

# Form ADV, Part 2A: Firm “Brochure”

## Wasserstein Debt Opportunities Management, LP

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This document (the “Brochure”) provides information about the qualifications and business practices of Wasserstein Debt Opportunities Management, L.P. (“WDO” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (212) 702-5600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

WDO may refer to itself as a “registered investment adviser.” Registration does not imply a certain level of skill or training.

**January 24, 2017**

## Item 2: Material Changes

This Brochure is part of the Firm's initial filing with the SEC in order to be registered as an investment adviser. In the future, this section will only discuss material changes made to the Brochure and provide a summary of such changes.

### Item 3: Table of Contents

Item 2: Material Changes .....	2
Item 3: Table of Contents.....	3
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation.....	5
Item 6: Performance-Based Fees and Side-By-Side Management .....	7
Item 7: Types of Clients .....	8
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9: Disciplinary Information .....	14
Item 10: Other Financial Industry Activities and Affiliations.....	15
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	17
Item 12: Brokerage Practices .....	18
Item 13: Review of Accounts.....	19
Item 14: Referrals and Other Compensation.....	20
Item 15: Custody .....	21
Item 16: Investment Discretion .....	22
Item 17: Voting Client Securities .....	23
Item 18: Financial Information .....	24

#### Item 4: Advisory Business

- A. WDO is an investment adviser organized as a Delaware limited partnership that was formed in January 2013. The principal owners of WDO are Wasserstein & Co., LP (“W&Co.”) and Wasserstein Investments, LLC, which serves as the general partner of WDO. Prior to WDO’s independent registration as an investment adviser in January 2017, WDO relied upon W&Co.’s registration as an investment adviser. Recent growth in WDO’s and W&Co.’s operations prompted the firms to separate certain of their compliance oversight functions, including their registrations with the SEC. WDO’s principal place of business is in New York, NY.
- B. WDO provides investment advisory services to privately offered pooled investment vehicles (the “Funds”) and separately managed accounts (the “SMAs”) (collectively, the Funds and SMAs, “Clients”). Client investors are generally institutions or high net worth families. WDO does not accept capital commitments from investors that do not meet certain thresholds of net worth or investment expertise.

WDO seeks to generate risk-adjusted returns from investments in predominantly U.S. based, non-large cap issuers of high yield bonds and leveraged loans that WDO believes to be undervalued or mispriced relative to similar securities. The Clients are subject to the investment objectives and strategies that are further outlined in offering memoranda specific to each of the Clients, which include but are not limited to subscription agreements, offering memoranda and investment management agreements (such memoranda, “Governing Documents”).
- C. The Firm provides investment advisory services to the Clients in accordance with each Client’s investment objectives and limitations on a discretionary basis. Such investment objectives and limitations are outlined in each Client’s respective Governing Documents.
- D. WDO does not participate in wrap fee programs.
- E. As of December 31, 2016, WDO manages approximately \$198,938,564 on a discretionary basis.

## Item 5: Fees and Compensation

- A. WDO, related entities, and/or the relevant general partner are compensated for advisory services to each Client based on a percentage of such Client's net asset value (the "Management Fee"). WDO, related entities, and/or the relevant general partner are also compensated with a performance-based allocation (the "Incentive Allocation"), as described below. Compensation through fees is typically negotiated separately with each of the Clients. WDO may enter into relationships with certain investors on different investment terms. These terms could include a reduction in the fees paid by the investor.

Client management fees vary by investor and are generally calculated at an annual rate of 1.5% of the net asset value of each Client investor's capital account balance.

Client incentive allocation fees vary by investor and are generally calculated at an annual rate of 15% of the net capital appreciation of each investor's capital account balance, less the management fee paid and any loss-recovery due to such investor, as described more fully in the relevant Client's Governing Documents. Certain officers and directors of the Firm directly receive a portion of the Incentive Allocation.

- B. Management Fees are generally deducted directly from Client accounts quarterly in advance. Incentive Allocation fees, if applicable, are generally deducted directly from Client accounts on the last day of the Client's fiscal year.
- C. WDO and the Clients generally bear their own expenses. Expenses are allocated on a case by case basis in accordance with each Client's Governing Documents.

Expenses the Clients may incur generally include (but are not necessarily limited to):

- i. Expenses incurred in connection with the organization of the Client and the offering of interests, if applicable, in the Client.
- ii. Expenses incurred in connection with the evaluation, acquisition, monitoring or disposition of investments, including, without limitation, loan fees, appraisal fees, private placement fees, sales commissions, brokerage fees and commissions, underwriting commissions and discounts, taxes, expenses related to short sales, travel expenses and legal, accounting, investment banking, consulting, information services and other third-party professional fees, and travel, communications and other expenses related to the discovery, investigation, development, making and disposition of investments (whether or not consummated);
- iii. Expenses incurred in connection with the carrying or management of investments, including, without limitation, interest and related expenses, clearing and settlement charges, hedging expenses, custodial, trustee, record keeping and other administration fees and expenses;
- iv. Expenses incurred in connection with any leverage or other indebtedness of the Client, including, without limitation, interest, borrowing fees, dollar rolls, reverse purchase agreements, credit facilities, margin financing, total return swaps, the issuance of debt securities and other costs associated with any financing;
- v. Expenses incurred in connection with the Client's audited financial statements, tax returns and K-1's;
- vi. Professional fees and expenses, including, without limitation, fees and disbursements of attorneys, accountants, consultants and experts relating to Client matters, and fees and

- disbursements associated with updating the subscription documents and amending or restructuring the constituent documents of the Client or related investment vehicles, including, without limitation, the Client's general partner;
- vii. Any costs, including, without limitation, compensation, indemnification and insurance expenses associated with committees;
  - viii. Taxes and other governmental charges levied against the Client;
  - ix. Expenses relating to defaults by investors in the payment of any capital contributions, if applicable;
  - x. Insurance premiums or expenses in connection with the activities of the Client, including, without limitation, errors, omissions, fidelity, general partner liability, directors' and officers' liability and similar coverage for any person acting on behalf of the Client, its general partner or WDO;
  - xi. Expenses (including, without limitation, legal fees and expenses) incurred to comply with any law or regulation related to the activities of the Client (including, without limitation, the offering of limited partnership interests in the Client, if applicable, any "blue sky" filing fees and expenses and expenses related to the preparation and filing of Form PF and other similar regulatory filings related to the Client) or incurred in connection with any litigation or governmental inquiry, investigation or proceeding involving the Client, including the amount of any judgments, settlements or fines paid in connection therewith;
  - xii. Expenses incurred in connection with the winding up or liquidation of the Client;
  - xiii. Expenses incurred in connection with computing the Client's assets;
  - xiv. Expenses incurred in connection with any distributions to investors and in connection with any meeting of investors relating to a Client;
  - xv. Expenses related to the Client indemnification obligations;
  - xvi. Administration fees payable to the Client's administrator;
  - xvii. Expenses incurred in connection with the formation of alternative investment vehicles and special purpose entities;
  - xviii. Expenses incurred in connection with any multimedia, analytical, database, news or third-party research services and related terminals for the delivery of such services;
  - xix. Expenses incurred in connection with the preparation and delivery of reports of the Client and any meetings with investors; and
  - xx. Expenses relating to risk management systems, metrics reporting and matrix reporting.

Fees and expenses may vary by Client, but in all cases shall be charged in accordance with each Client's Governing Documents. Each Client's Governing Documents provide a more detailed description of the expenses borne by the Client.

The Client may incur brokerage and other transaction costs. Please see Item 12 of this Brochure for a further description of such brokerage costs.

- D. The Clients' investors pay Management Fees in advance. In the unlikely event that an advisory contract is terminated before the end of a Management Fee period, WDO will refund a portion of the Management Fee (computed on the basis of the number of days elapsed). The Clients' investors do not pay Incentive Allocations in advance.
- E. Neither WDO, nor any of its supervised persons, accepts compensation for the sale of securities or other investment products.

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

As outlined in Item 5 of this Brochure, WDO and certain related entities, including the relevant general partner, may be entitled to receive an Incentive Allocation from Clients based on the realized and unrealized gains in each account, as specified in each Client's Governing Documents. Certain investors in the Clients may pay reduced performance-based fees. These investors have no influence or control over the provision of investment advice and participate *pro rata* in investments on the same basis as all other investors.

This compensation based on capital appreciation may create an incentive for the recipients to recommend investments to Clients that are riskier or more speculative than those which would be made under a different compensation arrangement. In addition, the recipients may have an incentive to favor Clients that they believe will pay a higher incentive-based compensation. However, the Firm is committed to acting at all times in the best interests of its Clients and WDO performs extensive due diligence with respect to the investment decisions made on behalf of the Clients.

## Item 7: Types of Clients

WDO's Clients are separately managed accounts and private pooled investment vehicles. Interests in these vehicles are offered and committed to investors who meet certain standards of net worth or knowledge about investing. These interests are excepted from the definition of investment company under the Investment Company Act of 1940, as amended.

Clients and investors in pooled investment vehicles, other than certain knowledgeable employees, must meet certain high standards for net worth and/or income. Generally, WDO's investors are institutions, which may include pension funds, other high net worth institutions, and high net worth families.



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

### A. **WDO's Investment Strategy and Methods of Analysis**

WDO's investment strategy on behalf of the Clients is to generate risk-adjusted returns from investments in predominantly U.S. based, non-large cap issuers of high yield bonds and leveraged loans that WDO believes to be undervalued or mispriced relative to similar securities.

The Clients will target the non-large cap high yield market segment because WDO believes it presents a less efficiently priced category of the market. The declining importance of banks, once a dominant source of capital for the industry but now focused on distributing risk, and increasing importance of hedge funds, collateralized loan obligations, exchange traded funds, mutual funds and other investors focused on benchmark performance, have created a disproportionate focus on large cap high yield companies. Through a focus on the next tier of issuers, and investments that have some combination of security, capital structure seniority, enterprise value protection and recession mitigating attributes, the Clients seek to create both differentiated high yield exposure and superior risk-adjusted returns.

WDO targets investments that are secured and/or have some combination of security, capital structure seniority and enterprise value protection. Investment opportunities are sourced in both the primary and secondary markets. The resources of WDO, which include investment professionals, industry specialists, broad relationships and access to management teams to conduct due diligence are fully utilized in making investment recommendations to the Clients. The business characteristics sought for investments in the Clients include: 1) business that can be understood with quantifiable risks, 2) diversification or low concentration risk, 3) clear value proposition and sustainable competitive advantage, 4) proven sponsorship and management, 5) demonstrated track record and 6) recession mitigating attributes such as the ability to generate free cash flow in downside scenarios. Within the opportunity set of investments that exemplify the aforementioned characteristics, the Clients will seek to capitalize on forced and unnatural sellers to create an attractive entry point with a good margin of safety.

While the investment strategy and target investments are similar across the Clients, there are differences amongst each Client that relate to the amount of leverage and hedging employed, as further described in each Client's Governing Documents.

WDO's investment program is speculative and entails substantial risks, including risk of loss of the entire investment. There can be no assurance that WDO's investment objectives will be achieved, and actual investment results may vary substantially from the investment objective. Investors should be prepared to bear these risks.

The risks inherent to the strategies employed by WDO, including those listed below, are described in further detail in the Clients' Governing Documents.

### B/C. **Risks Relating to WDO's Investment Strategy, Methods of Analysis, and Type of Securities**

Some risks relating to WDO's investment strategy and methods of analysis are set forth below. Please refer to the relevant Client's Governing Documents for a full list of potential risks involved in an investment in the Client.

#### ***Business and Market Risks***

The investments made by the Clients may involve a high degree of business and financial risk that can result in substantial losses. In particular, these risks could arise from changes in the financial

condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions and changes in laws, regulations, fiscal policies, or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks and security operations. In addition, the ability of WDO to successfully implement its strategy may entail a high degree of uncertainty. The possibility of partial or total loss of capital will exist and investors should not invest unless they can readily bear the consequences of such loss.

### ***Investment and Trading Risks***

All investments in securities risk the loss of capital. WDO's investment program and research techniques may moderate this risk through a careful selection of securities and other financial instruments. No guarantee or representation is made that the Clients' programs will be successful. The Clients' investment programs may utilize such investment techniques as swaps and forward contracts, practices which may, in certain circumstances, increase the adverse impact to which the Clients may be subject. The Clients will invest in bonds or other fixed income securities, including, without limitation, public and private non-investment grade bonds, secured loans, second lien debt, convertible securities, options, swaps and other securities with fixed-income characteristics. Such securities will primarily be below "investment grade" and face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market prices of such securities are also subject to abrupt and erratic market movements and changes in liquidity and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets.

The Clients may from time to time make investments in securities of private companies without an active trading market. Traditional exit opportunities for such investments have consisted primarily of initial public offerings and acquisitions of portfolio companies by publicly traded companies, often for stock. The ability of the Clients to sell securities and realize investment gains will depend upon favorable market conditions. As recent history indicates, initial public offering and merger and acquisition opportunities may be limited or non-existent for extended periods of time, whether due to economic, regulatory, or other factors. In addition, general fluctuations in the market prices of securities may affect the value of the investments held by the Clients. Therefore, there is no assurance that the Clients will be able to realize liquidity for such investments in a timely manner, if at all.

### ***Market Disruptions***

The Clients may incur major losses in the event of market disruptions and other extraordinary events in which historical pricing relationships (on which the relevant general partner and/or WDO bases a number of its trading positions) become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Clients and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

### ***Financial Market and Interest Rate Fluctuations***

General fluctuations in the market prices of securities and interest rates may affect the value of the investments held by the Clients. Volatility and instability in the securities markets may also

increase the risks inherent in the Clients' investments. The ability of companies or businesses in which the Clients may invest to refinance debt securities may depend on their ability to sell new securities in the high yield debt or bank financing markets, which in recent months have been extraordinarily difficult to access at favorable rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

#### ***General Economic Conditions and Recent Events***

Various sectors of the global financial markets have been experiencing an extended period of adverse conditions. Recently, market uncertainty in the United States has increased dramatically, and adverse market conditions have expanded to other markets. These conditions have resulted in reduced liquidity, greater volatility, general widening of credit spreads and a lack of price transparency. These difficult global credit market conditions have adversely affected the market values of equity, fixed-income and other securities and these circumstances may continue or even deteriorate further. The short- and longer-term impact of these events is uncertain, but could have a material effect on general economic conditions, consumer and business confidence and market liquidity. Investments made by the Clients are expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer and business confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of the Clients and these or similar events may affect the ability of the Clients to execute their investment strategies.

#### ***Investments in High Yield Securities***

The Clients will invest in high yield securities. Such securities are generally not exchange traded and, as a result, these instruments trade in a smaller secondary market than exchange-traded bonds. In addition, the Clients will invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High yield securities that are below investment grade or unrated face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

#### ***Investments in Bank Loans and Participations***

The Clients invest in bank loans and participations. The special risks associated with these obligations include: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) environmental liabilities that may arise with respect to collateral securing the obligations; (iii) adverse consequences resulting from participating in such instruments with other institutions with lower credit quality; and (iv) limitations on the ability of the Clients, the relevant general partner or WDO to directly enforce their rights with respect to participations. WDO will attempt to balance the magnitude of these risks against the potential investment gain prior to entering into each such investment. Successful claims by third parties arising from these and other risks, absent bad faith, may be borne by the Clients.

In general, the secondary trading market for senior secured loans and subordinated loans is not well developed. No active trading market may exist for certain senior secured loans and subordinated loans, which may make it difficult to value them. Illiquidity and adverse market conditions may mean that the Clients may not be able to sell senior secured loans and subordinated loans quickly or at a fair price. To the extent that a secondary market does exist for certain senior secured loans and subordinated loans, the market for them may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

#### ***Investments in Distressed Securities***

The Clients may invest in securities of companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to the Clients, they involve a substantial degree of risk. Any one or all of the issuers of the securities in which the Clients may invest may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the WDO will correctly evaluate the value of the assets collateralizing the Clients' investments in distressed securities or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Client invests, the Client may lose its entire investment or may be required to accept cash or securities with a value less than the Client's original investment. Under such circumstances, the returns generated from the Clients' investments may not compensate the investors adequately for the risks assumed.

#### ***Liquidity and Valuation of Investments***

The Clients may invest in securities that are subject to legal or other restrictions on transfer or for which no liquid market exists. The Clients may not be able to sell such securities when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Because the markets for such securities are still evolving, liquidity in these securities is limited and liquidity with respect to lower-rated and unrated subordinated classes may be even more limited. As a result, calculating the fair market value of the Clients' holdings may be difficult and there can be no assurance that WDO's valuation will accurately reflect the value that will be realized by the Client upon the eventual disposition of such investment. Disposition of such illiquid investments

may also result in distributions in kind to the investors. Such investments could also impair the Clients' abilities to distribute withdrawal proceeds to a withdrawing investor in a timely manner.

### ***Cybersecurity***

WDO, the Clients and the companies underlying their credit investments may face cybersecurity threats to gain unauthorized access to sensitive information, including, without limitation, information regarding the limited partners and the Clients' investment activities, or to render data or systems unusable, which could result in significant losses. If such events were to materialize, they could lead to losses of sensitive information or capabilities essential to the Firm's, the Clients' and/or a company's operations and could have a material adverse effect on their reputations, financial positions, results of operations, or cash flows, could lead to financial losses from remedial actions, loss of business, or potential liability, or could lead to the disclosure of investors' personal information.

Cybersecurity attacks are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. The Firm's or a company's controls and procedures, business continuity systems and data security systems could prove to be inadequate. These problems may arise in both the Firm's or a company's internally developed systems and the systems of third-party service providers.

## Item 9: Disciplinary Information

There currently are no legal or disciplinary events regarding WDO, its affiliates, and management that are required to be disclosed in this item.

## Item 10: Other Financial Industry Activities and Affiliations

- A. Neither WDO nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither WDO nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. The general partners to the Funds are affiliates of WDO under common control. On behalf of the relevant Fund, the general partner compensates WDO for providing advisory services to such Fund. WDO believes that this compensation generally reflects prevailing market terms.

As stated earlier in this Brochure, W&Co. is an investment adviser registered with the SEC and a beneficial owner of WDO. W&Co. is not responsible for the day-to-day management of WDO and its investment advisory functions. W&Co.'s clients generally hold controlling equity investments in private companies. While these types of investments (equity interests) differ from the Clients' targeted investments (high yield bonds and leveraged loans), the companies underlying these investments may overlap, which may present a potential conflict of interest. Certain affiliated entities, officers and directors of W&Co. are also investors in certain of WDO's Clients, which may incentivize WDO to allocate more favorable investment opportunities to such Clients. W&Co. is not responsible for the day-to-day management of WDO and, to further mitigate this potential conflict, WDO has instituted a policy governing the allocation of investments among the Clients to ensure that opportunities are allocated in a fair and reasonable manner that is consistent with all applicable Governing Documents.

WP Capital Management, LP ("WP Capital") is another registered investment adviser that is under common control with and shares an office location with W&Co. and WDO. WP Capital's clients also generally make controlling equity investments in private companies. While these types of investments (equity interests) differ from the Clients' targeted investments (high yield bonds and leveraged loans), the companies underlying these investments may overlap, which may present a potential conflict of interest. WDO believes that this potential conflict is mitigated because WP Capital's officers and directors are not involved in the day-to-day management of WDO and its investment advisory functions.

The shared office space among the three advisers may present potential conflicts related to the dissemination of confidential information. The three advisers do not believe that these potential conflicts will materialize, but have nonetheless taken steps to mitigate them. W&Co. and WP Capital operate under the same compliance program due to their overlapping supervised persons and business functions. WDO has a separate compliance program and does not share any supervised persons with W&Co. or WP Capital. To mitigate potential conflicts regarding the shared office space, WDO, W&Co. and WP Capital have instituted an information barrier policy governing, among other things, communication between supervised persons of W&Co., WP Capital and WDO; shared conference rooms and other common areas; and other shared office supplies and resources. The information barrier policy is overseen and enforced by the W&Co./WP Capital CCO and the WDO CCO, who meet on a quarterly basis to review the adequacy and effectiveness of the policy. To further mitigate potential conflicts regarding the flow of information among WDO, W&Co. and WP Capital, these advisers have agreed to share the same restricted list.

D. WDO does not recommend or select other investment advisers for the Clients.



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

- A. As an investment adviser, WDO stands in a position of trust and confidence with respect to its clients. WDO has a fiduciary duty to place the interests of its clients before its own interests and the interests of its employees. All of WDO's personnel must put the interests of the Funds before their own personal interests and must act honestly and fairly in dealings with the Funds. All of WDO's personnel must also comply with all federal and other applicable securities laws. WDO has established a code of ethics (the "Code") to establish these rules of conduct for its personnel.

As part of its Code, WDO has adopted a personal trading policy requiring all personnel to disclose all holdings in personal trading accounts and all personal securities transactions in a timely manner. WDO also maintains a list of companies about which a determination has been made that it is prudent to restrict trading activity by WDO and/or its personnel. Generally, an employee may not trade securities of a company included on this list; however, exceptions may be granted under certain circumstances if pre-clearance is granted (e.g., during a "window period" of a public company of which WDO is an "insider").

The Code also includes policies regarding outside activities of employees, conflicts of interest, the prevention of insider trading, certain gifts and business entertainment items, and the pre-clearance and reporting of political contributions. WDO's Code is designed to promote the ethical behavior of all of its personnel and to ensure compliance with applicable regulation and best practices. WDO will provide a copy of its Code to any investor upon request.

- B. From time to time, consistent with a Client's investment objectives and subject to satisfaction of the policies and procedures set forth in the Code and in the Firm's compliance manual (the "Compliance Manual"), WDO may recommend that a Client acquire or sell securities in which a related person of the Firm has a pre-existing direct or indirect interest. A potential conflict of interest could arise in that the interested related person of the WDO could benefit from such a purchase or sale of the applicable security by a Client. However, the Firm has policies and procedures designed to identify and manage conflicts of interest to the extent they arise in connection with such transactions. Certain terms of the Clients' Governing Documents and the equity participation of WDO's related persons in certain Clients further mitigate such conflicts.
- C. From time to time, subject to satisfaction of the policies and procedures set forth in the Code, the Compliance Manual and the Clients' Governing Documents, the Firm or a related person of the Firm may invest in the same securities that are recommended to a Client. A potential conflict of interest could arise in that the Firm or the interested related person of the Firm could benefit from the Client's ownership of, or subsequent sale of, the applicable security. However, the Code and the Compliance Manual are designed to identify and manage conflicts of interest to the extent they arise in connection with the personal securities transactions and other investment activities of WDO's related persons. In particular, the Code requires that WDO's related persons abide by policies and procedures, including a pre-clearance procedure, in connection with their personal securities trading activities, and such activities are monitored under the Code to ensure compliance with such policies and procedures.
- D. No WDO personnel, nor any related persons or business associates, are permitted to invest in any investment opportunities at or about the same time that a Client invests in such opportunities.

## Item 12: Brokerage Practices

A. The factors considered in selecting and approving brokers that may be used to execute transactions for the Clients include, but are not limited to:

- Reputation, financial strength and stability
- Quality of execution -- accurate and timely execution, clearance and dispute resolution
- Ability to execute difficult transactions
- Willingness and ability to provide leverage
- Access to underwritten offerings and secondary markets
- Overall costs of a trade (i.e., net price paid or received) including commissions, mark-ups, mark-downs or spreads, in the context of the Firm's knowledge of negotiated commission rates currently available and other current transaction costs
- Confidentiality of trading activity
- Market intelligence

WDO has established procedures for reviewing broker trading volumes, prices, commissions, other transaction costs and the overall quality of execution for the Clients. Periodically, WDO conducts an evaluation of the effectiveness of such procedures and of the execution quality for the Clients. Additionally, WDO reviews its brokers to determine whether such brokers continue to demonstrate the ability and commitment to provide best execution in light of the changing needs and trading history of the Clients, among other things.

B. Due to the similar investment strategies among the Clients, WDO, from time to time, will present individual investment opportunities to multiple Clients. When WDO determines that it would be appropriate for multiple Clients to participate in an investment opportunity, the Firm will seek to execute orders on an equitable basis for all participating Clients pursuant to the Clients' Governing Documents and the Firm's investment allocation policy. The Firm may aggregate such orders, as determined on a case-by-case basis. If orders for a single investment opportunity are not filled at the same price, WDO may or may not average prices across accounts. If an order cannot be fully executed under desired conditions, WDO will allocate the investment opportunity among participating Clients in a fair and equitable basis as determined by the Firm. This could affect the prices and availability of securities in which the Clients invest. The Firm will aggregate Client orders where in the best interest of participating Clients and in accordance with such Clients' Governing Documents.

### Item 13: Review of Accounts

- A. WDO's investment professionals, which include certain officers and directors, meet on an ongoing basis to discuss the status of Client investments.
- B. WDO does not generally engage in formal reviews of Clients' accounts other than during the ongoing meetings among investment professionals.
- C. WDO provides each investor with information regarding the applicable Client and its investments, as well as unaudited capital statements for the Client, on a monthly basis. WDO provides each investor with audited financial statements on an annual basis.

#### Item 14: Referrals and Other Compensation

- A. Only clients compensate WDO and its employees for providing investment advice to clients.
- B. As disclosed more fully in Form ADV, Part 1A, WDO compensates third parties for the referral of investors. Fees paid by investors to placement agents generally reduce the management fees paid by such investors.

## Item 15: Custody

WDO is deemed to have custody of the Funds it manages.

To comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, the Firm ensures that independently audited financial statements from a PCOAB recognized auditor, audited in accordance with generally accepted accounting principles, are delivered to the underlying investors in the Clients within 120 days of each Client's fiscal year end.

## Item 16: Investment Discretion

WDO has discretionary authority over its Client assets. WDO has the discretionary authority to make any investments deemed suitable for the Clients within the investment objectives of each Client.

## Item 17: Voting Client Securities

WDO has full authority to vote on behalf of Clients' securities. Due to the Clients' investment strategies and the nature of interests generally recommended by the Firm, WDO does not anticipate frequently holding public securities with voting authority on behalf of the Clients.

If the Clients do hold public securities with voting authority, WDO shall determine to vote in the best interests of the applicable Client. WDO will maintain a log of all proxies received, how WDO voted and the rationale for the vote. Any investors with questions regarding WDO's proxy voting policy or how WDO voted in a specific instance should contact WDO directly.

## Item 18: Financial Information

WDO does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. WDO has not been subject of a bankruptcy petition at any time during the past ten years.