

Form ADV Part 2A: FIRM BROCHURE



WMD Asset Management, LLC

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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 dec@wmdaugherty.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.

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

Item 2 – Material Changes

Since our last firm brochure (“Brochure”), dated March 31, 2017, we have liquidated one private fund, WMD First Lien Investment Fund I, LLC.

Item 3 – Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents	iii
Item 4 – Advisory Business.....	1
Item 5 – Fees and Compensation.....	3
Item 6 – Performance-Based Fees and Side-By-Side Management	6
Item 7 – Types of Clients	7
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9 – Disciplinary Information	18
Item 10 – Other Financial Industry Activities and Affiliations	18
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	20
Item 12 – Brokerage Practices	24
Item 13 – Review of Accounts	27
Item 14 – Client Referrals and Other Compensation	28
Item 15 – Custody	28
Item 16 – Investment Discretion	29
Item 17 – Voting Client Securities	30
Item 18 – Financial Information	31
Item 19 – Requirements for State-Registered Advisers	31

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 and other 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.

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 to direct the organization’s business focus to the review, acquisition, management, and disposition of real estate and related securities and to manage the same in funds and other vehicles 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 also include separately managed accounts, primarily for institutions (“Separate Accounts”). Partnerships, Offshore Funds and Separate Accounts are collectively referred to herein as “Clients.” Each Partnership is affiliated with a general partner with authority to make investment decisions on behalf of each Client. These general partners are deemed to be registered under the Investment Advisers Act of 1940, as amended (“Advisers Act”), pursuant to WMD’s registration in accordance with SEC guidance. While the general partners maintain ultimate authority over the respective Funds, WMD has been delegated the role of investment adviser. For a list of the Clients and their general partners, please see the portion of WMD Form ADV Part 1, Schedule D, captioned “Private Fund Reporting” at Section 7.B.(1).

In addition to its Clients mentioned above, WMD also provides investment management services to several affiliated entities. These affiliated entities are not owned by WMD, but rather are affiliated with the principals of WMD and invest in WMD Funds and outside joint ventures.

Principal Owners/Ownership Structure

WMD Investors, LLC, a Delaware limited liability company (82% owned by W.M. Daugherty & Company, LLC, a Delaware limited liability company; 18% owned by Dennis E. Carlton), owns 100%

of WMD Asset Management. W.M. Daugherty & Company, LLC is 99% owned by William M. Daugherty and 1% owned by Dennis E. Carlton.

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, senior living facilities, 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 superior performance that is non-correlated to major indices. 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.

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.

The advisory services provided to each Client are tailored to the investment objectives, investment strategy and investment restrictions, if any, as set forth in the Governing Documents for each Client. With regard to the Funds, 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 each particular Fund. Investment advice for the Separate Accounts is tailored to each Separate Account. The objectives of each Client 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").

With regard to the Funds, Fund investors cannot impose restrictions on investing in certain securities or types of securities. Investors participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints, pursuant to the terms of the applicable Governing Documents. WMD may

enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing a Fund's Governing Documents.

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.

As of December 31, 2017, WMD manages \$153,055,000 in regulatory assets under management:

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 Clients, WMD receives a management fee and its affiliated general partners receive a performance-based incentive allocation fee (as described more fully below in Item 6). Investors also bear certain fund expenses, as described below. The Governing Documents of each Client details the fees, compensation and expenses in greater detail. The following is a summary of WMD's active Clients; differences exist from Client to Client, as well as among investors in each Client, and certain Clients may not charge certain fees, compensation or expenses that other Clients charge.

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 generally ranges from 1.25% to 2.0% annually, depending on the Fund. From Separate Accounts, WMD generally receives fees similar to those paid by the Funds.

Management fees and other compensation are negotiable in certain circumstances and arrangements with any particular investor may vary; the relevant Fund general partner may, in its sole discretion, waive or reduce an investor's management or performance fee. In particular, the management fee for certain investors in the Funds who are employees of WMD, or family members of such employees, have been 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 fees (discussed in Item C below) are deducted from Client assets. Management fees are accrued and paid after the accrual date on either a monthly or quarterly basis as per each Client's Governing Documents. 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.

Subject to the provisions of the respective Governing Documents, 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.

The Funds' expenses include, but are not limited to, the following expenses incurred: (i) all third party and out of pocket expenses, including legal, tax, accounting, travel, registration and filing, capital raising and other organizational fees and expenses incurred in the formation of the Funds, the general partners, the offering of interests in the Funds, and the negotiation, execution, and delivery of partnership agreements, side letters, management agreements, and other agreements relating to the foregoing (the "Organizational Expenses"); (ii) marketing and syndication expenses; (iii) all Fund investment expenses (other than the general partners' and the Firm's overhead and expenses borne entirely by the managed account), including, without limitation, rent and fees, taxes, costs and expenses related to the acquisition, operation, management, investment-related travel expenses, monitoring and sale of securities, including interest, fees and expenses of custodians, consultants, banks, counsel and accountants and brokerage commissions, research and consulting fees and expenses (including fees for market research services) to the extent not paid directly by the managed account, out-of-pocket costs incurred in investigating and pursuing potential investments in securities, including organizing and maintaining special purpose vehicles, and dividend expenses relating to short sales and other expenses reasonably related to the investment decision and monitoring process, and preparation and filing expenses (including expenses of regulatory filings made in respect of the Funds, such as Form PF filings pursuant to U.S. securities laws); (iv) other expenses of the general partners or the Firm reasonably related to their status as general partners or the manager of the Funds, as applicable, or performance of their respective duties relating to the Funds, including without limitation compliance expenses and fees and expenses of legal counsel and other professional advisers of the general partners and the Firm, as applicable; and (v) the Fund administration expenses (other than the general partners' and the Firm's overhead), including, without limitation, rent and fees of the administrator and any other costs incurred in connection with performing anti-money laundering procedures, maintaining

the books and records of the Funds, valuation costs, completing regulatory reports, communicating with the investors and providing periodic reports to the investors, any insurance, indemnity or litigation expense (including any judgments or settlements paid in connection therewith), auditing expenses of the Funds, financial statement and tax return preparation costs, compliance and regulatory fees and expenses, withholding and transfer fees, filing and registration fees, expenses of winding up and liquidating the Funds, and any taxes, fees or other governmental charges levied against the Funds or any investments. As determined by the general partners, the management fees and other Fund expenses may be paid or reimbursed by subsidiaries of the Funds on the basis of their ownership of investments. At the option of the general partners, Organizational Expenses of the Funds shall be amortized over a period of 60 months from the commencement of a Fund's operations. Expenses for transactions not consummated, or "broken deal expenses," are borne pro rata, indirectly, by each vehicle involved in the potential transaction.

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.

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

Expenses for Separate Account Clients are negotiated on a Client by Client basis and are reflected in each Client's Governing Documents.

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 Governing Documents, over the term of the Clients.

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.

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 an incentive allocation equal to a percentage of the net income allocated to each investor for the year. Such incentive allocation is subject to a “high water mark” such that if there is a temporary decline in an investor’s capital account due to net losses, the general partner will not be allocated the performance incentive for such investor until these losses are recovered. This incentive allocation is generally 20% and is typically made at the end of each calendar year.

All performance-based fees are calculated and paid in accordance with Section 205(a) (1) of the Advisers Act and the exemptions set forth in Rule 205-3. Similar to management fees, WMD may reduce or waive a portion of a Client’s incentive allocation in its sole discretion, and generally does so with regard to employees and their family members.

The performance allocation may provide an 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. Investors are provided with clear disclosure as to how performance-based compensation is charged and the risks associated with such performance-based compensation prior to making an investment. The Firm principals have invested a substantial amount of capital in the Funds, thus aligning, to some extent, the interests of WMD with the interests of the Clients.

In addition, WMD manages multiple Clients with similar investment strategies on a side-by side basis. As a result of the foregoing, WMD and/or the general partners may have conflicts of interest in: (i) allocating their time and activity among the multiple Clients; (ii) allocating investments among the multiple Clients; and (iii) effecting transactions among the multiple Clients, including ones in which WMD and/or the general partners may have a greater financial interest. These conflicts of interest may create an incentive for WMD to favor a Client in which it and/or a general partner have a greater

financial interest with respect to allocation of time and activity, limited investment opportunities, or investments that WMD regards as more attractive or better performing.

To address these conflicts of interest, the Firm has implemented policies and procedures to ensure that all Clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities. These policies and procedures, along with each Client's Governing Documents, require WMD to at all times allocate investments among its Clients in a manner which it believes to be fair and equitable and prohibit WMD from basing an allocation decision on any of the following, or similar, reasons: (i) to generate higher fees paid by one Client over another, or to produce greater fees to WMD or any of its affiliates; (ii) to develop a relationship with an existing or potential investor; (iii) to compensate an investor for past services or benefits rendered to WMD or any employee of WMD; or (iv) to induce future services or benefits to be rendered to WMD or any employee of WMD.

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 Funds, Partnerships, Offshore Funds and Separate Accounts. Separate Account Clients and investors in the Funds include banks or thrift institutions, trusts, estates or charitable organizations, university endowments, corporations or other business entities and high net worth individuals and family offices.

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) and “qualified clients”, “qualified purchasers” or “knowledgeable employees” as defined in the Investment Company Act of 1940. The minimum initial investment of most WMD Funds is \$1,000,000, 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 have negotiated terms that differ or are more favorable than those for the Funds.

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

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.

The following investment strategies apply, variously, to WMD Clients; however, for a more detailed description of the investment strategies relevant to each Client, please refer to the applicable Governing Documents. 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, senior living facilities, real estate owned properties and other mortgage-related assets and whole loan instruments such as mortgage-related securities and derivatives. These may include securities or other instruments relating to publicly traded companies globally that are engaged principally in the real estate industry, including, without limitation, real estate investment trusts ("REITs") and REIT-like corporate structures, other real estate-related companies, mortgage REITs, mortgage originators, homebuilders, manufactured homebuilders, commercial brokerage companies, and land developers. The Clients execute their investment program by making investments in these companies and the real estate industry in general through various investment vehicles, including without limitation, common stock, preferred stock, unsecured debt, commercial mortgage backed securities ("CMBS"), asset backed securities ("ABS"), residential mortgage-backed securities ("RMBS"), American Depositary Receipts ("ADRs") 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 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.

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 in Separate Account Clients. Although no such change or amendment is currently anticipated, the Firm may change or amend the investment objective and policies of the Funds set forth herein at any time.

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 involves significant risks and conflicts of interest, including, but not limited to, the risk of a complete loss of the amount invested. 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 the Clients. 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. Each of the risks listed below do not necessarily apply to all of the Funds or Clients. For a more detailed description of the risks relevant to each Fund or Client, please refer to the applicable Governing Documents.

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.

Real Estate Investment. The Clients invest 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 WMD, 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.

All Investments Risk the Loss of Capital. WMD believes that its investment program and its research and risk-management techniques moderate 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.

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.

Information Sources. The Firm selects investments for the Funds based in part on information and data that the issuers of such securities file with various government agencies or make directly available to the Firm or that the Firm obtains from other sources. The Firm may also, in its discretion, utilize information, data and analysis provided by third parties. The Firm is not in a position to confirm the completeness, genuineness or accuracy of such information, data and analysis, and, in some cases, complete and accurate information is not readily available.

Portfolio Valuation. Valuations of the Funds' portfolios, which will affect the amount of any management fee or incentive allocation, if any, may involve uncertainties and judgmental determinations. Third-party pricing information may at times not be available regarding certain of the Funds' securities, derivatives and other assets. A disruption in the secondary markets for the Funds' investments may limit the ability of the Funds to obtain accurate market quotations for purposes of valuing their investments and calculating the value of the net assets of the Funds. In addition, material events occurring after the close of a principal market upon which a portion of the securities or other assets of the Funds are traded may require the Firm, in accordance with the Firm's valuation policy, to make a determination of the effect of a material event on the value of the securities or other assets traded on the market for purposes of determining the value of the net assets of the Funds on a valuation date. Further, because of the overall size and concentrations in particular markets and maturities of positions that may be held by the Funds from time to time, the liquidation values of the Funds' securities and other investments may differ significantly from the interim valuations of these investments derived from the valuation methods described herein. The determination of the Funds' liabilities also may involve uncertainties. For example, generally accepted accounting principles ("GAAP") may require the Funds to accrue for certain taxes that may or may not ultimately be paid. The amount of such accruals and other determinations in respect of Fund liabilities will be determined by the Firm in its sole discretion. If the valuation of the Funds' portfolio assets or liabilities should prove to be incorrect, the value of the net assets of the Funds could be adversely affected. Incorrect valuations of the Funds' investments could lead to subscriptions and withdrawals of Fund interests being affected at net asset values that do not accurately reflect the true value of such interests, and could result in excessive management fees and incentive allocations. Valuation determinations recorded by the administrator, in accordance with the Firm's valuation policy, are conclusive and binding.

It is possible that the valuation procedures described above may produce different valuations than those produced pursuant to ASC 820 adopted by the Financial Accounting Standards Board in 2009. In this case, the valuation presented in each Fund's audited financial statement will differ from the net asset value of the Fund, and purchases and sales as well as fees and reallocations will continue to be calculated based on the Fund's net asset value. In such circumstances, a Fund will reconcile the net asset value of the Fund and valuation presented in the Fund's audited financial statements in the notes to the audited financial statements of such Fund.

Dependence on the Manager and Key Personnel. All allocation or investment decisions with respect to the Funds' assets are made by the Firm, and investors do not have the ability to take part in the day-to-day management or investment operations of the Funds. As a result, the success of the Funds depends largely upon the abilities of the Firm and its personnel, and there can be no assurance that the Firm or its personnel will remain willing or able to provide advice to and trade on behalf of the Funds or that their trading will be profitable in the future. Accordingly, no investor should purchase an interest unless such investor is willing to entrust all aspects of the management of the Funds to the general partners and the Firm. If the Funds were to lose the services of the Firm, or if the Firm is terminated, the Funds might have to be liquidated.

Other Clients of the Manager. The Firm manages other accounts that may invest in securities that the Funds invest in. The Firm's advice to certain Clients and the action of the Firm for those and other Clients are frequently premised not only on the merits of a particular investment but on the suitability of that investment for the particular Client in light of its applicable investment objective, guidelines and circumstances and thus, any action of the Firm with respect to a particular investment may, for a particular Client, differ or be opposed to, either the recommendation, advice, or actions of the Firm to, or on behalf of, other Clients. The investment activities of the Firm and its affiliates for their own accounts and the other accounts they manage may give rise to conflicts of interest, which may disadvantage one or more of the Funds and/or Clients.

Side Letters and Other Agreements with Clients. The Funds, with the consent of the Firm, to the fullest extent permitted by the relevant partnership agreements and applicable law, shall have the absolute discretion to enter into separate agreements with certain investors, such as those affiliated with the Firm or those deemed to involve a significant or strategic relationship, which include terms which are not available to existing investors. In such cases the parties will enter into a written side arrangement to: (i) waive or modify the terms, conditions and/or application of any provision of the offering terms; or (ii) allow such investors to invest on different terms than those specifically described in the relevant Governing Documents (including, without limitation, with respect to fees, liquidity or depth of information provided to such investors concerning the Funds), in each case without obtaining the consent of any other investor. Under certain circumstances, these agreements could create preferences or priorities for such investors with respect to other investors of the Funds.

Cybersecurity: WMD, its Clients, service providers, its counterparties and other market participants on whom WMD relies increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Clients and/or their investors, despite the efforts of WMD, its service providers, its counterparties and other market participants on whom WMD relies to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Clients and/or their investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or

prevent access to these systems of WMD, its service providers, its counterparties and other market participants on whom WMD relies or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of systems to disclose sensitive information in order to gain access to WMD's data or that of its investors. A successful penetration or circumvention of the security of WMD's systems or the systems of WMD's service providers, counterparties or other market participants on whom WMD relies could result in the loss or theft of investor data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Clients, WMD, their service providers, their counterparties and other market participants on whom WMD relies to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

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.

Special Risks of Securities Linked to the Real Estate Market. Since the Clients concentrate their investments in the real estate industry, their performance is significantly affected by the performance of the real estate markets. Real property investments are subject to varying degrees of risk. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments. The price of real estate company shares also may drop because of the failure of borrowers to pay their loans and poor management. Many real estate companies utilize leverage, which increases investment risk and could adversely affect a company's operations and market value in periods of rising interest rates, as well as risks normally associated with debt financing. The yields available from investments in real estate depend on the amount of income and capital appreciation generated by the related properties. Income and real estate values also may be adversely affected by such factors as applicable laws, interest rate levels and the availability of financing. If the properties do not generate sufficient income to meet operating expenses, including, where applicable, debt service, ground lease payments, tenant improvements, third-party leasing commissions and other capital expenditures, the income and ability of the real estate company to make payments of any interest and principal on its debt securities will be adversely affected. In addition, real property may be subject to the quality of credit extended and defaults by borrowers and tenants. The performance of the economy in each of the regions in which the real estate owned by a real estate company is located affects occupancy, market rental rates and expenses and, consequently, has an impact on the income from such properties and their underlying values. The financial results of major local employers also may have an impact on the cash flow and value of certain properties. In addition, real estate investments are relatively illiquid and, therefore, the ability of real estate companies to vary their portfolios promptly in response to changes in economic or other conditions is limited. A real estate company also may have joint venture investments in certain of its properties and, consequently, its ability to control decisions relating to these properties may be limited. Real property investments are also subject to risks which are specific to the investment sector or type of property in which the real estate companies are investing.

- *Retail Properties.* Retail properties are affected by the overall health of the applicable economy and may be adversely affected by the growth of alternative forms of retailing, bankruptcy, departure or cessation of operations of a tenant, a shift in consumer demand due to demographic changes, spending patterns and lease terminations.
- *Office Properties.* Office properties are affected by the overall health of the economy and other factors such as a downturn in the businesses operated by their tenants, obsolescence and non-competitiveness.
- *Hotel Properties.* The risks of hotel properties include, among other things, the necessity of a high level of continuing capital expenditures, competition, increases in operating costs which may not be offset by increases in revenues, dependence on business and commercial travelers and tourism, increases in fuel costs and other expenses of travel and adverse effects of general and local economic conditions. Hotel properties tend to be more sensitive to adverse economic conditions and competition than many other commercial properties.
- *Healthcare Properties.* The healthcare industry is highly regulated, and healthcare properties and healthcare providers are affected by several significant factors, including laws governing licenses, certification, adequacy of care, pharmaceutical distribution, rates, equipment, personnel and other factors regarding operations; qualification for any government assistance programs; and competition on a local and regional basis. The failure of any healthcare operator to comply with applicable laws and regulations may significantly affect its ability to operate its facility.
- *Multifamily Properties.* The value and successful operation of a multifamily property may be affected by a number of factors, such as the location of the property, the ability of the management team, the level of mortgage rates, presence of competing properties, adverse economic conditions in the locale, oversupply and applicable laws and regulations.
- *Insurance Issues.* Certain of the real estate companies may carry comprehensive liability, fire, flood, earthquake, extended coverage and rental loss insurance with various policy specifications, limits and deductibles. Should any type of uninsured loss occur, the real estate company could lose its investment in, and anticipated profits and cash flows from, a number of properties, which, as a result, would adversely affect the Clients' investment performance.
- *Credit Risk.* Real estate companies may be highly leveraged and financial covenants may affect the ability of these companies to operate effectively.
- *Environmental Issues.* A real estate company's ownership (direct or indirect), operation, management and development of real properties that may contain hazardous or toxic substances may expose the company to liability under applicable law for removal or

remediation costs, as well as certain other costs, including governmental fines and liabilities for injuries to persons and property. The existence of any such material environmental liability could have a material adverse effect on the results of operations and cash flow of any such real estate company and may adversely affect the Clients' investment performance.

- *REITs.* REITs are subject to a highly technical and complex set of provisions in the Internal Revenue Code of 1986, as amended (the "Code"). It is possible that one or more of the Clients may invest in a real estate company which purports to be a REIT and that the company could fail to qualify as a REIT. In the event of any such unexpected failure to qualify as a REIT, the company would be subject to corporate-level taxation, significantly reducing the return to such Client on its investment in such company. REITs could possibly fail to qualify for tax-favored status under the Code, or to maintain their exemptions from registration under the Investment Company Act. The above factors may also adversely affect a borrower's or a lessee's ability to meet its obligations to the REIT. In the event of a default by a borrower or lessee, the REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments.
- *Competition.* Competition among investors, including hedge funds, is significant, and the Funds will compete with other investment advisory and securities firms, private investment firms, risk arbitrage funds and institutional investors, many of which will have greater financial resources than the Funds. While size is not necessarily an indication of a firm's success in managing market risk, many firms have substantially greater ability to absorb losses and, consequently, to take greater investment risks than the Funds. While the Firm believes that it will have access to a sufficient transaction flow to enable it to invest the Funds' capital, there can be no assurances that the Firm will be able to locate investment opportunities which satisfy the Funds' investment strategies or that it will be able to fully invest all of the Funds' capital.
- *Possible Lack of Product.* The Clients' investment strategies are based upon the purchase and sale of real estate related securities. However, given the fluctuating nature of the securities markets and interest rates, it may not be advantageous for new issuers to sell these types of securities. Accordingly, the availability of product may vary over time. The Firm believes that it will have access to a sufficient transaction flow to invest the capital of the Clients. However, there can be no assurances that the Firm will be able to locate investment opportunities that satisfy the investment objectives of the Funds or that it will be able to fully invest the capital of the Clients. This may adversely affect the overall return of one or more of the Clients.

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.

Residential Mortgage-Backed Securities. The Clients' investment portfolios 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 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 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.

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.

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 its advisory business or the integrity of its 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.

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. WMD has filed as an exempt commodity pool operator in response to certain CFTC rule amendments.

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**

As described in Item 4 above, WMD also provides investment management services to several affiliated entities. These affiliated entities are not owned by WMD, but rather are affiliated with the principals of WMD and invest in WMD Funds and outside joint ventures.

Also 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. These affiliated entities 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. These affiliated entities do not have employees of their own.

WMD has and will continue to develop relationships with professionals who provide services it does not provide, including: legal, accounting, banking, investment banking, tax preparation, insurance brokerage, investment management services and other personal services. Some of these professionals may provide services to the Funds or their portfolio companies.

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 Fund's brokers or custodians. Through such capital introduction events, prospective investors have the opportunity to meet with WMD. Neither WMD nor any Fund compensates the brokers or custodians for organizing such events or for investments ultimately made by prospective investors attending such events.

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 Advisers Act. The Code of Ethics requires all supervised persons to place Fund interests ahead of the Firm's interests, to avoid taking advantage of his or her position and to maintain full compliance with the federal securities laws.

Employees are required to certify to their compliance with the Code of Ethics on an annual basis. Employees of WMD who violate the Code may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, suspension or dismissal. Employees are also required to promptly report any violations of the Code of Ethics of which they become aware.

WMD will provide a copy of its Code of Ethics to any existing investor upon request to Dennis E. Carlton, the Chief Compliance Officer, at (904) 683-4950 or dec@wmougherty.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.

Participation or Interest in Client Transactions

Principals and employees of WMD and its affiliates directly or indirectly own an interest in the Funds or Separate Accounts. Such transactions also 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 or Client.

It is WMD's policy that the Firm will not effect any principal or agency cross securities transactions for Client accounts without first obtaining the relevant advisory board, general partner and/or investor 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. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account.

From time to time, WMD and its affiliates may effect securities trades (including outright purchases and sales) between Clients or affiliates, known as a cross trade. Any cross trading transactions conducted between Clients or affiliates will be made at the then market rate for similar transactions between unrelated parties and only where an independent pricing mechanism (such as the last sales price on the exchange where the security is principally traded) is available. Transactions between the Clients or affiliates are effected for no consideration other than cash payment against prompt delivery of the relevant security or other instrument, are affected at current market prices.

Conflicts of Interest

WMD's Code requires Firm principals and employees to place the interests of Clients first, and on an annual basis each principal and employee must certify that he or she has read and understands the Code of Ethics and has complied with its provisions. 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 the applicable Governing Documents, to address the conflict.

The Governing Documents for each Client include a description of what WMD believes to be the most significant conflicts of interest associated with an investment in such Fund. Investors should

carefully consider the conflicts of interest herein as well as those outlined in each applicable Fund's Governing Documents prior to investing in a Fund.

Each of the principals will use their best efforts in connection with the purposes and objectives of the Clients and will devote as much of their time and effort to the affairs of the Clients as may, in their judgment, be necessary to accomplish the purposes of the Clients. Subject to the restrictions of the relevant Governing Documents, the relevant general partner, and its directors, members, partners, shareholders, officers, employees, agents and affiliates (hereinafter referred to as the "Affiliated Parties") may conduct any other business, including any business within the securities industry or otherwise, whether or not such business is in competition with the Funds. Without limiting the generality of the foregoing, the Affiliated Parties may act as investment adviser or investment manager for others, may manage funds, separate accounts or capital for others and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms. Such other entities or accounts may have investment objectives or may implement investment strategies similar or different to those of the Funds. In addition, the Affiliated Parties may, through other investments, including other investment funds, have interests in investments which the Funds invest as well as interests in investments in which the Funds do not invest. As a result of the foregoing, the Affiliated Parties may have conflicts of interest in allocating their time and activity between the Funds and other entities, in allocating investments among the Funds and other entities and in effecting transactions for the Funds and other entities, including ones in which the Affiliated Parties may have a greater financial interest. Specifically, WMD's Chief Investment Officer, William Daugherty, has been involved in an outside business venture involving managing and developing senior living facilities. One of these entities also manages some WMD-affiliated senior living properties.

WMD allocates investment opportunities to each Client fairly, to the extent practical and in accordance with the Governing Documents of each Client. WMD will have no obligation to purchase or sell financial instruments or provide an investment opportunity to a Client because it purchases or sells the same financial instrument for, enters into a transaction or provides an opportunity to a Client if, in its reasonable opinion, such financial instrument, investment opportunity or transaction does not appear to be suitable, practical or desirable for a particular Client. The Funds may invest together with other private investment funds advised by an affiliated adviser of WMD in the manner set forth in the Governing Documents. WMD will allocate investment opportunities or advisory recommendations on a fair and equitable basis, consistent with its fiduciary obligations and the underlying Governing Documents for the relevant Fund. Accordingly, all transactions are allocated proportionately to each investor based on capital commitment unless "opt-out" provisions apply. Such "opt-out" provisions are directed by the applicable investor in Fund side-letters or, for Separate Accounts, in other Governing Documents. In allocating orders among its Clients, WMD attempts 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.

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.

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 supervised persons 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. Supervised persons are prohibited from engaging in unlawful trading and any trading that may appear to be improper. WMD supervised persons 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. The Code of Ethics establishes guidelines for personal trading requirements, insider trading and reporting of personal securities transactions, including certain pre-clearance and reporting obligations. In addition, supervised persons are required to file certain reports and submit their brokerage account statements to the Chief Compliance Officer for review.

The principals and employees of WMD carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds or Clients, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Clients, even though their investment objectives may be the same or similar. In addition, principals, employees and affiliates participate in transactions offered to but rejected by the Clients or that are outside the investment mandate of the Clients.

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.

Because of the predominantly illiquid nature of its portfolio investments, WMD does not typically face a situation where an employee buys or sells a security for his or her own account at or about the same time that the Firm is also buying or selling the same securities for Client accounts. In the event this were to occur, the employee would be required to seek pre-approval from the Chief Compliance Officer for such transaction.

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).

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 will take into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by such dealers and brokers. WMD need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

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.

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: furnishing advice as to the value of securities and the advisability of investing, purchasing or selling securities; furnishing analysis and reports concerning issuers, securities and performance of accounts, as well as research, pricing information and other

market data; furnishing software and other technology that provide access (online or otherwise) to investor, or account data (such as trade confirmations and account statements); providing consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing; or effecting securities transactions and performing functions incidental to such transactions, such as clearance, settlement, net pricing, online pricing, block trading, block positioning and custody. 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.

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.

In selecting brokers and negotiating commission rates, WMD follows its policies and procedures governing best execution. In particular, in selecting a broker-dealer for liquid securities, WMD will consider the following factors: a broker's trading expertise for the products unique to the products WMD buys and sells; a broker's execution capabilities; a broker's reputation and integrity; the full range and quality of services available when placing trades; a broker's access to underwritten offerings and secondary markets; a broker's reliability in executing trades and keeping records, including a broker's ability to maintain confidentiality; a broker's ability to execute unique trading strategies and settle difficult trades; a broker's ability to handle large size transactions; a broker's ability to offer timely reports of order executions; a broker's ability and promptness to correct trade errors; a broker's willingness to accommodate WMD's special needs, such as step-out trades, prime brokerage services and custody; a broker's speed of execution; the commissions charged by a broker compared to other brokers; and other factors as WMD may determine from time to time.

In selecting a broker-dealer for less liquid securities, WMD will consider the following factors: a broker's access to markets for a particular security; whether the broker is buyer or seller themselves of a security; a broker's trading expertise in a particular product; a broker's insight into the competitive market for a particular security and ability to provide WMD with access to a competitive process; a broker's reputation and integrity; a broker's familiarity with the investment practices generally and strategies and techniques employed by WMD; WMD's past experience in working with a broker; and other factors as WMD may consider from time to time.

Neither the Firm 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 may 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. 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. .

3. Directed Brokerage

WMD does not have any directed brokerage arrangements on behalf of the Funds. However, Separate Account owners are permitted to select their own custodians and, in some cases, broker-dealers.

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, WMD's policy is to allocate trades in a fair, consistent and equitable manner among WMD's Clients. When WMD deems the purchase and sale of securities to be in the best interest of a Fund, and any other Client, it will aggregate the securities to be purchased or sold in order to obtain superior execution and/or lower brokerage expenses.

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.

Client accounts are reviewed regularly by each Fund's portfolio manager and monthly or more frequently by the Chief Investment Officer. 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 investors: (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; and (iii) annual tax information necessary for each partner's U.S. tax returns. All reports are delivered to investors by the Firm's third party administrator. The Firm also has contact with investors (personal visits, telephone, e-mail) throughout the year as conditions warrant.

In the course of conducting due diligence or otherwise, investors periodically request information pertaining to their investments. WMD responds to these requests, and in answering these requests provides information that is not generally made available to other investors who have not requested such information. While WMD does not have an obligation to update any such information provided, the Firm endeavors to provide the information requested in the most current form available. Additionally, upon request, certain investors may receive additional information and reporting that other investors may not receive.

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 an economic benefit, directly or indirectly from any third party for advisory or other services 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.

While it has not done so in the past, 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 will be paid out of WMD's revenues, and will 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 third party marketer engaged by WMD will be registered as a broker-dealer to the extent required by law or regulation.

Item 15 – Custody

If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.

The Advisers Act Rule 206(4) (the "Custody Rule") requires that pooled investment vehicles advised by WMD either undergo an annual generally accepted accounting principles ("GAAP") financial statement audit or be subject to a surprise custody examination by an Public Company Accounting Oversight Board ("PCAOB")-registered auditing firm. WMD is deemed to have custody over the Funds' assets because of its affiliation with each Fund's general partner and the ability of the relevant general partner or affiliate to deduct fees from Fund accounts. The Firm has elected to undergo an annual GAAP financial statement audit for each of its Fund vehicles over which it is deemed to have custody. The Funds are audited annually by a PCAOB registered auditing firm and WMD delivers to the Funds and their respective limited partners a copy of the annual audited financial statements within 120 days of the fiscal year end in accordance with the Custody Rule.

WMD does not, however, take physical custody of Client money or securities (other than certain privately offered securities to the extent permitted by the Advisers Act); called capital is directly sent or wired to the relevant Fund qualified custodial account. The Firm receives statements from all of its custodians on behalf of the Funds each month. For a list of WMD's qualified custodians, please see ADV Part 1, Schedule D, Item 7.B.(1).

Separate Accounts have established their own, independent relationships with specific qualified custodians and WMD does not have custody over such Separate Accounts.

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 Funds' 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. Accordingly, 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 Client's Governing Documents, 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. Once an investor executes such Governing Documents, WMD is not required to contact such investor prior to transacting business in a Fund.

Investors in the Funds may impose limitations on WMD's authority through a side letter agreement and the Firm may choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed upon an investor's investment must be presented to WMD in writing and agreed to by WMD and such investor. Other Fund investors meeting certain commitment thresholds may be provided with notification provisions regarding such side letter agreements but are not provided with consent rights over such agreements. WMD's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

With respect to the Separate Accounts, WMD's scope of authority, fees and other terms are negotiated on a Client-by-Client basis 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 Governing Documents with each Client, WMD has the authority to vote Client proxy statements on behalf of such Funds and Separate Accounts where proxies are presented for a vote. While most of its Clients have not been presented with proxies to vote, in the event WMD is presented with a proxy to vote on behalf of a Client, it will vote pursuant to SEC Rule 206(4) and consistent with the best interests of its investors with the goal of maximizing portfolio values. WMD's policy is to only vote proxies if the relevant Fund or Client owns over 1% of the outstanding shares of an issuer.

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 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 or seeking the advice of an independent third party. Investors cannot direct how WMD votes proxies nor is WMD required to seek investor approval or direction when voting proxies.

Investors may obtain a copy of WMD's complete proxy voting policies and procedures upon request, free of charge, from WMD's Chief Compliance Officer, Dennis E. Carlton, at (904) 683-4950. Investors may also obtain information from WMD, free of charge, about how WMD voted any previous proxies, if any.

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.

This Item is not applicable to WMD.

Item 18 – Financial Information

A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.

WMD does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.

B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.

WMD has no financial condition that impairs its ability to meet contractual and fiduciary commitments to investors.

C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.

The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19 – Requirements for State-Registered Advisers

This Item is not applicable to WMD.