about the qualifications and business practices of WMD Asset Management, LLC (“WMD” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at 904-683-4950 or dcarlton@wmdasset.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.

WMD is a Registered Investment Adviser with the SEC. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Investment Adviser provide you with information based on which you determine to hire or retain an Investment Adviser.

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

Item 2 – Material Changes

There are no material changes from our last firm brochure (“Brochure”), filed on April 2, 2014. However, this Brochure has been updated in its entirety to provide more detail about our business practices.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting Dennis E. Carlton, Managing Director and General Counsel at 904-683-4950 or dcarlton@wmdasset.com.

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Item 4 – Advisory Business

A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

WMD Asset Management, LLC, a Delaware limited liability company (“WMD” or the “Firm”), is an investment adviser that provides investment advisory services to pooled investment vehicles which are exempt from registration under the Investment Company Act of 1940, as amended (each a “Fund” or, collectively, the “Funds” or “Clients”). Formed in February 2008, WMD invests in loans, mortgages and other mortgage-related assets and whole loan instruments.

WMD Investors, LLC, a Delaware limited liability company, owns 100% of WMD. W.M. Daugherty & Company, LLC, a Delaware limited liability company owns 70% of WMD Investors, LLC, and the former is 99% owned by William M. Daugherty and 1% by Dennis E. Carlton. Mr. Daugherty is the Chief Investment Officer of WMD and serves as the Clients’ portfolio manager. Mr. Daugherty chairs WMD’s Investment Committee, which is responsible for all investment decisions pursuant to WMD’s discretion in making investments. Mr. Carlton is the Managing Director, Chief Compliance Officer and General Counsel of WMD.

In 1998, William M. Daugherty founded W.M. Daugherty & Company, LLC, as a proprietary vehicle to create investment opportunities using his experience with real estate assets and lending. In 2005, as a result of growth in the scope of the company’s activities, WMD Capital Markets, LLC, was formed to acquire, manage and advise with respect to real estate and whole loan assets. Mr. Daugherty serves as Chairman and Chief Executive Officer of WMD Capital Markets, LLC. With increased specialization in the industry, WMD was organized in 2008 so as to direct the organization’s business focus to the review, acquisition, management, and disposition of real estate-related securities and to manage the same in funds sponsored or managed by WMD.

WMD provides investment advice and management to privately placed investment funds, including limited liability companies and limited partnerships of which WMD generally is the investment manager (collectively referred to herein as “Partnerships”) and non-U.S. companies and partnerships (“Offshore Funds,” jointly with the Partnerships, the “Funds”). WMD’s Clients may also include separately managed accounts, primarily for institutions (“Separate Accounts”). Partnerships, Offshore Funds and Separate Accounts are collectively referred to herein as “Clients.”

WMD acts as the investment manager for 10 private funds and 2 Separate Accounts. Each WMD Fund is managed by a general partner, which has the authority to make investment decisions on behalf of such Funds. Each general partner is registered under the Advisers Act pursuant to WMD’s registration in accordance with SEC guidance. This Brochure also describes the business practices of each general partner, which operate as a single advisory business together with WMD. Each general partner has contracted with WMD for day-to-day management of the

Funds. For a complete list of the Funds and its general partners, please see the portion of WMD Form ADV Part 1 captioned “Private Fund Reporting” at Section 7.B.(1).

B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.

WMD’s investment objective is to invest primarily in residential (including manufactured housing) or commercial whole loan mortgages (whether performing, sub-performing, non-performing or otherwise), pools of such loans, real estate owned properties and other mortgage-related assets and whole loan instruments such as mortgage-related securities and derivatives, including residential mortgage backed securities (“RMBS”) and commercial mortgage backed securities (“CMBS”), and asset backed securities (“ABS”), as well as other securities used for hedging purposes. WMD seeks to identify, evaluate, acquire, finance, manage and sell whole loan mortgages and other assets, in order to deliver consistently superior performance that is non-correlated to major indices. The mix of investments is expected to vary over time based on prevailing opportunities and market conditions as determined by WMD, and could include financing provided by the Clients to third parties to facilitate investments. By investing in a wide array of investments, WMD can be patient and wait for attractive pricing within each sector, which is predicated on the belief that pricing among these sectors is regularly desynchronized. Additional consideration will be given to the diversification of the investments, including, but not limited to, diversification by geography, servicers, originators and transaction size. WMD’s strategies and the risks involved are described in response to Item 8, below.

The Funds are offering limited partnership and limited liability company interests (the “Interest(s)”) to certain qualified investors as described in response to Item 7, below; Separate Accounts may be offered on a similar basis (in all cases, such Investors, limited partners or prospective limited partners are referred to herein as “Investors”).

C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

WMD does not tailor its advisory services to the individual needs of Investors in its Funds; WMD’s investment advice and authority for each Fund are tailored to the investment objectives of that Fund. These objectives are described in the private placement memorandum, limited partnership agreement, investment advisory agreement and other governing documents of the relevant Fund or Separate Account (collectively, “Governing Documents”).

Fund Investors cannot impose restrictions on investing in certain securities or types of securities. Investors in Funds participate in the overall investment program for the applicable partnership, but may be excused from a particular investment due to legal, regulatory or other applicable constraints, pursuant to the terms of the applicable partnership agreement. WMD may enter into side letters or similar agreements with certain limited partners that have the effect of establishing rights under, or altering or supplementing a Fund's partnership agreement.

D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

WMD does not participate in wrap-fee programs.

E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date “as of” which you calculated the amounts.

WMD manages the following assets under management:

Discretionary Amounts:	Non-Discretionary Amounts:	Date Calculated:
\$499,205,321	\$3,379,802	March 1, 2015

Item 5 – Fees and Compensation

A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

As compensation for investment advisory services rendered to the Funds, WMD and its affiliated general partners receives both a management fee (the “Management Fee”) and a carried interest allocation (as described more fully below in Item 6). The general partners or other WMD entities or affiliates may receive additional compensation in connection with management and other services performed for portfolio companies of the Funds. Limited partners in the Funds also bear certain fund expenses, as described below. The limited partnership agreement of each Fund details the fees, compensation and expenses in greater detail. The following is a summary of WMD’s active Funds; differences exist from Fund to Fund, and certain Funds may not charge certain fees, compensation or expenses that other Funds charge. In addition, the relevant Fund general partner may, in its sole discretion, waive or reduce a limited partner’s management or performance fee.

From the Funds, WMD typically receives a monthly asset-based management fee calculated as a

percentage of each Investor's capital account, payable monthly in advance. The management fee is generally 2.0% annually. From Separate Accounts, WMD generally receives fees similar to those paid by the Funds.

Fees and other compensation are negotiable in certain circumstances and arrangements with any particular Investor may vary. In particular, the management fee for certain limited partners in the Funds who are employees of WMD, or family members of such employees, may be waived at WMD's discretion. Although WMD believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.

B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.

Management fees, incentive allocations and third-party fees (discussed below) are deducted from Client assets. Management fees, which are paid in advance, are withdrawn at the beginning of the month. Incentive allocations are allocated as of the last business day of the calendar year and as of any date on which an Investor makes a withdrawal or receives a distribution from such Investor's capital account(s).

C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

The Clients shall pay such costs and expenses as WMD shall reasonably determine to be necessary, appropriate, advisable or convenient to carry on its business and realize its objective, including but not limited to: (i) all general investment expenses (i.e., expenses which WMD reasonably determines to be directly related to the investment of a Client's assets); (ii) all administrative, legal, accounting, auditing, record-keeping, tax form preparation, compliance and consulting costs and expenses; (iii) fees, costs and expenses of third-party service providers that provide such services; and, (iv) any extraordinary expenses, among other expenses.

WMD's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Clients. Such charges, fees and commissions are exclusive of and in addition to WMD's management fee, and WMD shall not receive any portion of these commissions, fees, and costs. However, WMD may pay fees to certain affiliated real estate brokers and other service providers.

Please see Item 12 of this Brochure for more information about WMD's brokerage arrangements for its Clients.

D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

WMD generally permits withdrawals annually on the day preceding the anniversary of an Investor's capital contribution. In the event that WMD makes an exception to this policy, it will not refund the prepaid management fee for any interests held for less than a full month. The Funds generally invest on a long-term basis. Accordingly, Management Fees are expected to be paid, except as otherwise described in the limited partnership agreements, over the term of the Funds.

E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.

1. Explain that this practice presents a conflict of interest and gives you or your supervised persons an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to clients. If you primarily recommend mutual funds, disclose whether you will recommend "no-load" funds.
2. Explain that clients have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with you.
3. If more than 50% of your revenue from advisory clients results from commissions and other compensation for the sale of investment products you recommend to your clients, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary or, if applicable, your exclusive compensation.
4. If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.

Neither WMD nor its supervised persons accepts compensation for the sale of securities or other investment products outside of its association with WMD.

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

If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a Client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee

or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.

As discussed in Item 5.A., in addition to management fees, an affiliate or general partner of WMD generally receives a performance allocation equal to a percentage of the net income allocated to each Investor for the year. WMD generally receives a performance allocation equal to a percentage of the net income allocated to each Investor for the year, subject to a “high water mark” procedure such that the incentive allocation is taken only to the extent net income allocated to that Investor exceeds any cumulative losses that were allocated to that Investor for earlier periods and that have not been recovered. This incentive allocation is generally 20% and is typically made at the end of each calendar year.

The incentive allocation will only be charged to accounts of those Investors who are “qualified clients” as defined in Rule 205-3 of the Investment Advisers Act of 1940.

The performance allocation may provide a possible incentive for WMD to make riskier or more speculative investments on behalf of a Client than those which would be recommended under a different fee arrangement. In addition, this arrangement may cause Clients to pay a greater expense than if such fees were not charged. Notwithstanding this potential incentive, WMD will evaluate investments in a manner that it considers to be in the best interest of the Clients, given those Clients’ investment objectives, investment strategies, suitability of the investment, and risk profile.

To the extent that there may be differences in WMD’s compensation arrangements, such circumstances could create an incentive for WMD to manage Client portfolios so as to favor a portfolio that pays performance-based compensation over one that did not. Notwithstanding this conflict, WMD will allocate transactions and opportunities among the Clients’ accounts in a manner it believes to be as equitable as possible, considering each Client’s objectives, programs, limitations and capital available for investment.

Item 7 – Types of Clients

Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

WMD provides investment advice and management to the Partnerships, Offshore Funds and Separate Accounts. Separate Account Clients and investors in the Funds may include banks or

thrift institutions, trusts, estates or charitable organizations, corporations or other business entities and high net worth individuals and family offices. Identifying details about the Funds may be found in Item 4, above, as well as the portion of WMD's Form ADV Part 1 captioned "Private Fund Reporting" at Section 7.B.(1) WMD may in the future provide the same or similar services to other privately placed investment funds and/or separately managed accounts.

Prospective Investors in the Funds must meet eligibility criteria and are subject to certain withdrawal requirements and limitations. Investors must be "accredited investors" (as defined in Regulation D under the Securities Act of 1933). In addition, Investors in the Offshore Funds must be non-U.S. persons or U.S. persons who are: qualified purchasers, accredited investors, and exempt from U.S. federal income taxation. The minimum initial investment of most WMD Funds is \$1,000,000 and subject to waiver at the discretion of WMD. Each Fund's Governing Documents specify its investment minimum. Generally, similar terms will apply to Separate Accounts, though Clients in such Separate Accounts may negotiate terms that differ or are more favorable than those for the Partnerships and Offshore Funds.

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

Investing in securities involves risk of loss that Clients and their Investors should be prepared to bear.

A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.

WMD's investment objective is to invest primarily in residential (including manufactured housing) or commercial whole loan mortgages (whether performing, sub-performing, non-performing or otherwise), pools of such loans, real estate owned properties and other mortgage-related assets and whole loan instruments such as mortgage-related securities and derivatives, including residential mortgage backed securities ("RMBS") and commercial mortgage backed securities ("CMBS"), and asset backed securities ("ABS"), as well as other securities used for hedging purposes. WMD seeks to identify, evaluate, acquire, finance, manage and sell whole loan mortgages and other assets, in order to deliver consistently superior performance that is non-correlated to major indices. The mix of investments is expected to vary over time based on prevailing opportunities and market conditions as determined by WMD, and could include financing provided by the Clients to third parties to facilitate investments. By investing in a wide array of investments, WMD can be patient and wait for attractive pricing within each sector, which is predicated on the belief that pricing among these sectors is regularly desynchronized. Additional consideration will be given to the diversification of the investments, including, but not limited to, diversification by geography, servicers, originators and transaction size.

WMD will seek to exploit pricing inefficiencies as banks, insurance companies, hedge funds, finance companies, servicing companies, broker dealers and Wall Street firms liquidate a variety of investments. WMD will employ direct solicitation, face-to-face meetings and other marketing methods to identify forced sellers, including, but not limited to discontinued businesses or companies in bankruptcy. WMD anticipates that investments will be sold due to redemptions, capital requirements, margin calls, forced liquidations, court ordered liquidations and as a result of management decisions which may be based on economic or non-economic reasons.

WMD will use its resources and experience to source and evaluate investments, conduct due diligence and manage the investments post-closing. For whole loans, WMD will retain a third party servicer to perform certain administrative and collection activities on behalf of WMD.

WMD incorporates a co-investment strategy with strategic partners whereby the Funds can purchase a portion of a specific investment as opposed to all of the investment in order to manage risk associated with concentration of the investments by sector, industry, issuer, counterparty, servicer, country, and asset class or otherwise.

Except as described in the Funds' governing documents, there are no limits imposed on the types of investments in which the Funds may invest, the types of positions they may take, the concentration of investments by sector, industry, issuer, counterparty, servicer, country, asset class or otherwise. Further, depending on conditions and trends in securities, credit and other markets, the Funds may pursue other strategies or employ other techniques that WMD considers appropriate and in the Funds' best interests. WMD generally has similarly broad discretion over Separate Accounts; however, the possibility of negotiation on the investment strategy may result in limits being imposed.

B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

No guarantee or representation is made that WMD will achieve its investment objectives. Investment with WMD involves significant risks and conflicts of interest, including, but not limited to, the risks and conflicts of interest set forth below and in response to Item 11. The risks set out below do not purport to be exhaustive. Additional risks and uncertainties that are currently unknown or currently deemed immaterial may become material factors that affect WMD. Prospective Investors should carefully consider the risks involved in an investment with WMD, including but not limited to those discussed below. Prospective Investors should consult their own legal, tax and financial advisers as to all these risks and as to an investment with WMD generally.

All Investments Risk the Loss of Capital. WMD believes that its investment program and its research and risk-management techniques moderate this risk through a careful selection of mortgage loans, securities and other financial instruments and investment assets. No guarantee or representation is made that the investment program will be successful, and investment results may vary substantially over time. WMD may change its investment strategy, asset allocation and/or operational policies without Investor consent, which may result in riskier investments.

General Economic and Market Conditions. The success of WMD's activities may be affected by general economic and market conditions, such as interest rates, currency exchange rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. None of these factors are within the control of WMD. These factors may affect the level and volatility of securities or real estate prices and the liquidity of the Clients' investments. Unexpected volatility or illiquidity could impair the Clients' profitability or result in losses.

Concentration of Investments. The Funds' governing documents generally do not limit the amount of the Funds' capital that may be committed to any single investment, industry or sector. WMD will attempt to spread the Funds' capital among a number of investments. However, the Funds' governing documents generally impose no limits on the concentration of the Funds' investments and at times the Funds may hold a relatively small number of investments. Losses incurred in any of those positions could have a materially adverse effect on the Funds' overall financial condition. WMD generally has similarly broad discretion over Separate Accounts; however, the possibility of negotiation on the investment strategy may result in limits being imposed.

Limited Liquidity of Some Investments. Some of the investments in which the Clients invest may be relatively illiquid because they are thinly traded, because they are subject to transfer restrictions, or because there is no ready market for the investments. Clients may not be able to liquidate those investments promptly if the need should arise, and their ability to realize gains, or to avoid losses in periods of rapid market activity, may therefore be affected. The value assigned to thinly-traded investments or non-marketable securities for purposes of determining investors' ownership percentages and determining gains and losses may differ from the value Clients are ultimately able to realize.

Use of Leverage. WMD has discretion in some instances to leverage the Clients' investment positions by borrowing funds from securities broker-dealers, futures commission merchants, banks or others. Leverage, if employed, would increase both the possibilities for profit and the risk of loss.

Third-Party Involvement. WMD may co-invest with third parties through partnerships, joint ventures or other entities. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third-party co-venturer or partner may at

any time have economic or business interests or goals which are inconsistent with those of the Clients, or may be in a position to take action contrary to the investment objectives of the Clients.

Volatility. The market value of certain of the Fund's investments may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, among other things, the macro business and economic environment, specific developments or trends within a company or in any particular industry, the market's overall perception of risk, general economic conditions, the condition of certain financial markets, domestic and international economic or political events, prevailing credit spreads, changes in prevailing interest rates and the financial condition of counterparties.

Third-Party Financing. WMD may engage in financing transactions for third party buyers of whole loans and real estate. Such financing subjects the Clients to certain counter-party risks, including, but not limited to, the risk that a counter-party may: (i) cease to be an entity in good standing in its state of organization or otherwise cease to exist; (ii) commit fraud or engage in activity that constitutes gross negligence; (iii) fail to comply with applicable state, federal, and local laws; and/or (iv) fail to disclose litigation that impacts financing; (v) misrepresent or misstate certain financial statements and statements of conditions.

C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.

Whole Loan Transactions. Investment in distressed mortgages has special risks that may adversely affect the Clients.

- *Delays in Liquidation.* There could be substantial delays in the liquidation of defaulted mortgages purchased by the Clients and corresponding delays in receiving the proceeds of liquidation.
- *The Mortgage Portfolio May Not Be Geographically Diversified.* Property in any state having a significant concentration of properties underlying the mortgage loans may be more susceptible than homes located in other parts of the country to certain types of uninsured hazards, such as earthquakes, floods, mudslides, other natural disasters and acts of terrorism.
- *Underwriting Guidelines.* Mortgages purchased may or may not conform to Fannie Mae or Freddie Mac guidelines. As a result, the mortgages may experience rates of delinquency, foreclosure and borrower bankruptcy that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in strict compliance with Fannie Mae or Freddie Mac guidelines.
- *Modification to Terms.* Modifications of a defaulted mortgage loan agreed to by the related servicer in order to maximize ultimate proceeds of a mortgage loan may extend the period over which principal is received on the mortgages.

- *Decline in Value.* Certain economic conditions, including increased interest rates and lower home prices, could result in a decline in the value of the properties underlying the mortgage loans, as well as declines in the value of the collateral underlying the investments.
- *Bankrupt and Non-Performing Servicers.* If a servicer becomes bankrupt, a bankruptcy trustee or receiver may have the power to prevent the appointment of a successor servicer. Any related delays in servicing could result in increased delinquencies or losses on the related mortgage loans.
- *Second Lien Mortgages.* Second lien mortgages carry special risks. The proceeds from any liquidation, insurance or condemnation proceedings will be available to satisfy the outstanding balance of such mortgages only to the extent that the claims of the related senior mortgages have been satisfied in full, including any related foreclosure costs.
- *Recording in MERS.* The mortgages or assignments of mortgage for some of the mortgage loans which may be purchased have been or may be recorded in the name of Mortgage Electronic Registration Systems, Inc. (“MERS”), solely as nominee for the sponsor and its successors and assigns. Subsequent assignments of those mortgages are registered electronically through the MERS system. However, if MERS discontinues the MERS system and it becomes necessary to record an assignment of mortgage to the trustee, then any related expenses will be paid by the trust and will reduce the amount available to pay principal of and interest on the certificates.
- *The Service Members Civil Relief Act.* The Service Members Civil Relief Act of 2003, as amended (the “Relief Act”) and similar state or local laws provide relief to borrowers who enter active military service and to borrowers in reserve status who are called to active military service after the origination of their mortgage loans. The ongoing military operations of the United States in Iraq and Afghanistan have caused an increase in the number of citizens in active military duty, including those citizens previously in reserve status. Under the Relief Act, the interest rate applicable to a mortgage loan for which the related borrower is called to active military service will be reduced from the percentage stated in the related mortgage note to 6.00%, if applicable. This shortfall will not be paid by the borrower on future due dates or advanced by the related servicer and, therefore, will reduce the amount available to pay the Clients.

Real Estate Investment. The Funds anticipate investing in real estate and real estate linked investments, such as real estate investment trusts, or “REITs”. Real estate as an investment class has experienced significant fluctuation and cycles in value, and specific market conditions may cause occasional or permanent reductions in the value of real estate related investments. The cash flow and value of these investments will depend on many factors beyond the control of the Fund, including changes in general economic or local conditions; changes in supply of or demand for competing properties in an area; changes in interest rates; new governmental regulations relating to land-use and zoning restrictions, environmental protection, unavailability or cost of mortgages, the financial condition of counterparties, changes in real estate tax rates, energy or materials

shortages, various uninsured or uninsurable risks, natural disasters, and war and terrorism.

Real Estate Investment Trust Investment Risks. Real estate investment trusts are companies that invest primarily in income producing real estate or real estate-related loans or interests. REITs depend on the skills of their managers and are not diversified. REITs also generally need to maintain cash flows to repay borrowings and to make distributions to investors. They are subject to the risk of default by lessees and borrowers. REITs whose underlying assets are concentrated in properties used by a particular industry are also subject to risks associated with the relevant industry. REITs are also subject to interest rate risks. REITs may have limited financial resources, may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than larger company securities.

Residential Mortgage-Backed Securities. The Clients' investment portfolios may also include residential mortgage-backed securities ("RMBS"). The loans underlying these securities have had in many cases higher default rates than those loans that meet government underwriting requirements.

It is likely that the servicers of RMBS transactions in which the Clients invest may find it necessary or desirable to foreclose on some, if not many, of the underlying collateral properties. The foreclosure process is often lengthy and expensive. Borrowers may resist mortgage foreclosure actions by asserting numerous claims, counterclaims and defenses, including, without limitation, numerous lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong foreclosure actions and force lenders into a modification of the loans or a favorable buy-out of the borrowers' positions.

Asset-Backed Securities. The Clients intend to invest in asset-backed securities other than RMBS that are backed by consumer debt ("ABS"). ABS represent interests in pools of consumer debt and most often are structured as pass-through securities such as shares or certificates of interest in a pool of debt obligations that have been repackaged by an intermediary, such as a bank or broker-dealer. Interest and principal payments ultimately depend on payment of the underlying loans by individuals, although the securities may be supported by letters of credit or other credit enhancements. The value of these securities may change because of changes in the market's perception of the creditworthiness of the servicing agent for the pool, the originator of the pool, or the financial institution providing the credit support or enhancement.

Commercial Mortgage-Backed Securities. The Clients expect to invest in Commercial Mortgage-Backed Securities ("CMBS") issued or guaranteed by the U.S. Government, its agencies or instrumentalities, or private issuers such as banks, insurance companies and savings and loans. Some of these securities, such as Government National Mortgage Association certificates, are backed by the full faith and credit of the U.S. Treasury while others, such as Federal Home Loan Mortgage Corporation ("Freddie Mac") certificates, are not.

These securities are often subject to more rapid repayment than their stated maturity dates would

indicate as a result of principal prepayments on the underlying loans. This can result in significantly greater price and yield volatility than with traditional fixed-income securities. During periods of declining interest rates, prepayments can be expected to accelerate which will shorten these securities' weighted average life and may lower their return. Conversely, in a rising interest rate environment, a declining prepayment rate will extend the weighted average life of these securities which generally would cause their values to fluctuate more widely in response to changes in interest rates.

The value of these securities also may change because of changes in the markets perception of the creditworthiness of the federal agency or private institution that issued them. In addition, the CMBS market in general may be adversely affected by changes in governmental regulation or tax policies.

Most commercial mortgage loans underlying CMBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on any classes of the related CMBS are likely to be adversely affected.

Subordinated and Residual Interest Securities. Investments in subordinated and residual interest securities involve greater credit risk of default than the senior classes of the issue or series. Default risks may be further pronounced in the case of securities evidencing an interest in a relatively small or less diverse pool of underlying loans. Certain subordinated securities absorb all losses from default before any other class of securities is at risk, particularly if such securities have been issued with little or no credit enhancement or equity.

Reliance on Corporate Management and Financial Reporting. WMD may select investments for the Clients in part on the basis of information and data filed by issuers of securities with various government regulators or made directly available to WMD by the issuers of securities or through sources other than the issuers such as collateral pool servicers. Although WMD will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, WMD will not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information will not be readily available.

Recent Developments in the Residential Mortgage Market. There have been and continue to be severe disruptions in the mortgage market in the United States. Recently, delinquencies, defaults and losses on residential mortgage loans have increased and may continue to increase, which may affect the performance of whole loans and RMBS, particularly investments that are backed by subprime mortgage loans. Subprime mortgage loans are generally made to borrowers with lower credit scores. Accordingly, such mortgage loans are more sensitive to economic factors that could affect the ability of borrowers to pay their obligations under the mortgage loans.

Limited Liquidity in the Secondary Markets. The secondary markets recently experienced unprecedented disruptions resulting from reduced investor demand and increased investor yield requirements for loans and securities. As a result, the secondary market is experiencing extremely limited liquidity. These conditions may continue or worsen in the future.

Investments in Distressed Assets Generally. Clients may invest in distressed or troubled assets which involve a substantial degree of risk. Clients may lose their entire investment in a distressed asset, may be required to accept cash or securities with a value less than the Clients' investment and may be prohibited from exercising certain rights with respect to such investment. Distressed investments may not show any returns for a considerable period of time. There may be very long-term limited markets, if any, for the Clients' holdings. There is no assurance that the investments in the Clients' portfolios will resume trading or have a ready market at all.

Derivatives and Hedging. The Clients may invest and trade in a variety of derivative instruments, to hedge their portfolios. Clients' ability to avoid risk through investment or trading in derivatives will depend on WMD's ability to anticipate changes in the underlying assets, reference rates or indices. Hedging strategies in general are usually intended to limit or reduce investment risk, but they can also be expected to involve transaction costs and may inherently limit or reduce the potential for profit.

Short Selling: The Fund engages in short sales of investment securities on behalf of the Fund. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or dealer. Because the seller remains liable to return the underlying security that it borrowed from the broker or dealer, the seller must purchase the security before the date on which delivery to the broker or dealer is required. Short sales expose the Fund to the risk of liability for the market value of the security that is sold, which is an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, it is possible that securities necessary to cover a short position will be unavailable for purchase or that securities will be unavailable for borrowing by the Fund at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the Fund may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

Investment for Control. WMD may become an active participant in the management of certain investments. If the Clients elect to participate in management, they may be deemed to have duties, which could expose the Clients to liability if they breach such duties. Additionally, parties could seek damages based on allegations of wrongdoing in the course of exercising such influence and control.

Portfolio Turnover. The Clients may have higher portfolio turnover than other investment funds.

If that occurs, the brokerage commissions, other commissions and other fees incurred by Clients may be higher than those incurred by a fund with a lower portfolio turnover rate.

Competition and Supply; Ability to Make Investments. The Clients likely will compete in the acquisition of its investments with other individuals and entities engaged in acquiring assets within the Clients' investment program. There may be intense competition in obtaining assets in which the Clients intend to invest. Competition may result in increased costs of suitable investments or a reduction in the available supply of qualifying investments. The effect of competition and other factors may result in a delay in the Clients deploying available capital, which could result in lower returns on investment.

Insolvency of Brokers and Others. The Clients will be subject to the risk of failure of the custodians that maintain custody of the investments, the brokerage firms that execute their trades, the clearing firms that such brokers use, the clearing houses of which such clearing firms are members, or other counterparties to transactions. The Clients' custodians and prime brokers may also utilize sub-custodians (both U.S. and non-U.S.), and therefore expose the Clients to additional risks, particularly for sub-custodians that are non-U.S. institutions.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with WMD. Prospective Investors should read the entire Brochure, including the potential conflicts of interest described in Item 11 as well the relevant Fund's offering documents, other materials that may be provided by WMD and consult with their own advisers before deciding to subscribe for Interests.

Item 9 – Disciplinary Information

If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

Registered Investment Advisers are required to disclose any legal or disciplinary events that are material to a Client's or prospective Client's evaluation of our advisory business or the integrity of our management. WMD and its management personnel have no reportable disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

WMD is not actively engaged in a business other than giving investment advice to its clients, the Funds. Neither WMD nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities, disclose this fact.

Neither WMD nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing.

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

1. Broker-dealer, municipal securities dealer, or government securities dealer or broker
2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
3. Other investment adviser or financial planner
4. Futures commission merchant, commodity pool operator, or commodity trading adviser
5. Banking or thrift institution
6. Accountant or accounting firm
7. Lawyer or law firm
8. Insurance company or agency
9. Pension consultant
10. Real estate broker or dealer
11. Sponsor or syndicator of limited partnerships.

W.M. Daugherty & Company, LLC (“WMD Co.”), WMD Capital Markets, LLC (“WMD CM”) and Grand New Start Management, LLC (“GNSM”) are affiliates of WMD as described in response to Item 1, above. WMD Co. and WMD CM acquire and manage whole loan portfolios in the ABS, RMBS and CMBS markets.

WMD CM also operates WMD Realty, Inc., a licensed California real estate broker with membership in various California regional realtor associations and provides in-house sales, finance and legal

expertise as well as asset resolution services.

GNSM provides some servicer functions with respect to second lien assets the Funds.

As described in Item 4 above, WMD is affiliated with each Fund's general partner. These general partners are deemed registered with the SEC under the Advisers Act pursuant to WMD's registration. WMD provides personnel and other services to the Advisers and other Firm entities. These affiliated investment advisers operate as a single advisory business together with WMD and serve as general partners of private investment funds, other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

WMD has and will continue to develop relationships with professionals who provide services it does not provide, including: legal, accounting, banking, tax preparation, insurance brokerage, investment management services and other personal services.

From time to time, WMD receives training, information, promotional material, meals, gifts or prize drawings from vendors and others with whom it may do business or to whom it may make referrals. At no time will WMD accept any benefits, gifts or other arrangements that are conditioned on directing individual client transactions to a specific security, product or provider. Similarly, WMD personnel and/or its affiliates may speak at conferences and programs for potential investors interested in investing in hedge funds that are sponsored by the Master Fund's prime brokers. Through such capital introduction events, prospective investors have the opportunity to meet with WMD. Neither WMD nor any Fund compensates the prime brokers for organizing such events or for investments ultimately made by prospective investors attending such events.

Neither WMD nor its management persons have any other relationships or arrangements with any related persons that are material to WMD's advisory business.

D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

WMD does not utilize nor select other advisers or third party managers. All assets are managed by WMD.

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

A. If you are an SEC-registered adviser, briefly describe your Code of Ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of

your Code of Ethics to any client or prospective client upon request.

WMD has adopted a Code of Ethics (the “Code”) to govern its ethical obligations regarding personal securities transactions pursuant to Rule 204A-1 under the Advisors Act. A copy of the Code will be provided to advisory Clients upon request. The Code covers a range of topics which may include: (1) basic principles; (2) policies against illegal activities, insider trading, front-running and scalping; (3) specific rules regarding personal accounts, service as a director, gifts and entertainment; and (4) duties of confidentiality. The Code sets forth procedures to monitor compliance with its policies and rules, requires recordkeeping and reporting, and establishes sanctions for violations. With respect to insider trading, the Code sets forth (1) a policy statement and general principles, including definitions, bases for liability and penalties; (2) procedures to implement the policy, including identifying inside information, personal securities trading, restricting access to material nonpublic information, and resolving issues concerning insider trading; and (3) supervisory procedures, including prevention and detection of insider trading, special and annual reports to management and recordkeeping.

With respect to personal accounts, the Code covers the following: disclosure of holdings, pre-clearance of securities transactions, new issues securities, private placements, private fund investments and distributions. The Code requires monitoring of employees’ personal securities transactions and receipt of reporting from broker-dealers.

WMD will provide a copy of its code of ethics to any existing or prospective limited partner upon request to Dennis Carlton, the Chief Compliance Officer, at 805-969-1803 or dec@wmdaugherty.com.

B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

1. Participation or Interest in Client Transactions

Principals and employees of WMD and its affiliates may directly or indirectly own an interest in the Funds or Separate Accounts. Such transactions also may include trading in securities in a manner that differs from or is inconsistent with the advice given to the Funds. Certain of these transactions require the consent of the applicable Fund.

It is WMD’s policy that the Firm will not affect any principal or agency cross securities transactions for client accounts without first obtaining the relevant advisory board and/or limited partner approval. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells a

security to an advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

2. Conflicts of Interest

The Funds may invest together with other private investment funds advised by an affiliated adviser of WMD in the manner set forth in the limited partnership agreements. WMD will allocate investment opportunities or advisory recommendations on a fair and equitable basis, consistent with its fiduciary obligations and the underlying documents for the relevant Fund. Accordingly, all transactions are allocated proportionately to each limited partner capital commitment unless “opt-out” provisions apply. Such “opt-out” provisions are directed by the applicable limited partner in Fund side-letters.

Each Fund’s Investors include persons or entities resident in various jurisdictions, including the United States and other countries, who may have conflicting investment, tax and other interests with respect to their investments. The conflicting interests of individual Investors may relate to or arise from, among other things, the nature of investments made by each Fund, the structuring of the acquisitions for each Fund and the timing of the disposition of investments. Such transactions and trading may result in different after-tax returns being realized by different Investors. As a consequence, conflicts of interest may arise in connection with decisions made by WMD that may be more beneficial for one Investor than another Investor, especially with respect to Investors’ individual tax situations. WMD considers the investment and tax objectives of each Fund as a whole, and not the individual investment, tax or other objectives of any particular Investor.

If any matter arises that WMD determines in its good faith constitutes an actual conflict of interest, WMD may take such actions as may be necessary or appropriate, within the context of such Fund’s or co-investment vehicle’s Governing Documents to ameliorate the conflict.

C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.

WMD, its employees and/or related persons may personally buy or sell the same instruments that WMD buys or sells for Client accounts, and it or they, may own securities, or options on securities,

of issuers whose securities are subsequently bought for Client accounts because of WMD's recommendations regarding a particular security. WMD's policy is designed (i) to prevent potential legal, business or ethical conflicts; (ii) to minimize the risk of unlawful trading in any account where Employees have an interest; and (iii) to guard against the misuse of confidential information. All personal trading and other activities must avoid any conflict or potential conflict of Investor interest. Employees are prohibited from engaging in unlawful trading and any trading that may appear to be improper. WMD employees are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information regarding these securities or communicating material non-public information to others. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Please refer to Items 11.A, 11.B, and 11.C.

Item 12 – Brokerage Practices

A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

- 1. Research and Other Soft Dollar Benefits.** If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.
 - a. Explain that when you use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.
 - b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your clients' interest in receiving most favorable execution.
 - c. If you may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.

- d. Disclose whether you use soft dollar benefits to service all of your clients' accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.**
- e. Describe the types of products and services you or any of your related persons acquired with client brokerage commissions (or markups or markdowns) within your last fiscal year.**
- f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer.**

WMD is authorized to determine the broker or dealer, if any, to be used for each investment for the Clients. Where best price and execution may be obtained from more than one broker or dealer, WMD may purchase and sell investments through brokers or dealers who provide research, statistical and other information, although the Clients may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research services provided. Research and related services furnished or paid for by brokers or dealers may include, but is not limited to, written information and analyses concerning specific investments, companies or sectors; market, financial and economic studies and forecasts; financial publications; statistic and pricing services; WMD's prior experience with the broker; the quality of the investment research; investment strategies, special execution capabilities, clearance, settlement, custody, recordkeeping and other services provided by such broker and discussions with research personnel. In selecting brokers or dealers and negotiating commission rates, WMD will take into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by such dealers and brokers, although the Clients may not, in any particular instance, be the direct or indirect beneficiary of the research services provided. WMD may also consider the referral of Investors, consistent with best execution. WMD need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits an investment manager to use commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. WMD will limit the use of "soft dollars" to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e). Research and brokerage services within Section 28(e) may include, but are not limited to: research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; analyses concerning specific securities, companies or sectors; and data services (including services providing market data, company financial data and economic data); services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer); and trading software operated by a broker-dealer to route orders.

Research and brokerage services obtained by the use of commissions arising from Client portfolio

transactions may be used by WMD in its other investment activities and thus, a Fund or Separate Account may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

Although WMD will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate allocation in the case of “mixed use” products or services create a potential conflict of interest between WMD and its Clients.

- 2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.**
 - a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving client referrals, rather than on your clients’ interest in receiving most favorable execution.**
 - b. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for client referrals.**

In selecting brokers and negotiating commission rates, WMD will take into account, among other things, the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. WMD may place transactions with a broker or dealer that (i) provides it (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers Investors to the Fund and/or Separate Accounts or other products advised by WMD (or an affiliate), if otherwise consistent with seeking best execution, provided WMD is not selecting the broker-dealer solely in recognition of the opportunity to participate in such capital introduction events or the referral of Investors. The selection of a broker (including the prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances, and provide other services may be influenced by, among other things, the provision by the broker of the following: capital introduction; marketing assistance; consulting with respect to technology, operations and equipment; commitment of capital; access to company management; and access to deal flow. Neither the general partner nor any Fund and/or Separate Account separately compensate any broker for any of these other services.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is

allocated on the basis of all the considerations described above. A broker is not excluded from receiving business because it has not been identified as providing research services.

Each Fund and Separate Account's securities transactions generate brokerage commissions and other compensation, all of which the respective Fund and/or Separate Account, not WMD, will be obligated to pay. WMD has complete discretion in deciding what brokers and dealers each Fund and/or Separate Account will use and in negotiating the rates of compensation a Fund and/or Separate Account will pay. In addition to using brokers as "agents" and paying commissions, each Fund and/or Separate Account may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

WMD recognizes that it may have an incentive to favor broker-dealers that provide capital introduction services to WMD or refer Investors. WMD receives asset-based fees and accordingly would receive a financial benefit from the increase in assets under management that result from capital introduction services and Investor referrals. Similarly, WMD receives a performance-based fee and accordingly could receive a larger performance-based fee in any given profit period as a result of an increase in assets under management that results from capital introduction services and Investor referrals. The potential for higher fees presents a potential conflict in that WMD has an incentive to favor broker-dealers that provide services that have a direct impact on fees even if those broker-dealers rate unfavorably in other categories.

WMD addresses this potential conflict by periodically reviewing its broker-dealer arrangements and evaluating each broker-dealer's performance in a variety of categories, including but not limited to the broker or dealer's execution capabilities, reputation and access to the markets for the securities being traded. Other considerations include, among other things, the amount of transaction costs, the quality of execution, the expertise in particular markets, the experience and financial stability of the firm, the availability of stock loans, the breadth of investment products made available, the quality of service, the familiarity both with investment practices generally and the techniques employed by WMD, the research and analytic services and clearing and settlement capabilities, the capability to facilitate transfers and payments to and from accounts, and the availability of other products and services, subject at all times to principles of best execution. Such reviews are expected to enable WMD to determine when broker-dealers that outperform in capital introduction and Investor referrals also underperform in other areas. In such situations, WMD may provide heightened scrutiny to its relationship with such a broker-dealer.

3. Directed Brokerage

- a. If you routinely recommend, request or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to direct brokerage. If you and**

the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of client transactions, and that this practice may cost clients more money.

- b. If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.**

WMD generally does not direct brokerage. Securities transactions are executed by brokers selected by WMD in its discretion and without the consent of the Client or Investors. In the event that a Client or Investor in Separate Account directs WMD to use a specific broker or other transacting party, WMD will not negotiate the terms and conditions (including commission rates) relating to the services provided by that broker or transacting party; WMD does not have any responsibility for obtaining for the Client from any such broker or transacting party the best prices or particular commission rates with or through any such broker or transacting party; and the Client may not obtain rates as low as it might otherwise obtain if WMD had discretion to select transacting party other than those chosen by the Client.

B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.

WMD may (but is not required to) aggregate orders for Client accounts for which it or its principals have trading authority. When it does aggregate orders, its policy is to allocate trades in a fair, consistent and equitable manner among WMD's Clients.

WMD may allocate orders among the Fund Clients on a case by case basis in accordance with its allocation policy, which is subject to monthly review and periodic adjustment. WMD is not required to allocate all orders among the Fund Clients on a pro rata basis, as pro rata allocations among the Clients may not always be appropriate. Accordingly, while the allocation of orders will take into account the relative growth or contraction of assets under management of, fluctuations in the number of, and allocation policy changes of Clients, WMD may allocate investments based on the following additional factors:

- a Client's existing exposure to the investment, securities, issuer or market in question;
- the different liquidity positions and requirements of a Fund Client;

- a Client's tax considerations;
- a Client's regulatory considerations;
- small share allocations, odd lots, foreign securities law restrictions or restrictions of a Client;
- the relative capitalization and cash availability of a Client;
- the relative risk and VAR profiles of a Client;
- different strategies of a Client;
- a Client's portfolio concentration considerations;
- formal diversification requirements imposed by a Client's constituent documents;
- borrowing base considerations of a Client;
- different historical and anticipated subscription and redemption patterns of a Client;
- minimum investment criteria or undesirable position size for a Client;
- a Client's ramp up and ramp down periods;
- a Client's investment time horizon; and
- common sense adjustments that lead to cost savings or other transactional efficiencies for a Client.

The foregoing list of factors is not intended to be exclusive and there may be other instances in which WMD may allocate orders to a Client on other than a pro rata basis.

WMD does not arbitrarily allocate orders among the Clients and does not allocate promising positions to underperforming Clients to boost performance or vice versa. However, WMD may in good faith determine that certain investments should be allocated only to certain Clients.

In allocating orders among its Clients, WMD seeks to avoid potential conflicts that may exist under the circumstances, including, without limitation, when (i) one Client is purchasing or selling a specific investment within a short period of time prior to another Client taking the same or a contrary position, or (ii) a larger Client, by virtue of the size of its holdings or otherwise, may have the ability to influence the market of an investment held by a smaller Client. In any situation where there is the appearance of a potential conflict, the matter is referred to the Chief Compliance Officer for resolution and documentation.

Finally, WMD and/or its related persons or Clients may buy or sell specific securities for its or their own account that are not deemed appropriate for Client accounts at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments in Client accounts are made. Where execution opportunities for a particular security are limited, WMD attempts in good faith to allocate such opportunities among Clients in a manner that, over time, is equitable to all Clients.

Item 13 – Review of Accounts

A. Indicate whether you periodically review client accounts or financial plans. If you do,

describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.

The Chief Compliance Officer participates as a non-voting member in WMD's Investment Committee, except where needed to constitute a quorum or in the event of a tie vote, and in that forum reviews the portfolios of WMD's Clients to confirm that they are maintained consistently with the investment objectives established for the Clients.

The Chief Compliance Officer or his designee will periodically review the portfolios of each Client to ensure that they comply with any restrictions, including, but not limited to restrictions relating to the use of illiquid securities, leverage or asset class. It is WMD's policy that any issues regarding restrictions shall promptly be brought to the attention of the Chief Compliance Officer. The Chief Compliance Officer will take any necessary steps to address the matter and will maintain a record of his actions.

B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.

Reviews may take place more frequently if triggered by economic, market, or political conditions.

C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.

WMD generally will provide to its limited partners (i) audited financial statements annually within 120 days of year end, commencing with the first year in which it either is in operation for at least six months or makes an investment, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each partner's U.S. tax returns, descriptive investment information for each portfolio company semi-annually. All reports are sent to limited partners in either a physical copy or are delivered electronically as per each Investor's preference. The Firm also has contact with Investors (personal visits, telephone, e-mail) throughout the year as conditions warrant.

Item 14 – Client Referrals and Other Compensation

A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

WMD does not receive any economic benefit, directly or indirectly from any third party for advice

rendered to the Clients.

B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.

WMD or its affiliates may pay a fee representing a portion of the management fee or incentive allocation to third parties for soliciting Investors in the Clients. Such fee is paid out of WMD's revenues, and does not result in an increase in expenses paid by the Clients over the amount that would be paid to WMD in the absence of such fee. Any such agreement will be structured in accordance with Rule 206(4)-3(A)(1)(ii).

Item 15 – Custody

The Investment Advisers Act of 1940 Rule 206(4) (the "Custody Rule") requires that pooled investment vehicles advised by the adviser either, undergo an annual generally accepted accounting principles ("GAAP") financial statement audit or be subject to a surprise custody examination by an SEC-registered auditing firm. The Firm has elected to undergo an annual GAAP financial statement audit for each of its Fund vehicles.

While WMD places all Fund assets in custody with prime brokers and other executing broker-dealers and does not maintain physical custody over any Investors' funds or securities, it is still considered to have custody over these assets because of the ability of its general partner to deduct fees from Investor accounts. WMD's brokers and custodians send account statements to the Funds each month. Additionally, in compliance with the Adviser's Act Custody Rule, fund limited partners receive audited financial statements annually within 120 days of WMD's year-end. Separately Accounts have established their own, independent relationships with specific qualified custodians and are not deemed to be under WMD's custody purview. For a list of WMD's qualified custodians, please see ADV Part 1, 7.B.1.

Item 16 – Investment Discretion

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

WMD is authorized to invest and trade the Clients' assets in a broad range of investments, to be selected at WMD's sole discretion, with no specific limitations as to type, amount, concentration, or leverage, except as specifically limited by a Fund's governing documents. Further, WMD may enter into any type of investment transaction and employ any investment methodology or strategy it deems appropriate within the parameters of each investment program.

Pursuant to each Fund's governing documents, the Investors designate WMD as their attorney-in-fact to execute, certify, acknowledge, file, record and swear to all instruments, agreements and documents necessary or advisable to carrying out the Client's business and affairs, including execution of a Fund's limited partnership agreement. An Investor's execution of a subscription agreement constitutes its execution of a Client's governing documents.

With respect to Separate Accounts, WMD's scope of authority, fees and other terms are highly negotiated and may vary from the Funds or other Clients.

Item 17 – Voting Client Securities

A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.

By virtue of the investment management agreements with the Fund and/or separately managed accounts, WMD has the authority to vote client proxy statements on behalf of such Funds and separately managed accounts. WMD has adopted a proxy voting policy pursuant to SEC Rule 206(4)-6 to describe how it votes its clients' proxies. WMD votes proxies consistent with the best interests of its Investors and in accordance with the Funds' stated objectives, primarily maximizing portfolio values.

Pursuant to its policy, WMD will generally vote in accordance with management's recommendations, unless WMD determines that voting in such a manner is in conflict with the best interests of its Investors. In these cases, WMD will evaluate and vote the proxies on a case-by-case basis. If it is determined that the conflict of interest is not material, WMD may vote proxies notwithstanding the existence of the conflict. If it is determined that the conflict of interest is material, WMD will resolve the conflict in one of several possible ways, such as by engaging a third party to recommend a vote with respect to the proxy. In general, Investors cannot request that WMD vote in a particular way on any specific proposal.

Investors may obtain a copy of WMD's complete proxy voting policy upon request, free of charge, from WMD's Chief Compliance Officer, Dennis Carlton, at 805-969-1803. Investors may also obtain information from WMD, free of charge, about how WMD voted any previous proxies.

B. If you do not have authority to vote client securities, disclose this fact. Explain whether

clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

Not applicable.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide Investors with certain financial information or disclosures about WMD's financial condition. WMD has no financial commitment that is reasonably likely to impair its ability to meet contractual commitments to Clients.

Item 19 – Requirements for State-Registered Advisers

Not applicable.