

DORSET MANAGEMENT CORPORATION

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FORM ADV, PART 2A BROCHURE

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This brochure provides information about the qualifications and business practices of Dorset Management Corporation. If you have any questions about the contents of this brochure, please contact David Jeuda at (516) 364-0303 or via e-mail at djeuda@knottpartners.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Dorset Management Corporation or any person associated with Dorset Management Corporation has achieved a certain level of skill or training.

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

ITEM 2 – MATERIAL CHANGES

Not applicable. In February 2012, Dorset filed its application to register as an investment adviser with the SEC, and such registration became effective on March 2, 2012. Accordingly, pursuant to disclosure rules under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), Dorset compiled its first Brochure to provide new and prospective investors with clearly written, meaningful, current disclosure of its business practices, conflicts of interest and background of its advisory personnel in February 2012.

Dorset has no material changes to report since the Brochure that was prepared in February of 2012. We encourage all recipients of this Brochure to read it carefully in its entirety.

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ITEM 4 – ADVISORY BUSINESS

Description of the Firm

Dorset Management Corporation (“Dorset”) is a privately owned corporation organized under the laws of the state of New York, with its principal place of business in Syosset, New York. Dorset has been providing discretionary investment advisory services since 1987. David M. Knott is the sole shareholder and owner of Dorset. Effective March 2, 2012, Dorset is registered as an investment adviser with the Securities and Exchange Commission. Dorset serves as the discretionary investment adviser to several private investment funds and one separately managed account (collectively referred to as the “Clients”). Dorset does not participate in wrap fee programs.

Advisory Services Offered

The Dorset Funds

Dorset serves as the management company, investment manager or investment advisor to several private investment partnerships and companies (the “Dorset Funds”), and as the portfolio advisor to The Dorset Energy Fund Limited (“Dorset Energy”), a private investment fund managed by an unaffiliated entity (each of the Dorset Funds is referred to as a “Fund” and together with Dorset Energy are collectively referred to as the “Funds” or, as the context requires, the “Client Funds”). All of the Funds are exempt from registration with the Securities and Exchange Commission under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”). Dorset provides investment management services tailored to the specific investment guidelines set forth in the confidential private placement memoranda (“PPM”) of each of its Client Funds. Subject to these investment guidelines, Dorset has a limited power of attorney to act and has complete discretion and authority to manage Client assets. Dorset is authorized to make all investment decisions, buy and sell securities, issue instructions to the Clients’ custodians, select broker dealers to execute securities transactions and vote proxies and make similar decisions. While it may on occasion do so, as a general matter Dorset is not responsible for filing class action claims and generally does not pursue or commence litigation on behalf of its Clients. Dorset’s Client Funds, and the underlying investors in the Funds do not have the ability to impose restrictions on investing in certain securities or types of securities. Dorset is not involved in the offer and sale of shares in the Dorset Energy fund. Dorset offers and sells interests in the Dorset Funds in private transactions solely to accredited investors and qualified clients or qualified purchasers, as the case may be, and certain employees of Dorset and/or its affiliates.

David M. Knott is a general partner of Knott Partners, L.P. David M. Knott is also the Managing Member of Knott Partners Management, LLC (“KPM”), an affiliate which serves as the Managing General Partner of Knott Partners and the general partner of Shoshone, Mulsanne, Dorset Opportunity, and Knott Master Fund (as each such term is

defined immediately below). Mr. Knott also serves as President and Chief Investment Officer of Dorset.

Dorset manages seven (7) Funds domiciled as set forth below. Dorset accepts investors into each Dorset Fund who meet the eligibility requirements described in the PPM for the applicable Fund and set forth below. While Dorset Opportunity (as defined below) is open to investors, it does not, as of the date hereof, have any unaffiliated investors. In addition, Mulsanne currently also does not have any unaffiliated investors.

The Dorset Funds are:

Knott Partners, L.P.	New Jersey limited partnership open to U.S. persons who are accredited investors (as defined in Regulation D promulgated under the Securities Act) and qualified clients (as defined under the Advisers Act) (“Knott Partners”)
Shoshone Partners, L.P.	Delaware limited partnership open to U.S. persons who are accredited investors (as defined in Regulation D promulgated under the Securities Act) and qualified purchasers (as defined under the Investment Company Act) (“Shoshone”)
Mulsanne Partners, L.P.	Delaware limited partnership open to U.S. persons who are accredited investors (as defined in Regulation D promulgated under the Securities Act) and qualified purchasers (as defined under the Investment Company Act) (“Mulsanne”)
Matterhorn Offshore Fund Limited	British Virgin Islands company open to offshore investors and to investors who are tax-exempt U.S. person, accredited investors (as defined in Regulation D promulgated under the Securities Act) and qualified purchasers (as defined under the Investment Company Act) (“Matterhorn”)
Knott Partners Offshore Master Fund, L.P.	Cayman Islands exempted limited partnership open to offshore investors and to investors who are tax-exempt U.S. persons that are accredited investors (as defined in Regulation D promulgated under the Securities Act) and qualified purchasers (as defined under the Investment Company Act) (the “Master Fund”)
Dorset Opportunity Fund, L.P.	Delaware limited partnership open to accredited investors (as defined in

Regulation D promulgated under the Securities Act) and qualified clients (as defined under the Advisers Act) (“Dorset Opportunity”)

Dorset Energy

Pursuant to a Portfolio Advisory Agreement between Dorset and Optima Management Partners, L.P. (“Optima”), Dorset provides discretionary investment advisory services to the Dorset Energy Fund Limited, a Bermuda exempted company with limited liability (“Dorset Energy”). Dorset Energy is open to investors who are non-U.S. investors, and U.S. investors who are accredited investors and qualified purchasers. Dorset has the sole authority to trade and invest the assets of Dorset Energy, but all other aspects of operating the fund that are unrelated to such trading are undertaken by independent third party service providers who are supervised by Optima.

Investment Objectives of the Dorset Funds

The investment objective of each of Shoshone, Mulsanne, Knott Partners, Matterhorn, Dorset Opportunity and the Master Fund is to achieve capital appreciation through investments primarily in securities that are traded in public markets. Matterhorn pursues its objective by investing substantially all of its assets in the Master Fund. Dorset Opportunity pursues its objective by principally focusing its investments in the consumer and light industrial sectors. Investment performance is dependent upon the selection of long investments and short investments for the portfolios. While the PPM for each of Shoshone, Mulsanne, Knott Partners, Matterhorn and Dorset Opportunity give Dorset broad discretion with respect to the types of securities it may purchase, Dorset will purchase and sell for each Dorset Fund primarily equity securities in global markets. Dorset may also invest in stock options of all types (which these Funds also may write) and other securities, including warrants, corporate debt securities, government securities, exchange traded funds and other securities and financial instruments and investments including, but not limited to, securities of non-U.S. issuers that are not traded on U.S. exchanges, private placement securities, currencies, commercial paper, bonds and other debt instruments, swaps, repurchase agreements and other securities and derivatives, commodity futures contracts and options thereon, forward contracts, loans, obligations and financial instruments or investments of any type or kind, investments in other investment vehicles, and in participations in any type of investment. Dorset also engages in short selling, margin trading, hedging and other investment strategies for these Funds. There are no predetermined limits on the relative amount of Dorset Fund assets that may be invested long or short. The relative level of long and short positions depends upon Dorset’s evaluation of the relative attractiveness of investment opportunities, perception of general market direction and other factors. Performance is primarily driven by the relative performance of the long and short investments rather than the performance of the markets. Dorset generally enters into securities positions with the intent to hold them for longer terms (i.e., more than one (1) year), however Dorset has the flexibility to, and does, hold securities for shorter terms if it deems this to be appropriate.

In limited circumstances, certain of the Dorset Funds mentioned above may not be permitted to, or may elect not to, purchase certain securities held in other Funds. In addition, transactions in the domestic funds may differ slightly from those made in the offshore vehicles for tax, regulatory or similar reasons. Except to the extent previously stated, each of Shoshone, Mulsanne, Knott Partners and the Master Fund generally invests in the same securities. However, because, as of the date hereof, Mulsanne only has affiliated investors in the Fund, this Fund is not currently being actively managed. Investment trades are generally allocated among these Funds to achieve holdings that are proportional to their respective net asset values. As set forth above Matterhorn generally does not hold underlying securities positions, but instead invests all or substantially all of its assets in the Master Fund. As a result of this sharing of investments, the efforts of the members of Dorset's investment and trading teams are focused on one set of investment decisions for all of these Funds. As set forth above, portfolio holdings in Dorset Opportunity will focus primarily in the consumer and light industrial sectors.

Dorset Energy Fund

The investment objective of Dorset Energy is to increase capital through superior long-term returns by investing both long and short primarily in equities of established energy-related companies, primarily North American exploration and production companies. Pursuant to the PPM for Dorset Energy and the investment management agreement between Dorset and Dorset Energy, Dorset is permitted to invest in a broad array of securities, including debt securities, equity securities that are not energy related, options (whether written or purchased), index contracts, repurchase agreements, and all other financial instruments, securities and intangible investment instruments and vehicles. Dorset also engages in short selling, margin trading, hedging and other investment strategies for Dorset Energy. The relative level of long and short positions depends upon Dorset's evaluation of the relative attractiveness of investment opportunities, perception of general market direction and other factors. Generally, Dorset Energy is subject to the following investment restrictions:

- Dorset Energy may not hold long positions in equity securities of any class of the same issuer that have in excess of 20% of the net asset value of the Fund at the time the position is established;
- Dorset Energy may not hold any long positions in equity securities of any class of the same issuer that constitute more than 20% of the net asset value of the securities of the same class then outstanding of such issuer;
- Dorset Energy may not hold short positions in any equity security to the extent that the value is in excess of 12.5% of the Fund's net asset value at the time of purchase;
- Dorset Energy may not make any direct investments in real estate, oil and gas, physical commodities, physical commodity futures, venture capital transactions or futures contracts;
- Dorset Energy may not purchase unquoted securities in excess of 15% of the Fund's net asset value at the time of the purchase; and

- Dorset Energy may not lend to, or invest, more than 20% of its net asset value in any one issuer.

Managed Accounts

To the extent appropriate for a large or strategic investor, Dorset has established, a separately managed account (each a “Managed Account”). Dorset provides investment advisory services to each Managed Account that are tailored to the investment objectives and/or restrictions established by the Managed Account investor. Fee arrangements and terms for each Managed Account are individually negotiated. Accordingly each Managed Account is subject to different terms and fees than those of the Funds and the other Managed Accounts. Managed Account relationships are generally subject to significant account minimums.

The types of financial instruments that may be used are outlined in the agreement entered into between Dorset and each Managed Account. Currently Dorset is providing investment management services to one Managed Account.

Liquidating Client Accounts

In certain limited circumstances, for no fee, Dorset continues to provide residual discretionary investment advisory services to Clients who have redeemed their assets (the “Liquidating Client Accounts”). In these circumstances, redeeming investors have elected to have Dorset liquidate certain illiquid positions that were in their respective portfolios at the time they withdrew as Clients. Once all assets have been liquidated and the proceeds remitted to the investor, these Liquidating Client Accounts will cease to be Clients of the Firm.

Assets under Management

As of January 1, 2013, Dorset manages, on a discretionary basis, Client net assets totaling \$628,516,214. Dorset does not manage Client assets on a non-discretionary basis.

ITEM 5 – FEES AND COMPENSATION

Management Fees

Each Client pays Dorset a management fee that is calculated as a percentage of assets under management by Dorset. Management fees for Fund Clients are set out in detail in the PPM for each such Fund. The management fee payable to Dorset with respect to Knott Partners, Shoshone and Mulsanne is equal to 1.0% of net assets per year, calculated quarterly based on the net asset value of each such entity on the first day of such calendar quarter and payable in arrears on the last day of the quarter. In the case of Matterhorn and holders of Series A Interests in Dorset Opportunity, Dorset charges a fixed fee equal to 1.0% of net assets per year, payable monthly in arrears based on the net asset value of such interests on the last business day of such month. The Matterhorn management fee is

paid at the Master Fund level. The Master Fund does not charge an additional management fee beyond the fee charged by Matterhorn. When offered, Dorset will charge holders of Series B Interests in Dorset Opportunity a fixed fee equal to 1.25% of net assets per year, payable monthly in arrears based on the net asset value of such interests in Dorset Opportunity on the last business day of such month. Each underlying investor in a Fund who is not an employee or an affiliate of Dorset pays the Fund the portion of the fee attributable to that investor's holdings in the Fund. In the case of Dorset Energy, the management fee is equal to 1.25% of Dorset Energy's net asset value per year, payable monthly in arrears. Pursuant to the portfolio management agreement, Dorset shares a percentage of the management fees generated by the Dorset Energy Fund with Optima, an unaffiliated entity which serves as the manager to Dorset Energy.

Dorset's Managed Account Clients generally compensate Dorset on the basis of a quarterly or monthly fee that is computed as a percentage of the value of the assets under management. All such fee arrangements are individually negotiated.

Where a management agreement is in place for less than a full calendar quarter (for Knott Partners, Shoshone, Mulsanne and most other Clients) or less than a full month (for Matterhorn, Dorset Opportunity and certain other Clients), management fees are prorated.

Performance-Based Compensation

At the end of each fiscal year, each Client also makes, to Dorset or an affiliate of Dorset, a performance-based allocation in compliance with Rule 205-3 under the Advisers Act. The affiliate that receives the allocation is KPM, which, as previously mentioned, serves as the managing general partner of Knott Partners and the general partner of Shoshone, Mulsanne, Dorset Opportunity and the Master Fund. Performance or incentive allocations for each Fund Client are set out in detail in the PPM for each such Fund.

Knott Partners, Shoshone, Mulsanne, and, when offered, Series B Interests in Dorset Opportunity, pay or allocate to KPM or Dorset an annual incentive allocation/fee equal to 20% of any net capital appreciation in each such Fund. Dorset Opportunity allocates to KPM or Dorset an annual incentive allocation equal to 15% of net capital appreciation of Series A Interests in the Fund. In the case of Matterhorn, Dorset charges an annual incentive fee, payable at the Master Fund level, equal to 20% of any net capital appreciation earned by the shareholders. Each Fund makes the allocation or fee pro rata from the capital accounts of each underlying Fund investor, other than those who are employees of, or affiliated with, Dorset, in the amount attributable to that investor's holdings in the Fund.

The Dorset Energy Fund is subject to an incentive fee equal to 20% of net capital appreciation earned by the shareholders, and payable annually in arrears. Pursuant to the portfolio management agreement, under certain circumstances Dorset shares a percentage of the incentive fees generated by Dorset Energy with Optima, an unaffiliated entity which serves as the manager to the Dorset Energy Fund.

Dorset's Managed Account Clients generally compensate Dorset on the basis of a percentage of the net capital appreciation in the Managed Account Client's portfolio during a specified period, subject to a loss carryforward provision. All such fee arrangements are individually negotiated.

All performance-based compensation for all Clients is subject to a loss carryforward provision. This means that no performance allocation is made unless the value of Client assets has increased since the prior allocation. If the Client terminates the Investment Management Agreement, or an underlying investor withdraws its assets from the Client, fees will be allocated and subject to the high water mark on a pro rata basis.

Fee Differential

In connection with the Dorset Funds, Dorset, in its sole discretion, may (through the use of side letters or other agreements), waive or reduce the management fee or incentive allocation otherwise payable to it by investors that are principals, employees or affiliates of Dorset, or relatives of or, vehicles formed for the benefit of, such persons, and in limited circumstances for certain large or strategic investors. In addition, investors such as those providing large or initial investments in a Dorset Fund may have specially tailored arrangements with respect to their investment in a Fund.

Early Withdrawal and Related Charges

Investments in each of Matterhorn and Dorset Energy are subject to a one-year commitment period. Any capital contribution that is withdrawn from Matterhorn or Dorset Energy before the completion of the investor's commitment period is subject to an early withdrawal fee of 5% of the amount withdrawn, as set out in detail in each of Matterhorn's and Dorset Energy's private offering memoranda. In addition, if, subsequent to the one-year commitment period, an investor in Matterhorn wishes to withdraw all or part of its assets from Matterhorn on an intra-quarter basis, such withdrawal will be subject to a fee equal to 1% of the amount withdrawn.

All early withdrawal charges associated with early withdrawals from Matterhorn are received as income by the Fund. For the purposes of determining the amount of the withdrawal, contributions are treated on a first in first out basis.

There are no early withdrawal charges associated with the other Dorset Funds.

Other Fees

All fees paid to a Fund are separate from expenses charged to the Funds (and indirectly to Fund investors). While Fund investors should refer to the respective PPM for a complete description of each Fund's expenses, such expenses typically include ongoing legal, partnership accounting and audit expenses, fees of the administrator, the costs of offering Fund shares/interests, brokerage commissions, transaction fees, research fees, interest on borrowings, custodial fees and other reasonable investment-related expenses. Fees may

be charged in connection with cash positions held in money market and other mutual funds, by such funds and their managers. The Funds will also incur other charges imposed by custodians, brokers, and other third parties, such as custodial fees, transaction related expenses, transfer taxes, wire transfer and other fees. Such charges, fees and commissions are exclusive of and in addition to Dorset's fees. Dorset does not receive a portion of these other commissions, fees and costs.

Managed Account Clients will incur comparable brokerage and other transaction costs. Please refer to the "Brokerage Practices" section (Item 12) of this Brochure for additional information.

Billing Method

The Funds' administrator deducts from the account of each investor in each Fund the management fee, pro rated if the account was opened during that quarter, or month, as applicable. The Funds' administrator deducts from the account of each investor in each Fund the annual performance allocation, if applicable. Fixed fees for all of the Dorset Funds except for Matterhorn are generally calculated at the start of each billing period and are paid at the end of such billing period. In the case of Matterhorn and Dorset Energy, fixed fees are calculated at the end of each billing period and are payable in arrears generally within thirty (30) days of such calculation. Incentive compensation is calculated as of the close of business on the last business day of the applicable period and is generally payable within thirty (30) days following determination.

Dorset does not deduct advisory fees or other expenses directly from Managed Accounts (nor does it have the power to do so without the consent/action of the Managed Account Client). Payment of fees for the Managed Account is processed via an invoice that is delivered to the Managed Account Client or agent designated in the investment management agreement (i.e., the broker for such Managed Account) and Dorset is then paid by the Managed Account Client or the designated agent (i.e., the broker for such Managed Account).

Termination of Advisory Services

The investment management agreement between Dorset and each Dorset Fund is renewed automatically for one-year terms (computed from each January 1), unless terminated in accordance with its provisions, by providing at least sixty (60) days written notice of termination.

The Portfolio Advisory Agreement between Dorset and Optima may be terminated by either party by providing ninety (90) days written notice of termination.

The termination provisions of the investment management agreement between Dorset and each Managed Account Client are individually negotiated.

Other Compensation

None of Dorset's employees receives compensation for the sale of securities or other investment products.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Dorset does not charge any fees to Liquidating Client Accounts. All other Dorset Clients are subject to a performance-based allocation (that is an allocation based on a share of capital gains on or capital appreciation of the assets of the Client). Please refer to the "Performance Based Compensation" section of Item 5 of this Brochure for additional information. All Clients (other than Liquidating Client Accounts) are also charged a fee based on assets under management in the account. Please refer to the "Management Fees" section of Item 5 of this Brochure for additional information.

Because the incentive allocation is payable by the Client to Dorset this may create an incentive for Dorset to make investments that are riskier or more speculative than would have been the case in the absence of a right to performance-based compensation. In addition, since the incentive allocation is in all cases based upon portfolio gains, both realized and unrealized (net of realized and unrealized losses), it is possible that Dorset may receive an incentive allocation based upon unrealized appreciation in particular positions which is not in fact achieved upon eventual disposition of such positions.

Except with respect to the Liquidating Client Accounts, Dorset presently charges performance-based fees to every Client, to the extent it includes assets invested by individuals and/or entities who are unaffiliated with or employed by Dorset. As such, the conflict of interest related to managing accounts that charge performance-based fees alongside accounts that do not charge performance-based fees does not apply to Dorset.

ITEM 7 – TYPES OF CLIENTS

Dorset provides discretionary investment advisory services to private investment funds that are exempt from the Investment Company Act and to one Managed Account. Please refer to Item 4 of this Brochure for a list of such Fund Clients. Investors in Managed Accounts could include high net worth individuals and institutional investors.

Investors in the Dorset Funds must be sophisticated investors and are generally:

- high net worth individuals;
- pension and profit sharing plans;
- charitable organizations and/or foundations;
- corporations, partnerships, LLCs or other businesses; and
- trusts.

Each investor in the Funds must meet the given Fund’s eligibility provisions. In order to qualify for investment in Mulsanne, Shoshone, Matterhorn and Dorset Energy, underlying investors in those Funds must certify that they are “accredited investors” (as defined in Regulation D promulgated under the Securities Act) and “qualified purchasers” (as defined under the Investment Company Act). In order to qualify for investment in Knott Partners and Dorset Opportunity, underlying investors must certify that they are “accredited investors” and “qualified clients” (as defined under the Advisers Act).

Underlying investors in each Fund typically must make a minimum contribution as set out in the PPM for each Fund. The minimum initial contribution applicable to each Fund is set out below:

<i>Name of Fund</i>	<i>Minimum Contribution</i>
Knott Partners	\$500,000
Shoshone	\$1,000,000
Mulsanne	\$5,000,000
Matterhorn	\$1,000,000
Dorset Opportunity Fund	\$500,000
Dorset Energy Fund	\$500,000

In all cases, the minimum initial contribution amounts are subject to reduction at the sole discretion of the Fund’s General Partner/Directors, but not below any applicable statutory minimum.

Dorset individually negotiates investment minimum contribution amounts with Managed Account Clients.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis

Risks for all forms of analysis: The securities analysis methods that Dorset uses often rely on the assumption that the companies whose securities Dorset purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities are providing accurate and unbiased data. While Dorset is alert to indications that data may be incorrect, there is always a risk that Dorset’s analysis may be compromised by inaccurate or misleading information.

Dorset Funds and the Managed Accounts

Dorset uses the following methods of analysis in formulating investment advice and/or managing Client assets, other than Dorset Energy:

Fundamental Analysis: Dorset attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis is the primary foundation of Dorset's research efforts.

Technical Analysis: Certain senior members of Dorset's investment team analyze past market movements and apply that analysis to the present to supplement their fundamental research, and in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk that a poorly managed or financially unsound company may underperform regardless of market movement. Dorset discounts the usefulness of results produced by "technical analysis" and would not rely exclusively on a technical analysis. Those members of the investment team who perform this type of analysis do so to supplement their fundamental analysis and to gain insight into the motivations of competing advisors who rely on "technical analysis" when formulating their investment decisions.

Quantitative Analysis: Dorset uses mathematical models in an attempt to obtain accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and to predict changes to that data. Quantitative analysis is important to the formulation of Dorset's investment decisions.

A risk of using quantitative analysis is that the models used may be based on assumptions that may prove to be incorrect.

Qualitative Analysis: Dorset subjectively evaluates non-quantifiable factors such as the quality of management, labor relations, and strength of research and development factors not readily subject to measurement, in an attempt to predict changes to share price based on that data. Qualitative analysis is important to the formulation of Dorset's investment decisions.

A risk of using qualitative analysis is that Dorset's subjective judgment may prove incorrect.

Dorset Energy

Dorset makes investments for Dorset Energy based primarily on fundamental analysis, including such factors as a company's net asset value, projected earnings, cash flow under various commodity-pricing scenarios, the potential value of a company's investment and exploration projects and the quality and integrity of management. Similarly, Dorset uses fundamental factors in evaluating possible short positions. However, Dorset believes that it is also important to understand the mindset of other

investors who are bullish on a particular stock. Dorset has found that unknowledgeable investors are lured into poor investments by focusing on superficial considerations. Subsequent disappointments often lead to the realization that the “emperor is not wearing any clothes,” resulting in the collapse of the stock price.

When necessary Dorset uses geologists, petroleum engineers and scouts (both in North America and abroad) to provide additional analysis and information, particularly with respect to short sales. Dorset also considers the price of oil and gas when making investment decisions, but does not spend time trying to pinpoint near-term price movements. Rather, Dorset develops a sense of the intermediate-term range within which the commodities are likely to trade, and then keeps a close watch on what could change that.

Investment Strategies

Dorset uses the following strategies, among other considerations, in managing each Client’s assets, consistent with the Client’s investment objectives and risk tolerance as stated in the confidential private placement memorandum for each Fund, and/or the investment management agreement for each Managed Account Client:

Long-Term Purchases: Dorset purchases securities with the idea of holding them in the Client’s account for a year or longer. Typically Dorset uses this strategy when:

- it believes the securities to be currently undervalued; and/or
- it wants exposure to a particular asset class over time, regardless of the current projection for the asset class.

A risk in this long-term purchase strategy is that by holding the security for this length of time, Dorset may not take advantage of short-term gains that could be profitable to a Client. Moreover, if Dorset’s predictions are incorrect, a security may decline sharply in value before Dorset makes the decision to sell.

Short-Term Purchases: When utilizing this strategy, Dorset purchases securities with the idea of selling them within a relatively short time (typically a year or less). Dorset does this in an attempt to take advantage of conditions that Dorset believes will soon result in a price swing in the securities purchased.

Trading: Dorset purchases securities with the idea of selling them very quickly (typically within thirty (30) days or less). Dorset does this in an attempt to take advantage of predictions of brief price swings.

Short Sales: Dorset borrows shares of a stock for the Client’s portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. These borrowed shares are then sold. On the agreed upon future date, Dorset buys the same stock and returns the shares to the original owner. Dorset engages in short selling based on its determination that the stock will go down in price after it has borrowed the

shares. If Dorset is correct and the stock price has gone down since the shares were purchased from the original owner, the Client account will realize the profit. If Dorset is incorrect and the stock price has gone up since it bought the shares, the Client account will suffer the loss. Because the theoretical price increase is unlimited, a short sale involves the risk of a theoretically unlimited loss.

Margin Transactions: Dorset will purchase securities for its Clients' portfolios with money borrowed from the Client's brokerage account. This allows the Client to buy more stock than the Client would be able to with the cash that is available, and allows Dorset to purchase other securities for the Client without selling other holdings.

Options Transactions: Dorset may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or a bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives Dorset the right to buy an asset at a certain price within a specific period of time. Dorset will buy a call if it has determined that the stock price will increase substantially before the option expires.
- A put gives Dorset the right to sell an asset at a certain price within a specific period of time. Dorset will buy a put if it has determined that the price of the stock will fall before the option expires.

Dorset uses options to speculate on the possibility of a sharp price swing. Dorset also uses options to "hedge" a purchase or sale of the underlying security; in other words Dorset will use an option to limit the potential upside and downside of a security that has been purchased or sold for the Client's portfolio.

Dorset also uses "covered calls," in which it sells an option on a security owned by the Client. In this strategy, the Client receives a fee for making the option available, and the person purchasing the option has the right to buy the security from the Client at an agreed upon price.

Dorset uses a "spreading strategy," in which it purchases two (2) or more option contracts (for example, a call option that the Client buys and a call option that the Client sells) for the same underlying security. This effectively puts the Client on both sides of the market, but with the ability to vary price, time and other factors. Dorset uses a spreading strategy primarily for hedging purposes in the Dorset Funds.

Fixed Income Transactions: While the Funds and Managed Account trade primarily in equity securities, the confidential private placement memorandum for each Fund and the investment management agreement for the Managed Account Client does provide Dorset with the flexibility to invest in fixed income and hybrid securities, which can include a

wide array of debt instruments, including bank debt and trade credits. To varying degrees, depending on the particular instruments, fixed income securities are subject to interest rate and credit and liquidity risks, among others.

As Portfolio Manager of the Managed Account and of each Fund except for Dorset Energy and Dorset Opportunity, David M. Knott has final authority over all portfolio decisions for the Managed Account and these Funds. Mr. Knott is responsible for portfolio activities, including sizing of positions, the resulting allocation of capital among sectors and the maintenance of targeted gross and net exposures. Michael Alkin and Gregory Rice serve as co-Portfolio Managers of Dorset Opportunity, with David Knott serving as Senior Advisor to that Fund. Donald Textor serves as the Portfolio Manager for Dorset Energy.

Risk of Loss

General Risk of Loss Statement: As with any investments, investing in securities involves a risk of loss. Future returns are not guaranteed and the Client may lose money on investments. The securities markets are volatile and Clients should consider carefully the amount of risk and/or loss they are willing to bear. Dorset in no way guarantees performance, and at any time the value of assets invested may fluctuate and be worth less than the amount originally invested. A Client should only invest assets it will not need for current purposes and that can be invested on a long-term basis, usually a minimum of three (3) to five (5) years. These risks, and the risks set forth below, apply to underlying investors in the Client Funds as well.

Selection of Securities: Because the Funds and the Managed Account invest primarily in publicly-traded equity securities, Dorset believes that the primary risk of loss is associated with securities selection. The price of a company's stock could decline or underperform for many reasons, including, among others, poor management, financial problems or business challenges. If a company declares bankruptcy or becomes insolvent, its stock could become worthless. Dorset attempts to minimize this risk through the construction of each portfolio. While certain other risks associated with investing in the Funds and the Managed Account are set forth below, the list is not intended to be exhaustive. For more details on investment risk, please refer to the appropriate confidential private placement memorandum for each Fund.

Convertible Securities: Convertible securities are securities that are convertible into or exercisable for common stock at a stated price or rate. Convertible securities are subject to the usual risks associated with debt securities, such as interest rate and credit risk. In addition, because convertible securities react to changes in the value of the stocks into which they convert, they are subject to market risk.

Currency: To the extent that a Client invests directly in foreign currencies or in securities denominated in or that trade in foreign (non-U.S. currencies), it is subject to the risk that those currencies will decline in value relative to the U.S. dollar, or in the case of

hedging positions, that the U.S. dollar will decline or increase (for hedges in value) relative to the currency being hedged.

Derivative Instruments: Derivative instruments are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in interest rates and liquidity risk. The use of certain derivatives may also have a leveraging effect, which may increase volatility and reduce returns.

Foreign Investments: Investing in foreign (non-U.S.) securities may result in more rapid and extreme changes in value than an investment exclusively in securities of U.S. companies due to smaller markets, differing reporting, accounting and auditing standards, nationalization, expropriation or confiscatory taxation, foreign currency fluctuations, currency blockage, political changes or diplomatic developments.

Liquidity: If a security is illiquid, Dorset might be unable to sell the security at a time when desired, and the security could have the effect of decreasing the overall level of a Fund's or a Managed Account's liquidity. Further, the lack of an established secondary market may make it more difficult to value illiquid securities, which could vary from the amount realized upon disposition. Dorset may make investments that become less liquid in response to market developments or adverse investor perception. A Client could lose money if it cannot sell a security at the time and price that would be most beneficial.

Market: Stock prices are volatile and are affected by the real or perceived impacts of such factors as economic conditions and political events. The stock market tends to be cyclical, with periods when stock prices generally rise and periods where stock prices generally decline. Any given stock market segment may remain out of favor with investors for a short or long period of time, and stocks as an asset class may underperform bonds or other asset classes during some periods.

Market Capitalization: Stocks fall into three broad market capitalization categories – large, mid and small. Investing in primarily one category carries the risk that, due to current market conditions, that category may be out of favor with investors. If valuations of large-capitalization companies appear to be greatly out of proportion to the valuations of mid- or small-capitalization companies, investors may migrate to the stocks of mid- and small-sized companies causing an investment in these companies to increase in value more rapidly than an investment in larger, fully-valued companies. Investing in mid- and small-capitalized companies may be subject to special risks associated with narrower product lines, more limited financial resources, smaller management groups, and a more limited trading market for their stock as compared to other larger companies. As a result, stocks of mid and small sized companies may decline significantly in market downturns.

Turnover/Frequent Trading: A change in the securities held by a Fund or Managed Account is known as “portfolio turnover.” Higher portfolio turnover is a result of frequent trading and involves correspondingly greater expenses to a Client, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of

securities and reinvestments in other securities. Such sales may also present tax risk. The trading costs and tax risk associated with portfolio turnover may adversely affect a Client's performance. The use of futures or other forward settling derivatives may result in the appearance of higher portfolio turnover as positions are "rolled forward" in order to maintain a specific exposure. Accordingly, portfolio turnover rates may vary based on how such rates are calculated.

ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose whether there are any legal or disciplinary events that would be material to a Client's or a prospective Client's evaluation of Dorset or the integrity of Dorset's management. Neither Dorset nor any of its management personnel have been involved in a domestic or foreign criminal or civil action, or in any action in military court. Neither Dorset nor any management personnel has been involved in a proceeding with a self-regulatory organization. In 2008, one of Dorset's management personnel settled an administrative proceeding with the Securities and Exchange Commission alleging that, while employed by another firm, he had failed to adequately supervise two employees with regard to their lavish entertainment of certain members of one of their customer's equity trading desk from 2000 to 2004. The Dorset employee was not alleged to have directly violated any rule or regulation regarding entertainment of customers.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither Dorset nor any of its management persons are registered or have an application pending to register as a broker-dealer or as a registered representative of a broker-dealer. Neither Dorset nor any of its management persons are registered or have an application pending as a futures commission merchant, commodity pool operator or commodity trading advisor, or as an associated person of any of the foregoing.

As discussed in Items 4 and 7 of this Brochure, Dorset serves as the investment manager to the Funds and to a Managed Account. We do not believe that the contemporaneous management of the Dorset Funds (excluding Dorset Opportunity) and the Managed Account causes a conflict of interest because they generally share the same investment strategies, and allocations are made based on principles described in Item 4. We do not believe that contemporaneous management of the Dorset Funds, Dorset Opportunity and Dorset Energy causes a conflict because their strategies and or portfolio holdings are sufficiently different and allocations are made in accordance with the investment guidelines for each Fund.

Dorset has a material business relationship with KPM, which serves as the managing general partner of Knott Partners as well as the general partner of Shoshone, Mulsanne, Dorset Opportunity and the Master Fund. KPM is not a registered investment advisor. Mr. Knott is the general partner of Knott Partners and the managing member of KPM. David J. Jeuda, Michael Alkin and Gregory Rice are all members of KPM, which derives

all of its income from Knott Partners, the Master Fund, Shoshone, Mulsanne and Dorset Opportunity. Certain of the members of KPM and certain other Dorset employees have assets invested in Knott Partners, Shoshone, Dorset Opportunity and Mulsanne and may, in the future have assets invested in other Funds.

Relatives of Dorset employees may be employed by independent service providers that are contracted to support Dorset and/or the Dorset Funds. There is presently one instance where an immediate family member of a Dorset employee is employed by an affiliate of Citco Fund Services (Curacao) B.V. ("Citco"), the Administrator to the Dorset Funds. That immediate family member is not in a management position at Citco. Furthermore, Dorset manages this conflict by ensuring that the Dorset employee's relative is not, in any way, involved with the Dorset relationship and/or with providing administrative services to the Dorset Funds.

As noted, Dorset's related persons and related entities participate in the investments of certain of the Funds, in accordance with their proportionate shares of the capital of those Funds.

The existence of multiple investment vehicles or Clients may create conflicts as to time and resource commitments on the part of Dorset's principal and other personnel. While such persons intend to devote such time to Clients' business as they deem necessary, they will have other ongoing investment and business responsibilities which could have the effect of reducing the time they will devote to the Clients' investment activities.

Dorset does have professional relationships with other third parties but receives no hard dollar compensation from any third party in connection with such relationship, although employees and/or principals of such third parties may be investors in the Funds. Dorset and/or its employees may receive small gifts from such third parties as to do otherwise would appear ungrateful. (See Item 14 for additional details and clarification.) Examples of these third parties include broker-dealers, investment companies, banking institutions, accounting firms, law firms etc.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Dorset has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act in an effort to avoid possible conflicts of interest, the inappropriate use of material non-public information and to ensure the propriety of its employees' and Clients' trading activities. The Code of Ethics is distributed to each employee at the time of hire and employees receive annual training in issues related to the Code of Ethics. The Code is based on the principle that officers, directors and other Dorset personnel owe a fiduciary duty to Dorset's Clients and investors in the Funds and must place the interests of Dorset's Clients and investors above their own.

As an investment manager to various Funds and Managed Accounts, Dorset may give advice, or take action or refrain from taking action, any of which may differ from advice

given, action taken or not taken or the timing of any action for any other Fund or Managed Account. Further Dorset may recommend or effect transactions on behalf of its Clients in securities which it or any of its affiliated persons may buy or sell for their own accounts. Dorset, and persons related to Dorset, including its officers, directors and employees, may buy, sell, or have a financial interest in securities recommended to Clients either by investing directly in the Dorset Funds or otherwise, through independent transactions in personal accounts subject to Dorset's Code of Ethics described below. Potential conflicts of interest in connection with such transactions are generally disclosed to Clients herein and otherwise.

Dorset is not a broker-dealer and does not act as a principal or broker in connection with Client transactions. Dorset may from time to time have its Clients engage in certain rebalancing transactions (i.e., buy securities from or sell securities to each other in simultaneous transactions designed to maintain the same pro rata ownership in each securities position). All such transactions will be effected through the use of third party, independent broker-dealers on the open market. Such rebalancing transactions will be made on behalf of multiple Clients at the same broker-dealer (usually at the mid-point of the bid and asked prices) in an attempt to ensure that the transaction costs associated with such transactions are as low as possible. Dorset is of the view that engaging in such transactions at the same broker-dealer is in the best interests of Clients. Portfolio rebalancing transactions are subject to approval by an independent third-party. Dorset, KPM and their personnel may be significant investors in certain of the Clients that participate in such rebalancing transactions. As such, Dorset faces a potential conflict of interest regarding rebalancing transactions involving such Clients. Dorset's ability to engage in such rebalancing transactions with respect to any Client may be revoked by that Client at any time by written notice to Dorset.

Dorset's Code of Ethics requires employees to obtain prior written approval from Dorset's Chief Compliance Officer and David M. Knott before engaging in any transactions in his/her personal account that involves the direct or indirect purchase or sale of any security that may be purchased or sold by a Client. David M. Knott's transactions are reviewed and pre-approved by the Chief Compliance Officer. Such employee transactions will be reviewed in the best interests of Dorset's Clients and will be denied by the Chief Compliance Officer if there is risk of potential adverse consequences to the Dorset Client. In addition, subject to certain exceptions consistent with industry requirements (e.g., U.S. government securities, open-ended investment companies, etc.), all employees must pre-clear all securities transactions in their personal accounts or the accounts of immediate family members. We believe that these restrictions effectively address the potential conflict of interest with our Clients that may arise as a result of personal trading by our employees.

The Code of Ethics also prohibits any employee or their immediate family member from participating in initial public offerings ("IPO"s).

Employees are required to provide Dorset with a complete report of their securities holdings at the time they are hired. Employees also provide Dorset with account

statements for all of their brokerage accounts. Employees are also required to provide quarterly transaction and annual securities holdings reports. Most types of securities are subject to these reporting requirements.

The Code also prohibits employees from serving on the boards of public companies or maintaining outside affiliations without prior approval.

The Code establishes sanctions if its requirements are violated, up to and including dismissal from employment. Employees are required to certify annually that they have complied with the Code of Ethics.

The foregoing is only a summary of the provisions of the Code and is qualified in its entirety by the detailed provisions appearing in the full text of the Code. Clients and prospective clients may obtain a copy of the Code of Ethics by contacting Dorset's Chief Compliance Officer at 485 Underhill Boulevard, Syosset, NY 11791.

Dorset does not recommend or solicit investments by Clients in Dorset managed entities that would result in a conflict of interest between Dorset and the Client.

Dorset treats as confidential all information provided by Clients and investors in the Funds. Such confidential information will not be disclosed to any non-affiliated third party, except as permitted by Clients or investors, as applicable, or as required by law.

From time to time, Dorset may come into possession of material non-public information, which, if disclosed, might affect an investor's decision to buy, sell or hold a security. This may occur, for example, where an affiliated person is a director or officer of a company, the stock of which may be held by or for a Client. In the event that Dorset does come into possession of material non-public information, it will be unable to use this information for the benefit of its Clients. Thus Dorset's possession of this information may cause a Client to be frozen in a security position or to be unable to engage in a transaction in that position until such time as the information is made public.

ITEM 12 – BROKERAGE PRACTICES

The securities transactions of Dorset's Clients are expected to generate a substantial amount of brokerage commissions and other transaction-based compensation, all of which will be paid for by the Clients.

Dorset is solely responsible for selecting the broker used in each transaction instituted by Dorset for each Client and for negotiating the fees to be paid to the broker in connection with such transactions. Dorset has a duty to obtain "best execution" for its Clients. Best execution generally means lowest transaction cost (commission) for brokerage services rendered combined with best market price in order to minimize total purchase cost or maximize total sales proceeds. Other brokerage and trading services may be considered in analyzing execution practices including but not limited to the promptness of execution, confidentiality of trading activity, clearance and settlement, order positioning and

financial stability. Accordingly, except to the extent restricted by a Client or applicable law, Dorset may be deemed to be using “soft dollars” (i.e., paying with dollars included in the commission rate) for research and other services. As described below, Dorset’s use of “soft dollars” is intended to fall within the “safe harbor” of Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Dorset is contractually obligated to execute securities transactions for its Clients in such a manner that the Client’s net cost or proceeds in each transaction is the most favorable under the circumstances. Dorset is not required to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Thus, in any transaction, a Client may pay commissions to a broker in an amount greater than an amount another broker might charge.

In selecting a counterparty and market through which to effect a trade, and in determining whether a transaction represents the best execution, Dorset is permitted to consider a range of quantitative and qualitative factors, including but not limited to the following:

Counterparty Considerations

- Size and type of transaction
- Access to liquidity
- Execution efficiency
- Capital utilization
- Clearance and settlement capabilities
- Reasonableness of commission rate or spread
- Financial responsibility
- Research provided

Market Considerations

- Characteristics of the market(s) in which the security may be traded
- Nature of post-trade settlement, custody and foreign exchange structures

Dorset trades for the benefit of Clients through prime brokerage arrangements that are designed to allow trading with multiple brokers while centralizing clearance and custody through prime brokers. Under these arrangements, Dorset places trades through accounts with different executing brokers in the name of one of its prime brokers for the benefit of Dorset and its Clients. Dorset directs delivery of funds or securities to a prime broker who is responsible for custody, clearance and settlement services including matching trades with executing brokers and delivering account confirms and statements to Dorset.

Further, prime brokers may, as an incident to their services (and not for any additional compensation), sponsor conferences or seminars or provide “capital introduction services” in which consultants and prospective institutional investors may be introduced to Dorset or the Dorset Funds, consistent with applicable private offering restrictions. Dorset may place transactions with such brokers if otherwise consistent with seeking best

execution, provided Dorset is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

Dorset may execute portfolio transactions with broker-dealers that, in connection with the execution of such transactions, provide brokerage or research services, consistent with Section 28(e) of the Exchange Act. Under Section 28(e) an investment adviser is generally deemed to have acted lawfully and in a manner consistent with its fiduciary duties under federal and state law, if the adviser determines in good faith that the commissions charged by a broker are reasonable in relation to the value of the brokerage and research products or services provided by such broker. For purposes of Section 28(e), research and other services furnished by brokers may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; statistical and pricing services, along with software, data bases and other technical and telecommunication services and equipment utilized in the investment management process without regard to whether the research products or services benefit the account bearing the commission charge.

As of the date hereof, all of the soft dollar arrangements entered into by Dorset fall within the safe harbor of Section 28(e). “Soft dollar” expense paid by brokers may include items which would be properly chargeable to the Clients directly (e.g., research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities and other products or services, providing lawful and appropriate assistance to Dorset in the performance of its investment decision-making responsibilities). Payment of costs through “soft dollars” may benefit Dorset by relieving it of costs that it would otherwise have to bear because Dorset does not have to produce or pay for the research, products or services. Receipt of this benefit may create an incentive for Dorset to select a broker based on its interest in receiving the benefit rather than a Client’s interest in receiving best execution.

If an expense relates to a function which would generally qualify for soft dollar payment under the policy stated above, as well as a function which does not (e.g., Client research and Dorset administrative functions, respectively,) Dorset will make a good faith allocation of the cost between qualifying and non-qualifying functions to determine the portion that may be paid with soft dollars. The allocation process will attempt to take into account the principal functions or benefits of the item involved, but will not attempt to measure de minimus or occasional non-qualified usage or usage of a de minimus value. It is therefore possible that payments associated with such non-qualified usage or payments made in error could benefit Dorset, but it is not expected that such payments would be material in amount.

In any instance in which Dorset enters into a soft dollar arrangement, a Client may pay commissions to the relevant broker which are greater than the amount another broker may charge, but Dorset will only do so if it determines in good faith that such amount of commissions is reasonable in relation to the value of all products and services provided

by such broker. In addition, Dorset may select a particular broker in order to meet pre-established soft dollar ratios.

Brokers may sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker may be less than the suggested allocations or may exceed the suggestions because total brokerage is allocated on the basis of all the considerations described above. A broker will not be excluded from receiving business simply because it has not been identified as providing research services.

Dorset has the right, at its discretion, to change the brokerage arrangements described above without further notice to Clients.

Brokers to Dorset's Clients may refer investors to Dorset or engage in other transactions with Dorset. From time to time, providers of Client brokerage services also provide incidental consulting services and other advice with respect to Dorset's operations and/or other matters on a formal or informal basis. The provision of such services or advice may not be subject to formal agreements and may not be compensated, depending on the extent of the services provided. Provision of services, including client referrals, could provide Dorset with an incentive to select the respective broker-dealer for Client transactions without regard to best execution. Dorset will, however, provide compensation that it considers to be arm's length in any situation where such services have material value and will not allocate brokerage transactions to a provider of such services as compensation for Client referrals or other services in violation of our duties to our Clients. Some broker-dealers may recommend that Dorset be invited to make presentations and proposals for potential clients' business, which could raise a conflict of interest.

The use of Client commissions for soft dollar services is subject to certain policies and procedures designed to ensure that services obtained with commissions are used for appropriate purposes, such as assisting in the investment decision-making process. These processes include pre-approval and documentation of soft dollar services, including mixed-use services. Dorset periodically monitors and evaluates the performance and execution capabilities of firms which provide research and brokerage services.

Trade Allocation Policies

Certain of the Clients may have similar investment strategies and policies. As such, Dorset may invest several Clients' capital in the same security and/or may elect to liquidate a position in one Fund but retain it in another. In determining whether a particular situation or strategy is suitable and feasible for each Client, Dorset will evaluate relevant factors (some of which include the capital available for investment at any particular time, the nature of the opportunity in the context of the Client's other positions, the Client's liquidity needs and risk tolerance, whether a directed brokerage arrangement is in place and the characteristics of such arrangement, the transaction and borrowing costs involved and the tax consequences). Dorset is not obligated to present

every investment opportunity to every Client so long as Dorset, to the extent within its control, does not favor itself or its employees to the detriment of its Clients and acts in a manner that over the long term is fair and equitable to all of its Clients. No one Client will be entitled to priority of choice among available investments.

If Dorset determines to buy or sell the same security on behalf of more than one Client (based upon the investment mandates of such Clients), it may, but shall be under no obligation to, aggregate, to the extent permitted by applicable law and regulations, the securities to be purchased or sold in order to seek more favorable prices, lower brokerage commissions or more efficient execution. In such case, Dorset will place an aggregate order with the broker on behalf of all such accounts in order to ensure fairness for all accounts for which no directed brokerage arrangement is in place (or which permit “step-out” trades); provided, however, that trading shall be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. Dorset will determine the appropriate number of shares to place with brokers and will select the appropriate brokers based upon Dorset’s determination of who will likely provide best execution, except for those accounts with specific brokerage direction (if any). Transactions for Dorset employees and/or affiliated entities are not typically aggregated with orders for Clients and are not given preferential treatment over Client orders. Dorset will not aggregate trades for accounts subject to regulation under ERISA with trades for any other Client accounts. Generally allocations are determined by the Portfolio Managers in accordance with these policies. Allocations are determined prior to a trade and documented on trade date. Allocations of an aggregated order are made to each Client using the average execution price for such aggregated orders.

IPO Allocations

When the availability of a particular investment opportunity is limited, including securities issued in IPOs, Dorset intends to allocate such opportunity among applicable Clients in such manner as Dorset deems equitable to all parties.

In general, allocations of IPOs and new issues and other public offerings, are made on the basis of pre-established criteria across those eligible accounts seeking to purchase the securities and for which the securities are appropriate. Where the Portfolio Managers determine that the security will not likely be sold in the near term, they may determine to sell the securities on the secondary market (thereby realizing gains) and subsequently purchase them for a broader universe of accounts or, where permitted, “cross” them with other accounts. IPOs and new issues will be restricted to certain accounts within each Fund and/or to Managed Account Clients who are eligible to participate in new issue profits. Accounts which are not prohibited from purchasing or selling IPOs or new issues may participate in such transactions. IPOs and new issues will generally be allocated on a pro rata basis to all eligible investors within a Fund and/or Managed Account based on the asset size of each participating Fund and/or Managed Account, as applicable. As a result, certain Fund investors and Managed Account Clients may have greater opportunities than others to invest in IPOs and new issues.

ITEM 13 – REVIEW OF ACCOUNTS

David M. Knott and/or one or more of Dorset's Portfolio Managers review Client portfolios on both a group and an individual basis for appropriateness of holdings and transactions in light of each Fund's and/or Managed Account's investment strategy.

Dorset's compliance department (the "Compliance Department") also engages in a series of reviews for the Dorset Funds to insure that Dorset complies with each Client's investment guidelines. In addition, Dorset reviews all trade confirmations within 24 hours of execution and Dorset reviews and reconciles custodial account statements of all Client accounts with Dorset's portfolio management system on a daily basis. The financial statements for each Fund are audited annually by an independent public accountant.

Dorset communicates regularly with its Clients and the investors in the underlying Dorset Funds, providing monthly and/or quarterly unaudited statements, which set forth the performance of the Fund and/or Managed Account and other financial data and information. All Managed Account Clients receive written confirmation of all securities transactions when executed, unless the Managed Account Client gives a specific written request not to receive confirmations.

Investors in the Funds also receive the Fund's audited financial report and all Clients and the underlying investors in the Dorset Funds receive the information necessary for the investor to complete its annual federal income tax return, as applicable. Dorset also responds to periodic requests by Dorset Fund investors and Managed Account Clients to value the investor's investment and to provide certain additional information.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Dorset employees attend conferences at which employees may be given gifts and/or trinkets that are typically less than \$50 in value. Employees may also receive or give gifts or similar items including entertainment from or to other professionals, as long as gifts are less than \$250 in value per gift or instance and less than \$500 per donor per year and the value of entertainment is less than \$1,000 per incident or \$3,000 per year. Employees must obtain approval prior to giving or receiving any gift or entertainment that is valued above these thresholds. The receipt of these gifts could create the incentive for Dorset to refer business to these professionals when it may not be in the Client's best interest to do so. On a quarterly basis, employees are required to report all such gifts in excess of \$50 and entertainment in excess of \$100 in value, and Dorset conducts a periodic review to ensure that business is not being referred to a third party as a result of improper gift giving.

Dorset may enter into written arrangements with third parties to act as solicitors for Dorset's investment management business. Dorset currently has three such agreements for referrals of investors to certain of the Funds. The agreements memorializing these

arrangements each provide that all compensation to such solicitors will be fully disclosed to each Client consistent with applicable law. The Client will incur no additional costs or expenses as a result of any such compensation arrangements. As applicable, all such referral activities will be conducted in accordance with SEC Rule 206(4)-3 under the Advisers Act.

ITEM 15 – CUSTODY

With respect to the Dorset Funds, Dorset and KPM are deemed to have custody by virtue of their status as investment manager and/or general partner, respectively. The qualified custodians primarily utilized by Dorset are Goldman Sachs & Co. (or its affiliates), Citi Global Markets Inc., and HSBC US Private Bank. In addition, Dorset maintains assets at various savings banks who are also qualified custodians. A list of all such custodians is included in Part 1 of Dorset's ADV.

To ensure compliance with Rule 206(4)-2 under the Advisers Act, Dorset provides all Dorset Fund investors with audited financial statements within 120 days of the end of the Dorset Fund's fiscal year, which are prepared in compliance with Rule 206(4)-2.

With respect to its Managed Account Clients, Dorset does not have custody of the Client funds and securities in such accounts because Dorset does not deduct advisory fees or other expenses directly from such accounts (nor does it have the power to do so without the consent/action of the Managed Account Client). Payment of fees to Dorset for the Managed Account Clients are processed via an invoice that is delivered to the respective Managed Account Client or an agent designated by the Managed Account Client in the investment management agreement (i.e., the broker) and Dorset is then paid by the Managed Account Client or the designated agent (i.e., the broker). The Managed Account client will receive account statements from its qualified custodian and should carefully review those statements.

ITEM 16 – INVESTMENT DISCRETION

Dorset's fiduciary duty requires it to give investment advice that is suitable and appropriate to each Client, and to have an adequate basis in fact for its investment recommendations. Dorset has been granted discretionary authority to manage the securities accounts of its Clients. Pursuant to this grant of discretionary authority, Dorset is authorized to purchase and sell securities, select brokers, and negotiate commission rates subject to the guidelines set forth in the private placement memoranda for each Fund and/or the investment management agreement for each Managed Account Client. For Managed Account Clients, terms specific to discretionary investment authority are individually negotiated and documented in the investment management agreement.

ITEM 17 – VOTING CLIENT SECURITIES

Dorset has responsibility for making investment decisions that are in the best interest of its Clients. As part of the investment management services it provides to Clients, Dorset

generally has the responsibility to vote proxies appurtenant to the shares held in its Clients' portfolios. As a fiduciary, Dorset believes that it has as duty to manage assets solely in the best interest of its Clients, and that the ability to vote proxies is a Client asset. Accordingly, Dorset has a duty to vote proxies in a manner in which it believes will add value to the Client's investment. Dorset may amend its proxy voting policies at any time.

Dorset's investment management agreements with its Clients grant Dorset the authority to cast all proxy votes. As required by the Advisers Act, Dorset has adopted a proxy voting policy, which provides that Dorset will act in the best interest of its Clients in determining whether and how to vote on any proxy voting matter. Dorset has retained the services of an independent proxy voting service, which votes proxies in accordance with Dorset's guidelines and retains the proxy voting records for six years or such other period as may be required by applicable law or regulation.

Dorset's Portfolio Managers consult with the investment team concerning the best method to resolve any actual or apparent conflicts of interest between the interests of Dorset and its Clients, in a manner that affords priority to the interests of the Clients. If the conflict is personal to a Portfolio Manager, the Portfolio Manager will designate others to address the issues presented by the proxy vote.

Clients may obtain a copy of the proxy voting policy and information on how Dorset voted Client securities by addressing a request for such policy or information to Dorset's Chief Compliance Officer at 485 Underhill Boulevard, Syosset, NY 11791.

ITEM 18 – FINANCIAL INFORMATION

Dorset does not charge or solicit pre-payment of \$1,200 in fees per Client six months or more in advance. Dorset has no financial commitment that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to Clients. Dorset has not been the subject of a bankruptcy proceeding.

ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable.