

Item 1 – Cover Page

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, a Delaware limited liability company (together with its fund general partners, unless context otherwise requires, “WMD” or the “Firm”), 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. 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 29, 2019, WMD formed one new private fund, WMD LR Fund L.P.

WMD routinely makes changes throughout its Brochure to improve and clarify the descriptions of its business practices and compliance policies and procedures or in response to evolving industry and Firm practices. In this year’s filing, the following Items have been updated, in addition to certain immaterial changes and/or conforming changes related to the following:

- Item 4: updated to reflect regulatory assets under management as of December 31, 2019; and
- Item 8: updated to reflect additional risk factors and conflicts of interest.

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Item 4 – Advisory Business

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

In 1998, William M. Daugherty founded W.M. Daugherty & Company, LLC (“W.M. Daugherty”) as a proprietary vehicle to create investment opportunities using his experience with real estate assets and lending. 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. Today WMD invests primarily in senior living assets and structured products.

WMD provides investment advice and management to privately placed investment funds, including limited liability companies and limited partnerships of which WMD or an affiliate is the investment manager (collectively referred to herein as the “Funds”). Specifically, WMD serves as an investment manager for and provides discretionary advisory services to the following private Funds: WMD Real Estate Credit Fund, LP (together with its feeder fund, WMD Capital Partners Fund II, LP, “Credit Fund”); WMD USMOF Offshore LP (“USMOF Fund”); WMD LR Fund L.P. (“WMD LR Fund”); and WMD Capital Partners Fund, LLC (“WMD Capital Partners Fund”). WMD’s clients also include separately managed accounts, primarily for institutions (“Separate Accounts”). The Funds and Separate Accounts are collectively referred to herein as “Clients.”

Each Fund, other than WMD Capital Partners Fund, is affiliated with a general partner with authority to make investment decisions on behalf of such Fund. 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 Funds and their general partners, please see the portion of WMD’s Form ADV Part 1, Schedule D, captioned “Private Fund Reporting” at Section 7.A. and 7.B.(1). Information regarding the Separate Accounts is available in WMD’s Form ADV Part 1, Item 5.K and Schedule D, Section 5.K(1), 5.K.(2) and 5.(K).(3).

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 senior living facilities, senior living management and structured products (i.e., asset-related securities and derivatives), which include "RMBS" (defined in Item 8, below), "CMBS" (defined in Item 8, below) and "ABS" (defined in Item 8, below). WMD seeks to identify, evaluate, acquire, finance, manage and sell senior living facilities and structured products and other assets in order to deliver performance that is non-correlated to major indices. When such investments consist of portfolio companies, such as the senior living facility assets, the senior principals or other personnel and/or third parties appointed by WMD will, on occasion, serve on such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Funds. 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 in the Funds that have the effect of establishing rights under, or altering or supplementing a Fund's Governing Documents. These rights, benefits or privileges are not always made available to all investors nor in some cases are they required to be disclosed to all investors.

With regard to the Separate Accounts, WMD's investment advice is focused solely on investing in structured products and is tailored to that Client.

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, 2019, WMD managed \$219,917,342 in regulatory assets under management, all on a discretionary basis.

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

From the Credit Fund and USMOF Fund, WMD typically receives a monthly asset-based management fee calculated as a percentage of each investor’s capital account, payable monthly in advance, of 1.5% per annum (or 2.0% per annum for Side Pocket investments). For WMD LR Fund, WMD typically receives a monthly management fee, payable quarterly in arrears, of 1.25% multiplied by the net asset value of the Fund at the end of each of the relevant months in the respective quarter. WMD Capital Partners Fund does not pay management fees. From Separate Accounts, WMD generally receives fees similar to those paid by the Credit and USMOF Funds, as negotiated with each Separate Account.

Management fees and other compensation are negotiable in certain circumstances and arrangements with any particular investor may vary; the relevant Fund general partner is permitted, in its sole discretion, to 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.

To the extent applicable, management fees, incentive allocations and other expenses (discussed in Item C below) are deducted from Fund 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).

The Governing Documents with most Separate Account Clients contain a written authorization which permits fees to be paid directly from each Separate Account Client's account. In such cases, WMD sends an invoice to each Separate Account Client showing the amount of fees due along with the account value on which the fee is based and how the fee was calculated to the qualified custodian selected by such Separate Account Client and deducts fees directly from the Separate Account Client's account at the qualified custodian.

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 Funds shall pay such costs and expenses as WMD shall reasonably determine to be necessary, appropriate or advisable to carry on its business and realize its objective.

Each Fund is governed by its own Governing Documents, which details a complete description of expenses for such Fund. While differences exist among Funds, the following is a description of expense categories generally charged to each Fund. The Funds' expenses include, but are not limited to, the following expenses incurred, and differ across Funds: (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 feeder funds, and the negotiation, execution, and delivery of partnership agreements, side letters, management agreements, and other agreements relating to the foregoing (the "Organizational Expenses") up to a limit as specified in each Fund's Governing Documents; (ii) marketing and syndication expenses; (iii) all Fund investment expenses, including, without limitation, rent and fees, taxes, real property or personal property taxes on investments, costs and expenses related to the acquisition, operation, management, investment-related travel expenses, monitoring and sale of securities, including interest, fees and offering expenses on borrowed money, expenses of custodians, consultants, banks, counsel and accountants and brokerage commissions, research and consulting fees and expenses (including fees for market research services), consulting and software subscriptions and/or licensing fees relating to services rendered to the Funds, out-of-pocket costs incurred in investigating and pursuing potential investments in securities, including

organizing and maintaining special purpose vehicles, dividend expenses relating to short sales and other expenses reasonably related to the investment decision and monitoring process, all transfer, capital and other taxes, duties and costs applicable to the Funds on account of their operations and disposition or transfer of Fund assets, 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) all costs and expenses incurred in the holding, purchasing, sale, transfer or exchange of securities (whether or not consummated); (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), all costs associated with Fund meetings, 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, all costs and expenses associated with any transfer, assignment, permitted sale or other disposition of investor interest, 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. Expenses for transactions not consummated, or "broken deal expenses," are borne pro rata, indirectly, by each vehicle involved in the potential transaction.

For WMD Capital Partners only, investors are also responsible for all operating expenses incurred including, without limitation, employees, costs of all government returns, reports or other filings required for regulatory compliance, rent, equipment, document production, computer services and accounting incurred directly by WMD Capital Partners or any of its affiliates. WMD's fees and expenses are exclusive of brokerage commissions, transaction fees, and other related costs and expenses incurred by the Funds. 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.

Subject to the terms of each Client's Governing Documents, WMD generally permits withdrawals quarterly or annually on the day preceding the anniversary of an investor's capital contribution, subject

to various other factors. 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.

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 15% -20%, depending on the Fund or Client, 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 is permitted to 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. WMD Capital Partners Fund does not pay an incentive allocation.

The performance allocation has the potential to 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 can 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 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 can 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 and Separate Accounts. The Funds are not registered or required to be registered under the Investment Company Act of 1940; are not made available to the general public; their securities are not registered or required to be registered under the Securities Act of 1933; and Fund interests are privately placed to qualified investors in the United States and elsewhere.

Prospective investors in the Funds must meet eligibility criteria and are subject to certain withdrawal requirements and limitations. Investors must be (i) “accredited investors” (as defined in Regulation D under the Securities Act of 1933) and (ii) “qualified clients” as defined in the Advisers Act or (iii) “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 investors in such Separate Accounts have negotiated terms that differ or are more favorable than those for the Funds.

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.

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 strategy for its Clients is to invest primarily in senior living facilities, senior living management, RMBS, CBS and ABS.

For the senior living strategy, the Funds acquire, develop, renovate, complete and/or expand senior living and related facilities located in North America ("senior living facilities") as well as making investments in or related to senior living management. Senior living facilities generally include active adult communities, independent living facilities, assisted living facilities, and memory care facilities, and can include medical facilities, offices and health care services related to senior care.

The Clients execute their investment program by making investments in these companies and the real estate industry in general through various investment vehicles, including lending facilities and structured products.

The Separate Accounts, however, solely invest in structured products.

With respect to methods of analysis, the foundation of all analyses is discounted cash flow modeling, which estimates investment values on expected future cash flows.

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 can 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 have the potential to 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.

Possibility of Additional Government or Market Regulation. Market disruptions, including periodic market downturns and credit crises, the dramatic increase in the capital allocated to alternative investment strategies during recent years, and the growing concern about the lack of regulation of private investment funds, have led to increased governmental as well as self-regulatory scrutiny of the private investment fund industry in general. Certain legislation proposing greater regulation of the industry periodically is considered by U.S. federal, state and local and non-U.S. governments, regulatory or administrative agencies, self-regulatory organizations or other similar entities. It is impossible to predict what, if any, changes in the regulations applicable to the Clients, the General Partners, WMD, the markets in which they trade and invest or the counterparties with which they do business will be instituted in the future. Any such regulation could have a material adverse impact on the profit potential of the Clients, as well as require increased transparency as to the identity of the investors. The financial services industry generally, and certain investment activities of private investment funds similar to the Funds, and their managers, in particular, have been subject to intense and increasing regulatory scrutiny.

Additional governmental scrutiny has the potential to increase the Clients', the General Partners' and WMD's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight, enhanced regulation and the adoption of new statutes, rules or regulations with respect to the investment activities of the Clients can also reduce the amount and availability of the investment opportunities of a Client. The reduction of such investment opportunities could have a material and adverse effect on the investment performance of the Clients. Such increased regulatory oversight and regulation can also impose additional administrative burdens on WMD and such regulatory proposals, or any future proposals, if adopted could adversely affect the Clients, including the business, financial condition and prospects of a Client, and could also require increased transparency as to the identity of the investors.

Economic Disruptions Due to Coronavirus. The recent spread of COVID-19 (the "coronavirus") in certain countries, including the United States, has shown an ability to result in a broad-based economic decline

and significant market volatility. The outbreak has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. This is a new and developing threat and therefore presents material uncertainty and risk with respect to the Clients' performance and financial results. The global impact of the outbreak has been rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Because of the unpredictability of the virus' spread, as well as potential development and distribution of a vaccine to materially alter such spread, it is unclear as to how long such conditions are likely to exist or what the ultimate extent of such damage will be; however, in both cases, the total impact is expected to be magnified the longer or more widespread the pandemic becomes. The extent of the impact of any public health emergency on the Clients' and its portfolio investments' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted.

Aside from the broad effects on the economy, the coronavirus may also have specific implications for the Firm's operations and activities of its personnel, which can range from employees choosing to work from home to more significant impacts such as illness, restrictions on non-essential travel, difficulty hosting fundraising meetings and absence from board meetings. The Firm expects to institute procedures, as it deems appropriate, to deal with operational impacts from the coronavirus. Many of these procedures are expected to mirror procedures currently contained in the Firm's Business Continuity Plan for dealing with other significant business disruption events. The Firm may consider additional or modified safeguards in the event employees choose to work from home for an extended period of time, such as if any changes are required to be instituted for remote login and/or to protect the privacy of Firm, Fund and investor data.

Further, the elderly—especially those with certain underlying health conditions--have been found to be particularly susceptible to severe complications and death from the coronavirus. As such, the residents of senior living facilities can be vulnerable to the illness. WMD believes that its senior living facilities are implementing safeguards that are in accordance with industry and governmental recommendations and regulations.

All Investments Risk the Loss of Capital. WMD believes that its investment programs and its research and risk-management techniques moderate risk through a careful selection of investment assets. No guarantee or representation is made that the investment program will be successful, and investment results can 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 is permitted to 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 can result in limits being imposed.

Limited Liquidity of Some Investments. Some of the investments in which the Clients invest are 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, can 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. Under the terms of each Clients' Governing Documents, 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, has the potential to 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 Clients' 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 is permitted to 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; (iv) fail to disclose litigation that impacts financing; and/or (v) misrepresent or misstate certain financial statements and statements of conditions.

Information Sources. The Firm selects investments for the Clients 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 Clients' portfolios, which will affect the amount of any management fee or incentive allocation, if any, involves uncertainties and judgmental determinations. Third-party pricing information may at times not be available regarding certain of the Clients' securities, derivatives and other assets. A disruption in the secondary markets for the Client's investments may limit the ability of the Clients to obtain accurate market quotations for purposes of valuing their investments and calculating the value of the net assets of the Clients. In addition, material events occurring after the close of a principal market upon which a portion of the securities or other assets of the Clients 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 Clients 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 Clients from time to time, the liquidation values of the Clients' 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 Clients' liabilities also may involve uncertainties. For example, generally accepted accounting principles ("GAAP") may require the Clients to accrue for certain taxes that may or may not ultimately be paid. The amount of such accruals and other determinations in respect of Client liabilities will be determined by the Firm in its sole discretion. If the valuation of the Clients' portfolio assets or liabilities should prove to be incorrect, the value of the net assets of the Clients could be adversely affected. Incorrect valuations of the Clients' investments could lead to subscriptions and withdrawals of Client 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 this case, the valuation presented in each Fund's or Client's, as applicable, audited financial statement will differ from the net asset value of the Fund/Client, and purchases and sales as well as fees and reallocations will continue to be calculated based on the Fund's or Client's net asset value. In such circumstances, a Fund or Client will reconcile the net asset value of the Fund/Client and valuation presented in the Fund's or Client's, as applicable, audited financial statements in the notes to the audited financial statements of such Fund or Client.

Dependence on the Manager and Key Personnel. All allocation or investment decisions with respect to the Clients' 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 Clients. As a result, the success of the Clients 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 Clients 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 Clients to the general partners and the Firm. If the Clients were to lose the services of the Firm, or if the Firm is terminated, the Clients might have to be liquidated.

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.

Side Pockets. For some of the Funds, and depending on the time of an investor's subscription to such Fund, the relevant General Partner could designate certain assets as side pockets when the General Partner, in its sole discretion, determined that an asset was illiquid or it was in the best interest of a Fund to value such investments separately from a Fund's other assets. If a General Partner designated an asset as a side pocket, only the partners of such Fund at the time of such designation would have a proportionate interest in that investment. A General Partner shall not receive an incentive allocation with respect to any side pocket until the investment is liquidated, and partners may not make a withdrawal with respect to a side pocket until that event. Side pockets will be included in the calculation of the Management Fee as provided in the Governing Documents.

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 can 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.

- *Market Conditions.* The Clients' investments in real estate will be subject to the risks incident to the ownership and operation of real estate, including risks associated with both the domestic and international general economic climate, local real estate conditions, changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building), energy and supply shortages, various uninsured or uninsurable risks, natural disasters, the ability of WMD or third-parties to manage the properties, government regulations (such as rent control), or potential environmental and other legal liabilities. Certain of these risks cannot be predicted with certainty or controlled by the Clients.
- *Construction/Expansion/Rehabilitation.* To the extent that the investments involve renovation, expansion or rehabilitation work, the anticipated costs and construction period will often be based upon budgets, conceptual design documents and construction schedule estimates prepared by the architects and contractors. In addition, such efforts entail risks associated with development and construction activities, including cost overruns, shortages of materials or skilled labor, labor disputes, unforeseen environmental or engineering problems, work stoppages and natural disasters, any of which could delay construction and result in a substantial increase in cost to a property. The anticipated completion date could also differ significantly from expectations for construction-related or other reasons. It cannot be assured that the renovation, expansion or rehabilitation will be completed, if at all, on time or within established budgets. Significant delays or cost overruns could have a material adverse effect on the amount of distributions, if any, to be made by a property to a Fund. Moreover, the construction activities will be performed by third parties, such that the timing, quality and completion of which cannot be controlled by the Funds.
- *Environmental Liabilities.* Under various federal, state and local environmental laws, a current or previous owner or operator of real property may be held liable in certain circumstances for the costs of investigation, removal, or remediation of, or related to the release of, certain hazardous or toxic substances, that could be located on, in, at, or under a property, regardless of how such materials came to be located there. The cost of any required investigation, remediation, removal, mitigation, compliance, fines or personal or property damages and a property's liability therefore could exceed the property's value. In addition, the presence of such substances, or the failure to properly dispose of or remediate the damage caused by such substances, may adversely affect the ability to sell such property, to attract additional residents and retain existing residents, to borrow using such property as collateral, or to develop or redevelop such property. In addition, such laws impose liability, which may be joint and several, for investigation, remediation, removal and mitigation costs on persons who disposed of or arranged for the disposal of hazardous substances at third party sites. Such laws and regulations often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence, release, or disposal of such substances as well as without regard to whether such release or disposal was in compliance with law at the time it occurred.

- *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.
- *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 Funds' investment performance.
- *Credit Risk.* Real estate companies may be highly leveraged and financial covenants may affect the ability of these companies to operate effectively.
- *Competition.* Competition among investors, including hedge funds and private equity funds, is significant, and the Clients 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 Clients. 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 Clients. While the Firm believes that it will have access to a sufficient transaction flow to enable it to invest the Clients' capital, there can be no assurances that the Firm will be able to locate investment opportunities which satisfy the Clients' investment strategies or that it will be able to fully invest all of the Clients' 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 can 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.

Health Care and Senior Living Facility Industry Risks

- *Reliance on Private Pay Sources.* Costs to seniors associated with independent and assisted living services at some senior living facilities are reimbursable under government reimbursement programs such as Medicare and Medicaid. Only seniors with income or assets meeting or

exceeding the comparable median in the regions where investments are located will be able to afford to pay monthly resident fees. Economic downturns, softness in the housing market, higher levels of unemployment among resident family members, lower levels of consumer confidence, stock market volatility, and/or changes in demographics could adversely affect the ability (or perceived ability) of seniors to afford such resident fees. If the facilities are unable to retain and/or attract seniors with sufficient income, assets, or other resources required to pay the fees associated with independent and assisted living services and other service offerings, occupancy rates, revenues and results of operations could decline.

- *Inability of Seniors to Sell Real Estate May Impact Occupancy Rates.* Downturns in the housing markets could adversely affect the ability (or perceived ability) of seniors to afford entrance fees and resident fees at senior living facilities, as customers of such facilities frequently use the proceeds from the sale of their homes to cover the cost of these fees. Specifically, if seniors have a difficult time selling their homes, these difficulties could impact their ability to relocate into, or finance their stays at, senior living facilities with private resources.
- *Reliance on Reimbursement Programs.* Facilities in which Funds invest rely on reimbursement from governmental programs, or on revenues from residents who receive financial assistance from governmental sources for senior living services for a portion of their revenues. Decreases in reimbursement and/or financial assistance levels could adversely affect the profitability of the facilities in which the Funds invest, and therefore, the performance of a Fund. In addition, there continues to be various federal and state legislative and regulatory proposals to implement cost containment measures that would limit payments to healthcare providers in the future.
- *Compliance with Medicare and Medicaid Regulations.* Certain of the Funds' investments are subject to federal and state regulations regarding government-funded public assistance that prohibit certain business practices and relationships. If a facility accepts residents who receive financial assistance from governmental sources for their senior living services, such facility will be subject to federal and state regulations that prohibit certain business practices and relationships. Failure to comply with these regulations could prevent reimbursement for healthcare services under Medicare or Medicaid or similar state reimbursement programs. Failure to comply with such regulations also could result in substantial financial penalties and/or the suspension or inability to renew such facility's operating licenses. Acceptance of federal or state funds could also subject the facility to potential false claims actions or whistleblower claims.
- *Third-Party Payors.* Reductions in reimbursement from third-party payors, including Medicare and Medicaid, can adversely affect a Fund. Sources of revenue for the Funds and for commercial tenants of health care facilities include the federal Medicare program, state Medicaid programs, private insurance carriers and health maintenance organizations, among others. Efforts by such payors to reduce healthcare costs have intensified in recent years and

will likely continue, which may result in reductions or slower growth in reimbursement for certain services provided by the senior living facilities or by certain tenants. These changes could have a material adverse effect on the financial performance of some the Funds.

- *The Affordable Care Act and Possible Changes Thereto.* The health care industry in the United States is subject to fundamental changes due to ongoing health care reform efforts and related political, economic, and regulatory influences. The provisions of the legislation and other regulations may increase costs at facilities, require investments in, decrease revenues, and/or expose WMD and/or its investments to expanded liability.
- *Americans with Disabilities Act.* It is anticipated that many of the facilities owned or leased by the senior living facilities will be required to comply with the Americans with Disabilities Act (“ADA”). The ADA has separate compliance requirements for “public accommodations” and “commercial properties,” but generally requires that buildings be made accessible to people with disabilities. Compliance with ADA requirements could require removal of access barriers and non-compliance could result in imposition of government fines or an award of damages to private litigants.
- *Resident Agreements.* State regulations governing assisted living facilities generally require written resident agreements with each resident. Certain of these regulations may also require that each resident have the right to terminate the resident agreement for any reason on reasonable notice. Consistent with these regulations, assisted living resident agreements typically allow residents to terminate their agreements upon 0 to 30 days’ notice. Unlike standard apartment leasing or independent living arrangements that involve lease agreements with specified leasing periods of up to a year or longer, in many instances senior living facilities cannot contract with their living residents to stay in those living spaces for longer periods of time. Furthermore, these resident agreements generally provide for termination of the lease upon death or allow a resident to terminate his or her lease upon the need for a higher level of care not provided at the facility. If multiple residents terminate their resident agreements at or around the same time, a particular investment’s revenues, earnings, and occupancy levels could be adversely affected. Turnover rates in senior living communities are often difficult to predict, and the facilities may have lower than desired occupancy rates for extended periods of time, which has the potential to adversely affect a Fund’s earnings.
- *Personnel Costs and Availability.* Certain of the senior living facilities depend on the ability to retain and attract skilled management personnel who are responsible for the day-to-day operations the facilities. Key positions include executive directors/managers, individuals responsible for food service, healthcare services, therapy services, activities, housekeeping and engineering. The facilities plan to compete with various health care service providers, including other senior living providers, in retaining and attracting qualified and skilled personnel. Increased competition for or a shortage of nurses, therapists or other trained personnel, or general inflationary pressures may require that the facilities enhance pay and

benefits packages to compete effectively for such personnel. These facilities may not be able to offset such added costs by increasing the rates charged to residents or their service charges, which would negatively impact results of operations. In addition, the presence of unions, or efforts by labor unions to unionize, at any of the facilities could divert management attention, lead to increases in labor costs, and/or reduce flexibility with respect to certain workplace rules. Increases in organizing activity, onerous collective bargaining agreement terms, and/or increases in staffing and labor costs could all adversely impact the performance and valuation of the facilities and thus of a Fund.

- *Competition.* There is substantial competition in the senior housing market in North America. There is also the possibility of competitive project openings, which could impact performance of a senior living facility. There is no guarantee that the senior living facilities a Fund invests in will be able to attract and retain sufficient numbers of residents. Other providers presently in the market, or that could enter the market, could be more effective at marketing their services and adversely affect prices a facility is able to charge for the facilities and services provided. In the future, some senior living markets in which a Fund operates could become overbuilt. The barriers to entry in the senior living industry are low. Consequently, the development of new senior living facilities could outpace demand. Overbuilding in the markets in which a Fund facility operates could thus cause the facilities to experience decreased occupancy and depressed margins and could otherwise adversely affect its results of operations.
- *Health Care Regulation.* The healthcare industry is heavily regulated by federal, state and local governmental bodies. The senior living facilities and some commercial tenants in medical facilities the senior living facilities acquire generally will be subject to laws and regulations covering, among other things, licensure, certification for participation in government programs and relationships with physicians and other referral sources. Changes in these laws and regulations could negatively affect the ability of the tenants to make lease payments. Many of the facilities require a license or certificate of need, or CON, to operate. Failure to obtain a license or CON, or loss of a required license or CON, would prevent a facility from operating in the manner intended by a Fund. These events could materially adversely affect a facility's operations. State and local laws also may regulate expansion, including the addition of new beds or services or acquisition of medical equipment, and the construction of medical facilities, by requiring a CON or other similar approval. State CON laws are not uniform throughout the United States and are subject to change. The Funds cannot predict the impact of state CON laws on the senior living facilities improvement of medical facilities or the operations of commercial tenants. In addition, state CON laws often materially impact the ability of competitors to enter into the marketplace of the senior living facilities. The repeal of CON laws could allow competitors to freely operate in previously closed markets. This could negatively affect a facility's operations. In limited circumstances, loss of state licensure or certification or closure of a facility could ultimately result in loss of authority to operate the

facility and require new CON authorization to re-institute operations. As a result, a portion of the value of such facility may be reduced, which would adversely impact such Fund.

- *Legal Risks and Insurance.* The senior living and healthcare services businesses entail an inherent risk of liability, particularly given the demographics of the anticipated residents at senior living facilities, including age and health, and the services to be provided. In recent years, participants in the industry have been subject to an increasing number of claims and lawsuits alleging that their services have resulted in resident injury or other adverse effects. Many of these lawsuits involve large damage claims and significant legal costs. Many states continue to consider tort reform and how it will apply to the senior living industry. The Funds and/or the senior living facilities could be faced with the threat of large jury verdicts in jurisdictions that do not find favor with large senior living or healthcare providers and/or investors in those providers. The Funds and the senior living facilities will maintain liability insurance policies in amounts and with the coverage and deductibles the Funds believe are adequate based on the nature and risks of this business and industry standards. However, there can be no guarantee that the Funds will not have any claims that exceed its policy limits in the future.

In some states, state law may prohibit or limit insurance coverage for the risk of punitive damages arising from professional liability and general liability claims and/or litigation. As a result, there could be liability for punitive damage awards in these states that either are not covered or are in excess of the insurance policy limits. Claims against a Fund and/or a facility, regardless of their merit or eventual outcome, also could have a material adverse effect on the ability to attract residents or expand business and could require management to devote time to matters unrelated to the day-to-day operation. Annual policy renewals and negotiations may also expose a Fund and/or a facility to the volatility of the insurance markets, including the possibility of rate increases. There can be no assurance that liability insurance will be obtainable in the future or, if available, that such coverage will be available on acceptable terms.

- *Use of Third Party Managers.* The facilities will engage third party managers (“Operators”) to manage the day-to-day operations of the senior living facilities. The facilities will rely heavily on Operators in terms of attracting residents, managing legal compliance, managing employees, handling resident issues, managing other operational matters and reporting. The Funds cannot guarantee the performance of the Operators.

Residential Mortgage-Backed Securities. The Clients’ investment portfolios 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. Non-agency loans refer to loans made to borrowers with weakened credit histories or with a lower capacity to make timely payments on their loans. The loans underlying these securities have had in many cases higher default rates than those loans that meet government underwriting requirements. RMBS may be backed by subprime mortgage loans. As noted below, due to the higher delinquency rates and losses

associated with subprime non-agency loans, the performance of the Clients' RMBS could be correspondingly adversely affected.

RMBS evidence interests in, or are secured by, pools of residential mortgage loans. Non-performing loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments and a substantial write-down of the principal of the loan. However, even if a restructuring were successfully accomplished, a risk exists that upon maturity of such mortgage loan, "replacement" or "take-out" financing will not be available.

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 loans. 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 debt or assets other than residential mortgage assets ("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 assets, although the securities may be supported by letters of credit or other credit enhancements. The underlying assets and loans are subject to prepayments that shorten the securities' weighted average life and may lower their returns. If the credit support or enhancement is exhausted, losses or delays in payment may result if the required payments of principal and interest are not made. 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 market's 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. Certain structures include "triggers" for delinquencies and default losses where cash flow may be reduced or eliminated in its entirety. Such securities, therefore, possess some of the attributes typically associated with equity investments.

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 an investor or prospective investor'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.

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**

WMD does not have arrangements with a related person who is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company, other investment adviser or financial planner, futures commission merchant, commodity pool operator, commodity trading adviser, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of

limited partnerships that are material to its advisory business or to its Funds or its investors. 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, and other personal services. Some of these professionals provide services to the Funds or their portfolio investments. Additionally, some of these professionals are investors in the Funds either personally or through their company or clients.

WMD Capital Partners Fund is a lender to an entity owned by a principal of WMD, which loan is secured by a pledge of ownership in an entity that serves as a management company to some of the senior living facilities owned by WMD Capital Partners Fund. Because of the principal's company's ownership interest in this management company, he has management roles in it and certain affiliates.

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.

From time to time, WMD receives training, information, promotional material, meals, entertainment, gifts or prize drawings from vendors and others with whom it does business or to whom it makes referrals. At no time will WMD accept any benefits, entertainment, 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 on occasion speak at or attend conferences and programs for potential investors interested in investing in private funds and other events that are sponsored by the Fund's custodians and others. Through such capital introduction and other events, prospective investors have the opportunity to meet with WMD. Neither WMD nor any Fund compensates the custodians for organizing such events or for investments ultimately made by prospective investors attending such events other than registration, sponsorship, membership or other similar fees paid to attend 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 investment advisers to manage Client assets. Except as described above with respect to property management agreements of some of the senior living facilities, all Client 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 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 Client 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.

Supervised persons are required to certify to their compliance with the Code of Ethics upon hire and on an annual basis. Supervised persons of WMD who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, suspension or dismissal. Supervised persons 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@wmdasset.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. In addition, the principals and employees of WMD also engage in personal securities trading in a manner that differs from or is inconsistent with the advice given to the Clients. Certain of these transactions require the consent of the applicable Fund or Client.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys from or sells a security to an advisory client. A principal transaction can also be deemed to have occurred if a security is crossed between an affiliated fund (one in which the adviser or any affiliates, owners or controlling persons own 25% or more of either client) 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 can also arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. An adviser is not "acting as a broker" if the adviser receives no compensation (other

than the advisory fee earned in the ordinary course of managing the assets) for effecting the transaction and therefore is not considered to be conducting an agency cross transaction under Section 206(3) of the Advisers Act.

From time to time, for the structured products, WMD and its affiliates may effect securities trades (including outright purchases and sales) between Clients or affiliates, as on occasion can occur when rebalancing accounts. 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 and are affected at current market prices.

In the event WMD were to recommend a principal or agency cross transaction for the senior living Client accounts or a principal transaction for the structured products Client accounts, it would only be after: (i) the Firm has determined the transaction to be in the best interest of participating Clients; (ii) the transaction is permitted by the relevant Governing Documents; (iii) proper disclosure is given to the relevant General Partner, advisory board or investors, as appropriate; (iv) consent is obtained from the appropriate parties; and (v) the Firm ensures that best execution is achieved for the transaction.

Conflicts of Interest

WMD's Code of Ethics requires Firm supervised persons to place the interests of Clients first, and on an annual basis each supervised person 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 will take such actions as it deems 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 Client. Investors should carefully consider the conflicts of interest herein as well as those outlined in each applicable Client's Governing Documents prior to investing in a Client.

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 is, in their judgment, 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") are permitted to 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 are permitted to act as investment adviser or investment manager for others, manage funds, separate accounts or capital for others and serve as an

officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms. It is possible that such other entities or accounts will have investment objectives or will implement investment strategies similar or different to those of the Clients. In addition, on occasion the Affiliated Parties will, through other investments, including other investment funds, have interests in investments which the Clients invest as well as interests in investments in which the Clients do not invest. As a result of the foregoing, the Affiliated Parties can face conflicts of interest in allocating their time and activity between the Clients, in allocating investments among the Clients and other entities and in effecting transactions for the Clients and other entities, including ones in which the Affiliated Parties have a greater financial interest.

WMD attempts to allocate investment opportunities to each Client on a fair and equitable basis, consistent with its fiduciary duties 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 WMD's reasonable opinion, such financial instrument, investment opportunity or transaction does not appear to be suitable, practical or desirable for a particular Client. On occasion the Clients will invest together with other private investment funds advised by an affiliated adviser of WMD in the manner set forth in the Governing Documents. Additionally, all transactions which are appropriate for more than one Client 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.

In good faith and in its fair and reasonable discretion, WMD determines on a case-by-case basis whether an expense should be borne by WMD or by the Clients in accordance with the Governing Documents of each Client and with WMD's internal policies and procedures. A conflict of interest could arise in WMD's determination of whether certain costs or expenses that are incurred in connection with the operation of the Clients meet the definition of operational expenses for which the Clients are responsible, whether such expenses should be borne by WMD or the manner in which WMD allocates expenses. The Clients will be reliant on the determinations of WMD in this regard. From time to time, it is possible that subsequent review of allocations could result in an identification of expenses that should have been allocated in a different manner, in which case measures will be undertaken to correct such circumstance, which might include a reversal of the original expense allocation, if possible, or such other equitable adjustment believed by WMD to be the most appropriate corrective measure.

WMD has in the past and is likely in the future to enter into transactions with certain investors such as, for example, investors who are also business partners, such as insurance agents, investment banks, broker-dealers, legal counsel or others who provide services (including mezzanine and/or other lending arrangements) to the Firm, its Funds and the Funds' investments. The terms of these transactions are negotiated on an arm's-length basis; however, WMD is subject to a conflict of interest when determining such terms because WMD has the potential to benefit from retaining such investors' investment in the Funds.

Each Client's investors include persons or entities resident in various jurisdictions, including the United States and other countries, who will, in certain circumstances, have conflicting investment, tax and other interests with respect to their investments. The conflicting interests of individual investors can relate to or arise from, among other things, the nature of investments made by each Client, the structuring of the acquisitions for each Client and the timing of the disposition of investments. Such transactions and trading have the potential to result in different after-tax returns being realized by different investors. As a consequence, conflicts of interest can 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 Client 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 on occasion personally buy or sell the same instruments that WMD buys or sells for Client accounts, on occasion own securities or options on securities of issuers whose securities are subsequently bought for Client accounts. As mentioned below in 11.D., such personal securities transactions require the pre-approval of the Chief Compliance Officer. In addition, principals, employees and affiliates sometimes participate in transactions offered to but rejected by the Clients or that are outside the investment mandate of the Clients.

WMD's Code of Ethics is designed to: (i) prevent potential legal, business or ethical conflicts; (ii) minimize the risk of unlawful trading in any account where supervised persons have an interest; and (iii) guard against the misuse of confidential information. All personal trading and other activities must avoid any conflict or potential conflict of interest with the Clients. Supervised persons are prohibited from engaging in unlawful trading, either personally or on behalf of others, in securities while in possession of material non-public information 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 Clients, and it is possible they will give advice and recommend securities which differ from advice given to, or securities recommended or bought for, the Clients, even if their investment objectives are the same or similar.

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.

Supervised persons are required to seek pre-approval from the Chief Compliance Officer for transactions in WMD's investable universe; thus a supervised person wishing to buy or sell the same security for his or her own personal account that a Client is also buying or selling would be required to obtain 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 can be obtained from more than one broker or dealer, WMD will typically 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.**

WMD does not receive any soft dollar benefits.

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 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. In the unlikely event WMD trades in more liquid securities, it will follow the factors governing best execution as laid out in its policies and procedures.

Neither the Firm nor any Fund and/or Separate Account separately compensate any broker for any of these other services.

Each Fund and Separate Account's securities transactions generates 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 is permitted to buy and sell securities directly from or to dealers acting as principals at prices that include markups or markdowns, and to buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

While unlikely, 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. WMD would also provide heightened scrutiny to its relationship with broker-dealers who 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.

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 is permitted (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 participating Clients. When WMD deems the purchase and sale of securities to be in the best interest of a Client, it will aggregate the securities to be purchased or sold in order to attempt to obtain superior execution and/or lower brokerage expenses. In such circumstance, the Firm will allocate on a pro rata basis among participating Client, unless investment restrictions or investment guidelines otherwise require, and subject to minimum order quantities and other appropriate factors such as the leveling of accounts, client tax profiles and the timing of capital flows.

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 Client'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 detailed in the relevant Governing Documents, 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 the Client portfolios 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 will likely 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 in the Funds: (i) audited financial statements annually within 120 days of year end, commencing with the first year in which a Fund either is in operation for at least six months or makes an investment, prepared in accordance with United States GAAP as promulgated by the Financial Accounting Standards Board (“FASB”), accompanied by the report of the independent certified public accountant; (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 and e-mail) throughout the year as conditions warrant.

Investors in the Separate Accounts receive reports as agreed to with each such Client.

In the course of conducting due diligence or otherwise, investors periodically request information pertaining to WMD’s investments. WMD responds to these requests, and in answering such 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 do 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.

WMD does not engage third parties to make Client referrals.

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.

WMD is deemed to have custody over the Funds' assets because of its affiliation with each Fund's general partner or managing member 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 by an independent public accountant registered with and subject to examination by the Public Company Accounting Oversight Board ("PCAOB") for each of its Funds over which it is deemed to have custody, a copy of which is (or will be for newly formed Funds) delivered to investors within 120 days of the fiscal year end. In addition, upon the final liquidation of a Fund, WMD will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all underlying investors promptly upon completion of the audit. Investors in the Funds should carefully review such financial statements.

WMD does not accept physical custody of Fund assets 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 Account Clients.

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).

With regard to the Funds, 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 is permitted to enter into any type of investment transaction and employ any investment methodology or strategy it deems appropriate within the parameters of each investment program.

Pursuant to each Fund's Governing Documents, 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 Fund's business and affairs. Once an investor executes such Governing Documents, with limited exceptions, such as certain conflicts of interest as discussed

elsewhere in this Brochure, WMD is not required to contact such investor prior to transacting business in a Fund.

Generally, WMD's only restrictions with respect to managing a Fund, such as (but not limited to) the type of securities in which a Fund is permitted to invest, will be contained in the relevant Fund's Governing Documents. However, investors in the Funds can seek to impose limitations on WMD's authority through a side letter agreement and the Firm can choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed by an investor must be presented to WMD in writing and agreed to by WMD and such investor. Other Fund investors meeting certain commitment thresholds are often 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 can 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 is negotiated on a Client-by-Client basis and varies 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, to the extent applicable to the Client's investments, WMD has the authority to vote Client proxy statements on behalf of such Clients 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 Advisers Act Rule 206(4) and its proxy voting policy, 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 Client owns over 1% of the outstanding shares of an issuer.

Pursuant to its proxy 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 is permitted under its policies to 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. Except as otherwise provided in the Governing Documents, investors cannot direct how WMD votes proxies nor is WMD required to seek investor approval or direction when voting proxies.

Investors can obtain a copy of WMD's proxy voting policies and procedures upon request, free of charge, from WMD's Chief Compliance Officer, Dennis E. Carlton, at (904) 683-4950. Investors can 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 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.