

**Brochure**  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Alsis Funds LLC (“Alsis Funds”) and Alsis Mexico Funds, LLC (“Alsis Mexico”) (collectively, “Alsis”). If you have any questions about the contents of this brochure, please contact Ricardo Rivera, Chief Compliance Officer, at 786-363-1400 or [rrivera@alsisfunds.com](mailto:rrivera@alsisfunds.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.

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

Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

July 1, 2013

**Item 2: Material Changes**

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**Annual Update**

This Item 2 is not applicable.

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#### **Item 4: Advisory Business**

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##### **A: Firm Description**

Alsis Funds LLC (“Alsis Funds”) is a Delaware limited liability company formed on June 20, 2006. Alsis Mexico Funds, LLC (“Alsis Mexico”) is a Delaware limited liability company formed on December 15, 2010. Xavier Gonzalez-Sanfeliu and David L. Sanchez Tembleque Cayazzo each beneficially own more than 25% of both Alsis Funds and Alsis Mexico indirectly through intermediate subsidiaries.

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##### **B: Types of Advisory Services**

Alsis provides investment advisory services on a discretionary basis only to private pooled investment vehicles not registered under the Investment Company Act of 1940, as amended (the “1940 Act”) (each, a “Client” or “Fund”, collectively, the “Clients” or “Funds”).

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##### **C: Tailored Services**

Alsis tailors its advisory services to the needs of Clients. Under certain circumstances, Clients may impose restrictions on investing in certain types of assets.

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##### **D: Wrap Fee Programs**

Alsis does not participate in any wrap fee programs.

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##### **E: Client Assets Under Management**

As of July 1, 2013, Alsis managed \$63,112,000 of regulatory assets under management on a discretionary basis. Alsis does not currently manage any regulatory assets under management on a non-discretionary basis.

## **Item 5: Fees and Compensation**

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### **A. Description**

During the investment period for a particular Fund or until a certain percentage of a Fund's capital commitments have been drawn down, Alsic receives an annual management fee ranging from 1.25%-2.0% of capital committed to a Fund. Following the investment period or after a certain percentage of a Fund's capital commitments have been drawn down, Alsic will receive fees ranging from 1.25%-2.0% of invested capital. In addition, an affiliate of Alsic also receives a carried interest of net cash flow that varies depending on the terms of the Funds.

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### **B. Fee Billing**

Management fees will be deducted from the Funds' assets quarterly in advance.

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### **C. Other Fees and Expenses**

Each Fund shall bear and charged with all costs and expenses of the Fund's activities and operations, including, without limitation: (i) all fees, costs, and expenses, if any, incurred in developing, negotiating, structuring, acquiring, holding, financing, refinancing, monitoring, disposing of, or otherwise dealing with loan assets, portfolio investments and authorized investments pursued for the Fund, whether or not the Fund actually invests therein, including, without limitation, broken deal expenses, any travel, legal, due diligence, telecommunications, investment banking, reporting, projections, tax and accounting expenses and other fees and out-of-pocket costs related thereto; (ii) the costs of rendering financial assistance to or arranging for financing for any assets or businesses constituting an authorized investment; (iii) taxes of the Fund, fees of auditors, counsel and other advisers of the Funds, insurance costs of the Fund and litigation costs of the Fund; (iv) administrative expenses related to the operation of the Fund, including, without limitation, the fees and expenses of accountants, lawyers and other professionals incurred in connection with the Fund's annual audit, data processing, tax planning, engineering, investment-level management and servicing, environmental, financial reporting, legal opinions and tax return preparation and similar services, as well as expenses associated with the distribution of reports and capital demand notices to the partners; (v) interest expenses, brokerage commissions and other investment costs incurred by or on behalf of the Fund; (vi) the expenses associated with the advisory committee and Partner meetings; (vii) indemnification expenses incurred; (viii) all other customary expenses; (ix) costs associated with any fund leverage facility; and (x) amounts to be contributed or advanced to any portfolio investment for the purpose of that entity or investment paying any cost of the type described herein.

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### **D. Fees in Advance**

Management fees are deducted quarterly from a Fund's assets in advance. If the Fund dissolves prior to the end of a quarter or if the investment management agreement between a Fund and Alsic is terminated prior the end of a quarter, Alsic will refund to the Fund a pro rata portion of the management fee based on the number of days in the quarter that the investment management agreement was effective.

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### **E. Securities Compensation**

Not applicable.

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

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The Funds will pay to an affiliate of Alsis performance-based fees, if earned, in the form of carried interest as described in Item 5.A. Generally, all of the Funds managed by Alsis will be charged both management fees and performance-based fees, if earned. None of Alsis's supervised persons manages any clients individually outside of Alsis.

**Item 7: Types of Clients**

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**Description**

Alsis currently provides only investment advisory services on a discretionary basis to private pooled investment vehicles not registered under the 1940 Act.

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

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### **A. Methods of Analysis and Investment Strategies**

The Funds' central objective is to generate attractive risk-adjusted returns through the investment in SME Direct Private Lending in Mexico mainly in three sectors: infrastructure, financial services, and affordable housing. The Funds may invest via senior debt, mezzanine debt or quasi-equity structures. The Funds may also invest in a diversified portfolio of investments, including but not limited to, other asset classes such as debt instruments backed by loan portfolios, residential assets, non-residential assets, commercial real estate, land, equities (domestic and international) and equity-related securities, derivatives, foreign currency exchange transactions, hedges, or other financial instruments and derivatives such as options, futures and swaps. The Funds' investments are collectively referred to herein as the "Investments" or "Portfolio Investments."

#### *Investment Strategy*

The Funds' primary strategy is to take advantage of investment opportunities in Mexico by investing in DPL (direct private lending) transactions such as warehouse lending facilities, sale lease back transactions, contract monetization, and direct asset purchases. The Funds invest in the following asset classes:

- Infrastructure: equipment lease portfolios and government agency contract financing.
- Financial services: residential mortgage related assets (non-performing loans) and payroll deducted consumer loans (target investment allocation:
- Affordable housing: senior, mezzanine or quasi-equity loans for low income housing developments.

Alsis believes that Mexico presents an attractive investment opportunity due to a growing per capita GDP and a young population. We also believe that Mexico is poised for a boom in domestic consumption and is well positioned for global trade. Mexico has four socio-economic characteristics that may contribute substantially to the growth of the country: (i) macro stability; (ii) demographic bonus; (iii) NAFTA and other free trade agreements; and (iv) economic reforms.

Alsis's investment strategy follows a combination of disciplined investment selection, detailed due diligence process, vigilant risk management, development of products, deal flow, and long term investment relationships. Our investment strategy focuses on:

- Asset based specific opportunities rather than corporate credits or equities.
- Flexible credit oriented strategies customized to the asset financed:
  - Step 1: Segregate the assets financed from the corporate balance sheet and place in bankruptcy remote trust.



- Step 2: Select seniority and priority of cash flows by providing senior, mezzanine, or quasi-equity financing, always senior to its investment partner's equity.

### **Investment Portfolio**

The Portfolio Investments made by the Funds will include numerous types of debt and equity instruments in Mexico. The Funds will attempt to diversify its Investments such that the development life cycle will vary among its Investments.

Through prior transactions, and relationships built over several years, the Alsiss' principals have developed a robust network of originators from which the Funds is expected to benefit. This network includes large financial institutions, medium sized companies, governments, and deal originators / brokers, and is expected to result in (a) access to opportunities before these are publicly offered to the market, and (b) the ability of Alsiss to shape and structure the transactions directly. Alsiss has continued nurturing existing originator relationships and developing new relationships. In addition, we believe that the macroeconomic environment of the region has provided us a larger deal pipeline with an adequate risk-return profile.

### **Underwriting**

Alsiss utilizes modeling tools customarily used in the industry in evaluating each potential investment. Alsiss will use the information derived from this analysis in determining whether a project is an appropriate investment for the Funds. Selecting and investing in projects with an anticipated holding period that does not exceed the targeted life of the Funds (8-10 years) will enable the Funds to capitalize on the potential for capital appreciation of such investment, while also providing for a level of liquidity consistent with the Funds' investment objective of providing either liquidity or a return of capital within a three to six year period. However, economic or market conditions may influence the Funds' ability to hold its Investments for different periods of time. The Funds may also invest in markets that are depressed with the anticipation that, within the anticipated holding period, the markets will recover and favorably impact the value of these investments.

### **Debt Financing**

The proper use of leverage will permit the Funds to put less of its own capital at risk in an acquisition, and at the same time maximize potential returns on invested capital. In such cases, leverage would be extended to the SPVs in a given acquisition transaction, and not directly to the Funds or the Funds. The Funds may enter into financing arrangements that increase or substantially modify its use of leverage. Limited Partners will be advised, though not necessarily in advance, of any such financing arrangements, which may not exceed 50% of the Funds' capital.

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**B and C. Material Risks for Investment Strategies and Types of Securities:**

Investing in any of the securities issued by the Funds managed by Alsis (the “Offered Securities”) involves a high degree of risk and is suitable only for persons having substantial financial resources who understand the consequences of, and the risks associated with such an investment. Some of those risks are summarized below. Investors should carefully consider all the risks discussed below and should consult their own legal, tax, and financial advisers about these and other risks associated with an investment in the Offered Securities. Investing in securities involves risk of loss that investors should be prepared to bear, including total loss of the invested amount. Please refer to the applicable private placement memorandum for the appropriate for a more detailed discussion of risks.

***Disruptions in global capital and credit markets, including events related to the debt crisis of the Euro zone, may have a material adverse effect on the Funds’ investments.***

Recent conditions in the global markets and economy are unprecedented and have become a challenge that generated tighter credit conditions, slower growth and recession in most of the major economies in 2009 and has continued until 2012. Despite signs of recovery, there is continuing concern about the systemic impact of inflation, the availability and cost of credit, the decline in property values and geopolitical problems that contribute to volatile markets and uncertain expectations for the global economy. These conditions, together with decreased levels of business and consumer confidence, rising unemployment and volatile oil prices, contributed to unprecedented levels of volatility in capital markets during recent years. In addition, events related to the debt crisis in the Euro zone could have an impact on the overall availability of credit and the lending capacity of the Mexican financial system. The sovereign debt crisis in the Euro area could result in losses for the international banking sector and reduced capital flows to emerging markets like Mexico in the coming years. Any additional disruption, continued or recurring, to the capital markets and credit can adversely affect the Funds’ investments and its ability to pay distributions. As a result of these market conditions, cost and availability of credit have been and may continue to be adversely affected. Concern about the stability of the markets in general and the strength of the counterparties in particular has led many institutional investors and creditors to reduce and in some cases fail to provide financing to businesses and consumers. These factors have led to a decrease in spending by businesses and consumers and a corresponding decrease in global infrastructure spending. If these market conditions persist, recur or worsen the long term, it may limit the ability of debtors to restructure their liabilities when they come due and to access credit markets to meet their liquidity needs.

***We operate in a highly competitive market for investment opportunities.***

A number of entities will compete with us to make the types of investments that we plan to make. We will compete with other domestic and foreign public and private funds; commercial and investment banks, private and public finance companies, and a number of other investors. Many of our competitors are substantially larger and have

considerably greater financial, technical and marketing resources than we do. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establishment relationships than us. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

***If we engage in securitizations, we may be exposed to additional risks.***

We intend to securitize certain of the asset-backed loans in the portfolios acquired by the Funds and/or SPVs in order to generate cash for the funding of new investments. To securitize Portfolio Investments, a wholly-owned subsidiary will contribute a pool of Portfolio Investments to an SPV. We could then sell interests in the SPV on a non-recourse basis, to purchasers who we would expect to be willing to accept a lower interest rate to invest in investment-grade loan pools; and we would retain a portion of the equity in the securitized pool of portfolio investments. An inability to successfully securitize a loan portfolio could limit our ability to grow our business, fully execute our business strategy, or achieve the desired rates of return on invested capital. Moreover, the successful securitization of loan portfolios might indirectly expose the Funds to losses as the residual portfolios in which we do not sell interests will tend to be those that are riskier and more likely to generate losses.

***If we are unable to complete securitizations or if we experience delayed loan sales or securitization closings, we could face a liquidity shortage which would adversely affect our operating results.***

Our overall investment strategy relies significantly upon securitizations to generate cash proceeds to repay borrowings and replenish borrowing capacity. If there is a delay in a securitization closing or any reduction in our ability to complete securitizations, we may be required to utilize other sources of financing, which, if available at all, may not be on similar terms. In addition, delays in completing securitizations will expose us to credit and interest rate risks for this extended period of time. Several factors could affect our ability to complete securitizations of our loans, including:

- conditions in the securities and secondary markets;
- credit quality of the loans acquired;
- volume of our loan acquisitions;
- our ability to obtain credit enhancements;
- downgrades by rating agencies of our previous securitizations; and
- lack of investor demand for purchasing components of the securities.

***A prolonged economic downturn or recession would adversely affect our financial results.***

The economies of the various jurisdictions in which the Funds may invest have undergone in the past and may, in the future, undergo a period of economic slowdown. An economic downturn or a recession may have a significant adverse impact on our operations and our financial condition because it could negatively affect the value of properties underlying our Portfolio Investments at a time when defaults on the mortgage loans underlying our Portfolio Investments are more likely. Accordingly, we could experience larger than anticipated losses on our Portfolio Investments due to higher loss rates on the underlying residential mortgage loans.

## **RISKS OF LEVERAGE**

***We expect to leverage Portfolio Investments, which may adversely affect the return on our investments and may reduce cash available for distribution.***

We expect to leverage Portfolio Investments at the Funds and/or SPV level through borrowings, generally through the use of warehouse facilities, bank credit facilities, repurchase agreements, securitizations, including the issuance of collateralized debt obligations, loans to entities in which we hold, directly or indirectly, interests in pools of properties or loans, and other borrowings. The percentage of leverage may vary depending on our ability to obtain credit facilities and the lender's and rating agencies' estimate of the stability of the Portfolio Investments' cash flow. The return on our investments may be reduced to the extent that changes in market conditions cause the cost of our financing to increase relative to the income that can be derived from the assets acquired. We may not be able to meet our debt service obligations and, to the extent that we cannot, we risk the loss of some or all of our assets to foreclosure or sale to satisfy our debt obligations. A decrease in the value of our assets may lead to margin calls which we will have to satisfy. We may not have the funds available to satisfy any such margin calls.

***An increase in our borrowing costs relative to the interest we receive on our Portfolio Investments may adversely affect our profitability.***

As borrowing instruments mature, Alsic may be required to enter into new agreements or to sell certain Portfolio Investments. An increase in short-term interest rates at the time that we seek to enter into new agreements would reduce the spread between our returns on our Portfolio Investments and the cost of our borrowings. This change in interest rates would adversely affect returns on our Portfolio Investments that are subject to prepayment risk.

***The Funds' use of leverage may increase our risk and restrict our activities.***

The Funds may use substantial leverage to carry out its investment activities. Such leverage may be achieved through, among other methods, borrowing funds, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and

reverse repurchase agreements and swaps. The use of leverage magnifies the degree of risk, including the risk of substantial or even total loss to the Funds of its invested capital. The more the Funds leverage its assets, the more likely a substantial change will occur, either up or down, in the value of its interests. This increased leverage magnifies the degree of risk to the Funds.

Additionally, the terms of any financing arrangement may contain various financial and other covenants relating to the Funds and their ongoing operations. Such covenants may restrict the Funds' activities and their ability to distribute cash to investors. Failure by the Funds to comply with such covenants could result in losses to the Funds.

***Possible market developments could cause our lenders to limit their loans to the Funds or require us to pay down our loans. If our financing is reduced, the return on the Funds' Investments will be adversely affected. If our assets are insufficient to meet the lenders' payment requirements, then we may be compelled to liquidate particular assets at an inopportune time.***

Possible market developments, including a sharp rise in interest rates, a change in prepayment rates or increasing market concern about the value or liquidity of one or more types of the underlying assets in which our portfolio is concentrated, may cause our sources of leverage to limit or reduce their loans to the Funds and/or require payment of the Funds' loans. Any reduction in the financing available to the Funds will limit the Funds' ability to diversify its Investments and will adversely affect the returns realized on the Funds' Investments. Any requirement for payment of the Funds' loans may compel us to liquidate assets at a disadvantageous time, thus adversely affecting our operating results, liquidity, financial condition, and returns.

***Hedging against interest rate exposure may adversely affect our earnings.***

We may enter into interest rate swap agreements or pursue other hedging strategies. Our hedging activity will vary in scope based on the level and volatility of interest rates, the type of Portfolio Investments held, and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us because, among other things

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability;
- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and

- the party owing money in the hedging transaction may default on its obligation to pay.

## **GENERAL REAL ESTATE INVESTMENT RISKS**

### ***General risks.***

A significant portion of the Funds' capital will be invested in real estate assets and loans secured by real property. Real property investments, like all investments, are subject to varying degrees of risk. The yields available from Investments depend on the amount of revenue generated and expenses incurred. If Investments do not generate sufficient revenues to meet their acquisition and operating expenses, the Funds' cash flow and ability to pay distributions to its Limited Partners will be adversely affected. The revenues generated by, and the value of, a particular Investment may be adversely affected by a number of factors, including: the cyclical nature of the real estate market; national, regional and local economic climates; local real estate market conditions; fluctuations in operating costs; changes in interest rates; and the availability, cost and terms of financing. Real estate values are also affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental and other laws.

### ***Development risks.***

The Funds may participate in real estate developments and may be subject to the risks normally associated with such activities. Such risks include, without limitation, risks relating to the availability and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction (including risks beyond the control of the Funds, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the Investment and on the amount of funds available for distribution to the Limited Partners. Properties under development or properties acquired for development may receive little or no cash flow from the date of acquisition through the date of completion of development and may continue to experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that makes such development less attractive than at the time it was commenced.

### ***Zoning risks.***

Governmental authorities at the federal, state and local levels are actively involved in the promulgation and enforcement of regulations relating to land use, zoning restrictions and building and development requirements. Regulations may be promulgated which could have the effect of restricting or curtailing certain uses of existing structures or requiring that such structures be renovated or altered in some fashion. Such regulations could have

the impact of increasing the expenses and lowering the profitability of any of the properties affected thereby and/or preventing completion of development activities as originally planned.

***Lack of diversification.***

While diversification is an objective of the Funds, there can be no assurance as to the degree of diversification that will actually be achieved in the Funds' Investments, either by geographic region or asset type. Most, if not all, of the Funds' investments will be in Mexico. The Funds is, therefore, subject to increased exposure (positive or negative) from economic and other competitive factors specific to the markets within Mexico. In addition, the Funds intends to invest in affordable housing projects. Given the limited range of investments, the Funds may be negatively impacted by events affecting the housing sector predominantly or exclusively. Limited Partners may be able to achieve greater returns by investing in a broader portfolio of investments, including diversification by geographic region or type of property. Further, if the Funds makes an Investment in a single transaction with the intent of refinancing or selling a portion of the Investment, there is a risk that the Funds will be unable to successfully complete such a financing or sale. This could lead to increased risk as a result of the Funds having an unintended long-term Investment and reduced diversification. The Funds may participate in a limited number of investments and, as a consequence, the aggregate return of the Funds may be materially and adversely affected by the unfavorable performance of a single investment.

***Environmental.***

The Investments of the Funds may be subject to various federal, state and local laws, ordinances, regulations and administrative rulings, which, among other things, establish standards for the treatment, storage and disposal of hazardous waste. Joint and several liabilities may be imposed on past and present owners and users of real property for hazardous substance remediation and removal costs without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. Although Alsic intends to comply with applicable environmental rules and regulations, the Funds may be exposed to substantial risk of loss from environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental liabilities. Also, the Funds cannot give any assurance that such conditions do not exist or may not arise in the future and the presence of such substances on the Funds' real estate Investments could adversely affect the Funds' ability to sell such Investments or to borrow using such Investments as collateral and also may have an adverse effect on the Funds' distributable cash flow and the value of the Investment. Under such environmental laws, the Funds could be liable for, among other things, the cost of removal or remediation of certain hazardous or toxic substances. The cost of any required remediation and the Funds' liability therefor as to any property are generally not limited under such laws and could exceed the value of the property underlying the Investments. Therefore, the Funds may be exposed to substantial risk of loss from environmental claims arising in respect of any real properties underlying the Investments.

### ***Harmful mold and other air quality issues.***

When excessive moisture accumulates in buildings or on building materials, mold may grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to radon, airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of the Funds' properties could require the Funds to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose the Funds to liability from its tenants and others if property damage or health concerns arise.

### ***Risk of bridge financing.***

If the Funds makes an Investment with the intent of subsequently financing a portion of that Investment, there is a risk that the Funds will be unable to successfully complete such a financing. This could lead to the Funds having a larger amount of capital invested in an Investment than anticipated and reduced diversification.

### ***Expedited transactions.***

Investment analyses and decisions by Alsic may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to Alsic at the time of making an investment decision may be limited, and it may not have access to detailed information regarding the investment property, such as physical characteristics, environmental matters, zoning regulations or other local conditions affecting an investment property. Therefore, no assurance can be given that Alsic will have knowledge of all circumstances that may adversely affect an Investment. In addition, Alsic expects to rely upon independent consultants in connection with its evaluation of proposed investment properties, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants.

### ***Impact of future terrorist activity.***

The terrorist attacks in the United States on September 11, 2001 disrupted the global financial and insurance markets and negatively impacted the global economy in general, increasing many of the risks noted in this Memorandum. The Investments of the Funds or the areas in which they are located could be subject to future acts of terrorism. In addition to the potential direct impact of any such future act, future terrorist attacks and the anticipation of any such attacks could have an adverse impact on the U.S. and Mexican financial and insurance markets and economies, thus harming the demand for and the value of the Funds' Investments.



***The increase in criminal activity in Mexico may adversely affect the Funds' returns.***

Mexico is experiencing an increase in violent crime and kidnappings, due mainly to the activities of drug cartels, and conflicts between competing drug cartels, and government forces and drug cartels. These criminal activities may reduce the returns earned on the Funds' Portfolio Investments.

***Litigation.***

In the ordinary course of its business, the Funds may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of the Funds and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the General Partner's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Real estate development projects are susceptible to lawsuits brought by purchasers of homes or condominiums claiming, among other things, that the building contains construction flaws, does not comply with plans and specifications or is not otherwise in compliance with the purchase contract or applicable law. Lawsuits of this type can result in the expenditure of significant sums of money to defend the lawsuits and result in the payment of damages to the plaintiffs or in the form of remediation costs to correct the alleged deficiencies.

***Competition for buyers of residences.***

Competition with other builders could reduce the number of residences the Funds delivers, or cause the Funds to accept reduced margins in order to maintain sales volume. The Funds will also compete with resales of existing used or foreclosed residences, housing speculators and available rental housing. Increased competitive conditions in the residential resale or rental markets could decrease demand for new residences and increase cancellations of sales contracts in backlog.

***Supply shortages and other risks related to the demand for skilled labor and building materials.***

The residential building industry is highly competitive for skilled labor and materials. Increased costs or shortages of skilled labor and/or lumber, framing, concrete, steel and other building materials could cause increases in construction costs and construction delays. The Funds will generally be unable to pass on increases in construction costs to those customers who have already entered into sale contracts, as those sales contracts generally fix the price of the residence at the time the contract is signed, which may be well in advance of the construction of the residence. Sustained increases in construction costs may, over time, erode margins on the Funds' Investments, and pricing competition for materials and labor may restrict the Funds' ability to pass on any additional costs, thereby decreasing the Funds' performance.

### ***Government regulations.***

New housing developments may be subject to various assessments for schools, parks, streets and other public improvements. These can cause an increase in the effective prices for the residences. In addition, increases in property tax rates by local governmental authorities can adversely affect the ability of potential customers to obtain financing or their desire to purchase new residences.

The impact of environmental laws varies depending upon the prior uses of the building site or adjoining properties and may be greater in areas with less supply where undeveloped land or desirable alternatives are less available. These matters may result in delays, may cause the Funds to incur substantial compliance, remediation and other costs, and can prohibit or severely restrict development and homebuilding activity in environmentally sensitive regions or areas.

### ***Warranty and liability claims.***

A residential builder may be subject to residence warranty, title and construction defect claims arising in the ordinary course of business. The Funds also may be subject to liability claims arising in the course of construction activities. Because of the uncertainties inherent to these matters, the Funds cannot provide assurance that its insurance coverage, the insurance of those building the residences and the Funds' reserves will be adequate to address all warranty, title and construction defect claims in the future. Contractual indemnities can be difficult to enforce, the Funds may be responsible for applicable self-insured retentions and some types of claims may not be covered by insurance or may exceed applicable coverage limits. Additionally, the coverage offered by and the availability of general liability insurance for construction defects are currently limited and costly. There can be no assurance that coverage will not be further restricted and become even more costly.

### ***Natural disasters and severe weather conditions.***

The occurrence of natural disasters or severe weather conditions can delay new residence deliveries, increase costs by damaging inventories, reduce the availability of materials and negatively impact the demand for new residences in affected areas. Furthermore, if the Funds' insurance does not fully cover business interruptions or losses resulting from these events, the Funds' performance could be adversely affected.

### ***Sensitivity of demand for new residences to economic conditions.***

Demand for residences is sensitive to changes in economic conditions such as the level of employment, consumer confidence, consumer income, the availability of financing and interest rate levels. If mortgage interest rates increase or if any of these other economic factors adversely change in Mexico, the ability or willingness of prospective buyers to purchase new residences could be adversely affected and cancellations of pending contracts could further increase, resulting in a decrease in the Funds' revenues and earnings.

***Additional costs due to reduced numbers of residence sales.***

The Funds' investments may incur many costs even before residences are built in a community. These include costs of preparing land and installing roads, sewage and other utilities, as well as taxes and other costs related to ownership of the land on which residences will be built or improved lots developed. Reducing the rate at which residences are built extends the length of time it will take to recover such costs. Also, the Funds' portfolio companies may acquire options to purchase land and make deposits that will be forfeited if the options are not exercised within specified periods.

***Pre-sale risk.***

Residences may be pre-sold to buyers during the construction of the properties. If so, buyers may be required to advance cash payments or deposits in order to purchase a residence. However, buyers who no longer wish to purchase a residence may be allowed to cancel their contractual obligations upon surrender of their cash payments or deposits. Such pre-sales may cause certain residences to remain unsold for longer periods of time than if such pre-sales had not occurred as other buyers will not be able to purchase pre-sold residences and subsequent buyers may not be immediately found should a buyer cancel a pre-sale.

***The Funds and its portfolio companies may not be able to successfully market their properties.***

There can be no assurance that the residences, lots or other properties acquired or developed by the Funds will be sold at the times and prices projected. General economic conditions may not be as currently anticipated or the supply of properties may be greater than expected, thereby negatively impacting the ability to sell properties. Interest rates may increase making residence ownership more expensive and/or rental rates may decline making renting more attractive. Many other factors not noted above may also have a negative impact on the ability to sell residences, lots or other properties.

**Item 9: Disciplinary Information**

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**Legal and Disciplinary**

There are no legal or disciplinary events that are material to a Client's or prospective client's evaluation of Alsis's advisory business or the integrity of its management persons.

- A. Not applicable.
- B. Not applicable.
- C. Not applicable.

**Item 10: Other Financial Industry Activities and Affiliations**

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**A. Broker-Dealer**

Not applicable.

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**B. Financial Industry Activities**

Not applicable.

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**C. Affiliations**

1. Not applicable.

2. Alsis Funds LLC is the investment manager to Alsis Latin America Funds, L.P. and Alsis Mexico Funds, LLC is the investment manager to Alsis Mexico Opportunities Funds Holdings, LP. Each of these entities is a Delaware limited partnership and a private pooled investment vehicle.

3. Alsis Funds LLC, Alsis Mexico Funds, LLC, Alsis Mexico International Holdings, LLC, and Alsis Latin America Funds GP, LP, each of which are related persons since they are under common control, are each investment advisers.

4. Alsis Latin America Funds GP, LP, a Delaware limited partnership, is a commodity pool operator that is exempt from CFTC registration and NFA membership pursuant to CFTC Rule 4.13(a)(3).

5. Not applicable.

6. Not applicable.

7. Not applicable.

8. Not applicable.

9. Not applicable.

10. Not applicable.

11. Alsis Funds LLC and Alsis Mexico Funds, LLC are each sponsors/syndicators of the Funds.

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**D. Compensation for Referrals.**

Not applicable.

**Item 11: Code of Ethics, Participation or Interest in Client Transactions and personal Trading**

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**A. Code of Ethics**

Alsis and its supervised persons have committed to a Code of Ethics that is available for review by investors and prospective investors upon request. Each supervised person of Alsis must read, sign and deliver a certificate of compliance with the Code of Ethics and may only effect a personal transaction in a limited offering or initial public offering by pre-approving such transaction with Alsis's Chief Compliance Officer. Each supervised person also must provide initial securities holdings reports and annual securities holding reports to the Chief Compliance Officer. Furthermore, each supervised person shall provide quarterly securities transaction reports related to personal securities transactions that are directly or indirectly beneficially owned by such supervised person.

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**B. Participation or Interest in Client Transactions**

An affiliate of Alsis currently serves as the general partner of each of the Funds. As the general partner, such affiliate maintains a capital account in each of the Funds. There is no conflict of interest in this arrangement since there is an economic alignment of interests between the Funds and Alsis because Alsis and its affiliates have capital invested in the Funds.

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**C. Participation or Interest in Client Transactions**

See response to Item 11.B above.

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**D. Participation or Interest in Client Transactions**

See response to Item 11.B above.

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## **Item 12: Brokerage Practices**

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### **A. Selecting Brokerage Firms**

Alsis may utilize broker-dealers to assist them in the underwriting and distribution of securities in its Funds. Alsis considers such factors as price, the ability of the broker-dealers to distribute and underwrite such securities, their personnel, reputation, experience, particular industry knowledge, reliability, financial responsibility and financial stability. Accordingly, if Alsis determines in good faith that the fees charged by a broker-dealer are reasonable in relation to the value of the service provided by such broker-dealer, Alsis, its affiliates and/or the applicable Funds may pay fees to such broker-dealer that are greater than those fees another broker-dealer might charge.

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### **1. Research and Other Soft Dollar Benefits**

Alsis does not receive research or other products or services other than execution from a broker-dealer or a third party.

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### **2. Brokerage for Client Referrals.**

- a. Not applicable.
  - b. Not applicable.
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### **3. Directed Brokerage**

- a. Not applicable.
  - b. Not applicable.
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### **B. Aggregation**

For the Funds, Alsis will not aggregate the purchase or sale of securities because the Funds invest in illiquid investments that cannot be aggregated.

**Item 13: Review of Accounts**

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**A. Periodic Review**

Ricardo Rivera, Alsis's Chief Financial Officer and Chief Compliance Officer, frequently reviews the investments and performance of the Funds.

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**B. Review Triggers**

Other conditions that may trigger a review are changes in applicable laws, new investment information, a default, changes in the market and changes in a particular Fund's circumstances.

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**C. Regular Reports**

Audited annual financial statements of the Funds managed by Alsis will be prepared and sent to limited partners in the Funds within one-hundred and twenty (120) days following the close of each fiscal year. Alsis also will provide each limited partner in each Funds with unaudited performance information within forty-five (45) days of each quarter. Alsis will also provide to limited partners in each Fund a calculation of net asset value within twenty (20) days of the end of each calendar month. Finally, Alsis will provide each limited partner in each Fund with a Schedule K-1 for tax purposes.



**Item 14: Client Referrals and Other Compensation**

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**A. Referrals**

Alsis may hire third parties to solicit new investors in any of the Funds that it currently manages or manages in the future. The commissions or fees, if any, payable to such solicitors (also referred to as placement agents) with respect to solicitation of investments with Alsis will be paid solely by Alsis in compliance with all applicable laws. Clients will not pay fees for these solicitations. In addition, to the extent permitted by law, certain placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to Alsis or its affiliates. Such services, if any, will be provided at competitive rates.

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**B. Other Compensation**

See response to Item 14.A above.

**Item 15: Custody**

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**Account Statements**

Alsis currently has custody of funds and securities and as a result a qualified custodian will send quarterly or more frequent statements directly to the Funds managed by Alsis. Although the investors in the Funds will not receive directly account statements from Alsis, Alsis will provide each investor in each Fund with audited performance information annually, unaudited performance information quarterly and a calculation of net asset value on a monthly basis.

**Item 16: Investment Discretion**

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**Discretionary Authority for Trading**

Alsis will accept discretionary authority to manage investments on behalf of the Funds. A Fund does not customarily place any limitations on this discretionary authority, except as disclosed in the applicable limited partnership agreement or subscription agreement for such Fund.

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**Assumption of Authority**

Before Alsis assumes discretionary authority, investors in the Funds will sign a limited power of attorney by execution of the limited partnership agreement or subscription agreement for the applicable Fund.

**Item 17: Voting Client Securities**

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**A. Proxy Voting**

Alsis does not currently accept authority to vote securities held by any of its Funds. If Alsis does accept authority to vote such securities in the future, Alsis will adopt voting policies and procedures in compliance with Rule 206(4)-6 under the Advisers Act.

B. Not applicable.

**Item 18: Financial Information**

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**A. Balance Sheet**

Not applicable.

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**B. Financial Condition**

Not applicable.

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**C. Bankruptcy Petition**

Not applicable.