

**Item 1. – Cover Page**

**Dorchester Private Equity Management, LLC  
Part 2A of Form ADV  
The Brochure**

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This brochure provides information about the qualifications and business practices of Dorchester Private Equity Management, LLC (“DPEM” or the “Advisor”). If you have any questions about the contents of this brochure, please contact us at (310) 402-5090. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

In this brochure, DPEM refers to itself and certain affiliates as registered investment advisers. This means that DPEM and the relevant affiliates are registered as investment advisers under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). Advisers Act registration does not and should not be read to imply a certain level of skill or training.

## Item 2. - Material Changes

There have been no material changes to DPEM's business since the initial filing of its Part 2 of Form ADV in February 2012.

This updated Brochure contains a new fund description in Item 4 and enhancements to Item 11 which discloses a potential conflict of interest and clarifies Dorchester's policy on cross transactions between its clients.

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## Item 4. - Advisory Business

Dorchester Private Equity Management, LLC (the “Advisor” or “DPEM”) is the investment manager to the following funds (each, individually, a “Fund” and, collectively, the “Funds”): Dorchester Private Equity I, L.P., a Delaware limited partnership (“DPE”), Dorchester Shared Opportunities II, LP, a Delaware limited partnership (f/k/a Dorchester Private Equity II, L.P., “DSO II,” and, with DPE, the “Private Equity Funds”), Dorchester Capital Secondaries, L.P., a Delaware limited partnership (“DCS”), Dorchester Capital Secondaries Offshore, L.P., a Cayman Islands exempted limited partnership (“DCS Offshore”), Dorchester Capital Secondaries II, L.P., a Delaware limited partnership (“DCS II”), Dorchester Capital Secondaries Offshore II, L.P., a Cayman Islands exempted limited partnership (“DCS Offshore II,” and, with DCS, DCS Offshore and DCS II, the “Secondaries Funds”), Dorchester AB Partners, LP, a Delaware limited

partnership (“Dorchester AB”) and Dorchester Capital Credit Opportunities Offshore, LP (“DCCOO”).

DPEM serves as the general partner of each of the Funds and, as such, is responsible for implementing each Fund’s investment objectives and strategies.

The investment objective of each of the Private Equity Funds is to seek to achieve capital appreciation by investing, directly or in the secondary market, in private equity funds, including, without limitation, buyout funds, mezzanine funds, hedge funds and venture capital funds (each an “Investment Fund,” and, collectively, all investments made by a Fund, “Investment Funds”), without restriction on such funds’ industry, sector, country focus or stage.

The investment objective of each of the Secondaries Funds is to achieve capital appreciation primarily by acquiring interests in existing hedge funds (also “Investment Funds”) in secondary market transactions. DC Offshore invests substantially all of its assets in DCS and DCS Offshore II invests substantially all of its assets in DCS II. DCS and DCS II then invest directly in Investment Funds.

The investment objective of Dorchester AB is to seek to achieve capital appreciation by acquiring an interest in one Investment Fund whose investment objective is to achieve superior returns on invested capital by (i) funding the purchase, rehabilitation and eventual disposition of whole loan mortgages and REO properties, the origination of mortgages and the purchase of other residential mortgage-related assets and (ii) owning a portion of the Arch Bay Capital platform.

The investment objective of DCCOO is to seek to achieve capital appreciation by investing in credit-oriented opportunities arising from the shrinking of bank balance sheets and global deleveraging.

Each Fund (other than Dorchester AB) may invest in shares, interests or units of the other funds sponsored by a DPEM affiliate (“Affiliated Funds”) and may co-invest with Affiliated Funds or Investment Fund sponsors in certain transactions. The DPEM affiliates are Dorchester Capital Advisors, LLC, a Delaware limited liability company (“DCA”), and Dorchester Capital Advisors International, LLC, a Delaware limited liability company (“DCAI”). Each of DCA and DCAI is under common control with DPEM. DCA is an SEC-registered investment adviser and is the investment manager to three Delaware limited partnerships: Dorchester Capital Partners, L.P., Dorchester Select Opportunities Fund, L.P. (the “Select Onshore Fund”) and Dorchester Capital Lakeside, L.P. DCAI, an affiliate of DPEM and an SEC-registered investment adviser, is the investment manager to two Cayman Islands companies: Dorchester Capital International, Ltd. and Dorchester Capital International Select Opportunities, Ltd. (“Dorchester Select”), as well as the investment manager for EAH, Ltd., DSH2, Ltd. and HPEL, Ltd., Cayman Island companies in which the Secondaries Funds invest. Each of these funds seeks to achieve its objective by investing in a diversified group of separate accounts and private funds sponsored by investment managers. Dorchester Select invests in the Select Onshore Fund.

Each Fund may also invest in short-term debt securities, money market instruments and interests in one or more investment companies or funds that invest in comparable investments.

DPEM tailors its advisory services to the specific objectives of each Fund. It does not tailor its investment advice to the investment objectives or specific needs of any investor in a Fund (each, a “limited partner” of that Fund).

Each Fund (other than DCS II and DCS II Offshore) is fully invested and not making new investments or accepting new investors.

DPEM was founded in December 2005 and is primarily owned by Mark Steven Zucker and Michael Halpern. Messrs. Zucker and Halpern are managing members and co-Chief Investment Officers (“CIOs”) of DPEM. As of December 31, 2012, DPEM managed approximately \$450 million on a discretionary basis on behalf of the Funds. DPEM does not manage any assets on a non-discretionary basis.

## **Item 5. - Fees and Compensation**

For its services to each Fund (other than to Dorchester AB) DPEM is entitled to receive management fees. Each relevant Fund’s management fees are payable quarterly in advance.

The management fee payable to DPEM by DPE for each calendar quarter is one-fourth of 0.75% of the amount of all capital contributions used by the Fund to make investments or committed, as evidenced by a written contract, letter of intent or heads of agreement, for making investments or meeting capital calls with respect thereto, less write-offs and write downs, determined by reference to the income tax basis of the investment (“Invested Capital”). The management fee payable to DPEM by DSO II for each calendar quarter is one-fourth of 1.00% of DSO II’s Invested Capital.

The management fee payable for each calendar quarter by DCS is one-fourth of 1.00% of the net asset value of DCS. DCS Offshore does not pay DPEM a management fee; however, as a limited partner of DCS, DCS Offshore bears its share of the management fee paid to DPEM.

DCS II and DCS II Offshore are each still in their “Investment Period.” During the Investment Period, the Management Fee payable to DPEM by DCS II for any calendar quarter is one-fourth of 1.00% (0.25%) of each DCS II limited partners’ capital commitment. Thereafter, the management fee for any calendar quarter is one-fourth of 1.00% (0.25%) of each DCS II limited partner’s capital account balances as of the last day of the prior calendar quarter, except that, after the date which is the fifth anniversary of the initial closing (which occurred May 1, 2011), the management fee will be 0.50% of each DCS II limited partner’s capital account balance as of the last day of the prior calendar quarter. DCS II Offshore does not pay DPEM a management fee; however, as a limited partner of DCS II, DCS II Offshore bears its share of the management fee paid to DPEM.

Management fees are pro-rated for quarters of less than three calendar months. Each limited partner of a Fund generally bears its *pro rata* share of the management fees paid by that Fund to DPEM. In addition, if limited partners are admitted to a Fund other than the first day of calendar quarter, or after the initial closing date of a Fund, DPEM may charge an additional management fee for such calendar quarter and/or otherwise adjust allocations to the partners of that Fund.

The management fee with respect to any limited partner of a Fund may be waived or modified in whole or in part by DPEM, in its sole and absolute discretion.

Generally, DPEM requests a conservative amount of the quarterly management fee in the first month of the quarter (roughly 90% of the quarter's expected management fee). The applicable Fund's administrator/custodian makes the payment. Once the prior quarter numbers are finalized, DPEM requests the balance of the management fee from the applicable Fund administrator/custodian. DPEM reconciles its internal management fees and the amounts calculated by the applicable Fund administrator on a quarterly basis, with any differences being included in the next quarterly payment.

In addition to management fees, DPEM is entitled to a distribution of profits (a "Carried Interest") from each Fund, other than DCS Offshore and DCS II Offshore. DPEM is not entitled to a Carried Interest in DCS Offshore or DCS II Offshore; however, as a limited partner of DCS and DCS II, respectively, DCS Offshore and DCS II Offshore (and each limited partner thereof) each bears its share of the Carried Interest paid by the applicable Fund to DPEM. The Carried Interest is payable to DPEM only after payment to the limited partners of a return of capital contributions, plus a specified rate of return. The specified rates of return range from generally 8% -10%. After payment of the specified return to limited partners, DPEM receives 100% of the distributions until it has received an amount ranging from 10%-20% of the aggregate amounts distributed to the limited partners. Thereafter, the limited partners and DPEM share in the profits in specified percentages. DPEM's share ranges from 10%-20% of the profits. Upon dissolution of a Fund, DPEM is required to restore funds to a Fund to the extent that DPEM has received cumulative Carried Interest distributions in excess of the amount that DPEM was entitled to receive on a cumulative basis (with a netting of gains and losses), provided, that in no event is DPEM required to restore more than the cumulative distributions received by it with respect to its Carried Interest net of tax liabilities incurred by DPEM and its members with respect to such distributions. For DPE, the specified rate of return is 8% and DPEM's distribution and profits percentage is 10%. For DSO II, the specified rate of return is 8% and DPEM's distribution and profits percentage is 15%. For DCS, the specified rate of return is 8% and DPEM's distribution and profits percentage is 15%. For DCS II, the specified rate of return is 8% and DPEM's distribution and profits percentage is 15%. For Dorchester AB, the specified rate of return is 8% and DPEM's distribution and profits percentage is 20%.

DPEM may waive, reduce or modify the Carried Interest with respect to any limited partner, in whole or in part, in its sole and absolute discretion.

The Funds purchase interests in and shares of Investment Funds and, therefore, investors in the Funds are paying multiple layers of fees. Investors in a Fund pay a management fee (other than Dorchester AB) and carried interest to DPEM and, indirectly through the Fund's investments in Investment Funds, pay an additional management fee and/or performance fee or allocation to the underlying managers of Investment Funds ("Underlying Managers").

The fees and allocations charged to a Fund are described in more detail in that Fund's offering documents.

Each Fund bears its transaction (*e.g.*, brokerage commissions), administrative, custody, legal (including blue sky compliance), technology costs and expenses associated with the research and monitoring of Fund investments, insurance expenses (including a portion of the D&O and E&O policies covering DPEM and its personnel), tax preparation, accounting and audit expenses, and any expenses for services that the Fund requires DPEM to obtain. DPEM is reimbursed for any of such expenses it bears on a Fund's behalf. In addition to a Fund's direct expenses, each Fund, as an investor in Investment Funds, indirectly bears its own *pro rata* share of the expenses of those Investment Funds. These indirect expenses may include, without limitation, a Fund's *pro rata* share of an Investment Fund's investment expenses (such as custodial fees and brokerage commissions) and overhead expenses (such as rent, personnel expenses, equipment, supplies, management and consulting fees and similar expenses) and any profit participations or carried interests for Underlying Managers.

Each Fund (other than Dorchester AB) may also invest in shares, interests or units of Affiliated Funds. In addition, as described above, DCS Offshore invests in interests in DCS and DCS Offshore II invests in interests of DCS II. Except as set forth in Item 5 above, no DPEM affiliate that serves as investment manager, general partner or adviser of such fund will receive any management fees, incentive allocation or performance fees from a Fund's investment in the fund.

A discussion of DPEM's brokerage policies and procedures is set forth in Item 12, to the extent applicable. These policies are extremely limited, however, because the Funds generally invest in Investment Funds in private transactions and do not use broker/dealers to effect securities transactions.

## **Item 6. - Performance Based Fees and Side-by-Side Management**

As stated in the Fees and Compensation section above, DPEM receives a Carried Interest in each Fund.

The fact that DPEM is compensated based on performance may create an incentive for DPEM to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation arrangements.

DPEM and its affiliates share common employees, including portfolio managers, as discussed in Item 10 below. These portfolio managers make investment decisions for the Funds and for Affiliated Funds. As a result, DPEM and its affiliates may have an incentive to favor accounts through allocation of investments to Funds in which the required returns to limited partners prior to payment of the Carried Interest are lower, thus creating a greater possibility of payment of the Carried Interest, or to Funds in which the Carried Interest percentage is higher.

In counteracting such incentives, DPEM and its affiliates have designed and implemented policies and procedures to ensure that all Funds and Affiliated Funds are treated fairly in connection with allocation of investment opportunities, and to prevent any conflict of interest from influencing allocations of these investment opportunities. In the event that the Funds or one or more Funds and an Affiliated Fund purchases or sells interests or shares in the same Investment Fund, it is

DPEM's and its affiliates' general policy to allocate purchase or sale opportunities on a *pro rata* basis to all appropriate Funds and Affiliated Funds. In the case of purchase opportunities, this determination will be made by reference to the approximate net asset value of the appropriate Funds and Affiliated Funds, and, in the case of sales, the approximate net asset value of interests or shares owned by all appropriate Funds and Affiliated Funds.

Allocations of purchases of interests or shares in secondary market purchases ("SMP," "Secondary" or "Secondaries") may be appropriate for DCS II (the only Fund that is not fully invested and is making new investments) and also for certain Affiliated Funds. Notwithstanding the *pro rata* allocation policy described above, allocations to other Affiliated Funds may be made only if the size (based on purchase price) of the SMP is greater than 2% of committed capital in DCS II. When a Secondary exceeds 2% of the committed capital of DCS II at cost, and an Affiliated Fund would like to participate, then the allocations of the amount above 2% will be made *pro rata* to the requested amount so long as the requested amounts are within the sizing guidelines mentioned below. Wherever there is excess or it is hard to split, the bias is to allocate to DCS II as it is structured to better match the possible long tail liquidity, and less predictable and infrequent cash flows. The participation of funds other than DCS II is dependent on the cash flow and capacity of the Affiliated Funds, as well as other criteria specific to each Secondary.

If an applicable member of management responsible for the Funds' and/or Affiliated Funds' investments, such as a Chief Investment Officer ("CIO") or a member of DPEM's Investment Committee, believes that an exception should be made to DPEM's general policy of the *pro rata* allocation of purchase or sale opportunities or an exception should be made to the allocation policy relating to Secondaries, or that any other exception to the allocation policies should be made, that CIO will be required to raise such proposed exception before the entire Executive Committee (composed of the two co-CIOs and the Chief Operating Officer) and the Chief Compliance Officer, (collectively the "Exception Committee"). The Exception Committee, as a whole, will then discuss the matter and will only recommend an exception to DPEM's allocation policies if it determines that, under the circumstances, such exception would be in the best interests of the Funds and/or any applicable Affiliated Funds and their investors. The Exception Committee must record any recommendation that is not included within certain enumerated categories of exceptions, in writing, including the basis for such recommendation, and present the same to the Chief Compliance Officer, who will make final written determination with respect to the proposed exception.

## **Item 7. - Types of Clients**

DPEM is the general partner (and investment manager) of each Fund pursuant to the Limited Partnership Agreement of each Fund. *See* Item 4, above.

Each investor in a Fund generally must be (1) an "accredited investor," as defined in Regulation D under the U.S. Securities Act of 1933, as amended ("1933 Act") and (2) a "qualified purchaser" under the U.S. Investment Company Act of 1940, as amended ("1940 Act"), and the rules thereunder.

Each Fund also has a minimum required investment amount of \$2,000,000, which amount may be waived by DPEM in its sole and absolute discretion.

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

The Funds focus on the merits of individual transactions. Each Secondaries Fund's success will primarily depend on the initial purchase discounts obtained when acquiring interests in Investment Funds, as well as capital appreciation derived from the performance of the Investment Funds. Each Private Equity Fund's success is subject to many factors, including (1) DPEM's ability to successfully select investments, (2) the quality of the Underlying Managers and the management of the companies in which the Investment Funds invest, (3) general economic and market conditions and (4) the Investment Funds' ability to liquidate their investments on a profitable basis. Dorchester AB's success is dependent upon the success of the Arch Bay Capital Platform and the ability to successfully purchase and/or originate performing mortgage loans.

The Funds may invest without restriction to the industry, sector, country or stage of such investments. The Funds do not invest in Investment Funds with a particular strategy or strategies.

DPEM's broad experience within various parts of the investment management industry provides a large network from which it can source potential Investment Funds. DPEM's Research Team's expertise comes from a variety of backgrounds including Wall Street investment banking, research and trading, private equity, institutional investment and hedge fund management. DPEM's team includes professionals who have built relationships over more than 20 years each in their respective disciplines. Michael Halpern and Mark Zucker, the Advisor's Managing Members and co-CIOs, both previously founded and ran their own hedge funds. David Mann, the Advisor's Chief Operating Officer, worked at Goldman Sachs for more than twelve years, where he headed up their Prime Brokerage business in Asia and their Fund Administration business in the Cayman Islands. These backgrounds provide many relationships and references.

In considering potential investments for the Funds, DPEM will undertake a review of the prospective Investment Fund and its management, examine such criteria as the relative experience of management and the performance of their prior investment, the terms of the offering documents, and the portfolio diversification of the Investment Fund. DPEM will also generally review the underlying assets of the Investment Fund in order to arrive at an independent estimate of that Investment Fund's intrinsic value.

All investing involves a risk of loss, including loss of principal invested. There are certain risks involved in the strategies pursued by DPEM for the Funds. Certain of these risks are described below. A potential investor in a Fund, however, will be provided with offering documents that contain a more fulsome discussion of the risks involved in such an investment and the applicable Fund's investment activities.

### General Risks

*Multiple Investment Managers.* Because the Funds invest in Investment Funds generally managed by unaffiliated Underlying Managers who make their trading decisions independently, it



is theoretically possible that one or more of such Underlying Managers may, at any time, take investment positions that are opposite of positions taken by other Underlying Managers. It is also possible that the Underlying Managers selected by DPEM may on occasion be competing with each other for similar positions at the same time. Also, a particular Underlying Manager may take positions for its other clients that are opposite to positions taken for an Investment Fund selected by DPEM.

*Multiple Layers of Fees and Expenses.* The Funds invest a substantial portion of their assets in Investment Funds. While providing investors with diversification, this multi-manager approach also exposes investors to several layers of fees, incentive allocations and expenses. In addition to the fees paid to DPEM, each Investment Fund may charge a management fee, an incentive allocation and/or a performance fee and may incur expenses. It is expected that Investment Funds' management fees will generally be 1% to 2% and the incentive allocations, performance fees and/or carried interests will generally be 15% to 25%. These fees and expenses reduce the returns generated by a Fund and, in the aggregate, may be higher than fees charged by investment funds with a single manager. The returns realized by Fund investors may be substantially less than the returns the investors would realize from engaging in the same activities directly, if they were able to make such investments directly without investing in a Fund.

*Access to Information from Underlying Managers.* DPEM may request information from each Underlying Manager regarding the Underlying Manager's historical performance and investment strategy. DPEM may also request detailed portfolio information on a continuing basis from each Underlying Manager retained on behalf of a Fund. However, DPEM may not always be provided with such information because certain of this information may be considered proprietary information by the particular Underlying Manager. This lack of access to information may make it more difficult for DPEM to select, evaluate and monitor Underlying Managers and their Investment Funds.

*Limited Ability to Verify Valuation Information.* The value of a Fund's investment in an Investment Fund will generally be determined in accordance with the valuation policies of the Investment Fund and its Underlying Manager. Such valuations will generally be calculated by the Investment Fund, the Underlying Manager or its agent, not by the Fund, any Fund administrator or DPEM. A Fund, as an investor in an Investment Fund, has only limited access to the portfolio holdings of such Investment Fund and, thus, the Fund and DPEM may have a limited ability or no ability to independently verify the valuation information provided by the Investment Fund and Underlying Manager.

*Liquidity Risk.* Each Fund represents a long-term investment. There is no public market for the interests in the Funds, which interests may generally not be withdrawn, redeemed, assigned, transferred or encumbered without DPEM's prior written approval (which it may withhold in its sole and absolute discretion). There generally exists a very thinly traded or no market for the investments made by the Funds or made by the Underlying Managers in underlying companies and/or investments, and such trading may be restricted under federal and state securities laws.

#### Risks of Investment in the Private Equity Funds

Private Equity/ Venture Investing. The Private Equity Funds' success is subject to many factors, including (1) DPEM's ability to successfully select Investment Funds, (2) the quality of the Underlying Managers and the management of the companies in which the Investment Funds invest, (3) general economic and market conditions and (4) the Investment Funds' ability to liquidate their investments on a profitable basis. Many of the companies in which the Investment Funds invest may have little operating history, may not be operating profitably, may have limited or no revenue, may be thinly capitalized and may operate in new or developing industries and/or in developing countries. In addition, many of the Underlying Managers may have no prior operating history or track record on which to rely. As a result, an investment in a Private Equity Fund carries a high degree of business and financial risk and may result in substantial losses.

Illiquidity. There generally exists a very thinly traded or no market for the investments made by the Private Equity Funds or made by the Underlying Managers in underlying companies and investments and such trading may be restricted under federal and state securities laws. In general, it takes several years for these underlying companies to reach a stage of maturity at which realization events could occur, and some never reach this stage. Accordingly, it is unlikely that any significant distributions will be realized until the later stages of a Private Equity Fund's term or that an investor will have an opportunity to liquidate its interests in the event of an unanticipated need for cash.

Emerging and Third-World Markets. The Private Equity Funds may invest with Underlying Managers who invest in emerging markets and/or third-world countries. The securities markets of emerging and third-world countries are generally smaller, less developed, less liquid, and more volatile than the securities markets of the United States and developed foreign markets. Disclosure and regulatory standards in many respects are less stringent than in the United States and developed foreign markets. Accounting and auditing standards in many markets are different, sometimes significantly, from those applicable in the United States or Europe, and may be less developed and less stringent than those of developed markets. There is substantially less publicly available information about companies located in emerging and third-world markets than there is about companies in other more developed jurisdictions. There also may be a lower level of monitoring and regulation of securities markets in emerging market and third-world countries and the activities of investors in such markets and enforcement of existing regulations has been extremely limited.

Many emerging and/or third-world countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have very negative effects on the economies and securities markets of certain emerging and third-world countries.

In many cases, governments of emerging and third-world countries continue to exercise significant control over their economies, and government actions relative to the economy, as well as economic developments generally, may affect companies doing business in these jurisdictions. In addition, there is a heightened possibility of expropriation or confiscatory taxation, imposition of withholding taxes on interest payments, or other similar developments that could affect investments in those countries. There can be no assurance that adverse political changes, or

changes in laws and regulations, will not cause the Private Equity Funds to suffer a loss of any or all of its investments.

The Private Equity Funds are also subject to *Currency Risk*, as described below.

#### Risks of Investing in the Secondaries Funds

Investment Strategies. The success of the Secondaries Funds depends on DPEM's ability to purchase interests in Investment Funds in secondary market transactions at what DPEM believes are attractive prices. Some of these Investment Funds may already have suspended the determination of their net asset values and/or redemptions, gated redemption requests and/or a substantial portion of their investments may be illiquid and/or more difficult to value. Accordingly, it may be more difficult to value interests in these Investment Funds and for DPEM to determine the appropriate price to pay for these interests. Success also depends on each Underlying Manager's ability to select individual securities, to correctly interpret market data, predict future market movements and otherwise implement its investment strategy. There can be no assurance that a Secondaries Fund will be able to purchase interests in any particular Investment Fund. No assurance can be given that the investment strategies to be used by a Secondaries Fund or an Investment Fund will be successful under all or any market conditions.

Leverage. Certain Investment Funds will seek to enhance returns through the use of leverage, which can be described as exposure to changes in price at a ratio greater than 1:1 in reference to the amount invested. Leverage magnifies both the favorable and unfavorable effects of price movements in the investments made by an Investment Fund, all of which may subject a Fund to substantial risk of loss.

Short Selling. Some of the Investment Funds will engage in short selling, both as part of their general investment strategy and for hedging purposes. Short selling involves selling securities that are not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows an Investment Fund to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss upon such repurchase. An Investment Fund's obligations under its securities loans will be marked to market daily and collateralized by that Investment Fund's assets held at the broker, including its cash balance and its long securities positions. Because securities loans must be marked to market daily, there may be periods when the securities loan must be settled prematurely, and a substantial loss would occur.

Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short selling exposes an Investment Fund (and thus a Fund) to unlimited risk with respect to that security due to the lack of an upper limit on the price to which an instrument can rise.

Equity Securities. The value of the equity securities held by the Investment Funds are subject to market risk, including changes in economic conditions, growth rates, profits, interest

rates and the market's perception of these securities. The value of a Secondaries Fund's investment in an Investment Fund will increase and decrease, reflecting fluctuations in the value of the underlying securities held by the Investment Fund.

*Debt and Other Income Securities.* Investment Funds may invest in fixed-income and adjustable-rate securities. Income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are generally inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. In general, the values of fixed income securities increase when prevailing interest rates fall and decrease when interest rates rise. Because of the resetting of interest rates, adjustable rate securities are less likely than non-adjustable rate securities of comparable quality and maturity to increase or decrease significantly in value when market interest rates fall or rise, respectively. Market risk relates to the changes in the risk or perceived risk of an issuer, country or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of income securities may be affected by changes in the credit rating or financial condition of the issuing entities. Income securities denominated in non-U.S. currencies are also subject to the risk of a decline in the value of the denominating currency relative to the U.S. dollar.

The debt securities in which the Investment Funds may invest are not necessarily required to satisfy any minimum credit rating standard and may include instruments that are considered to be of relatively poor standing and have predominantly speculative characteristics with respect to capacity to pay interest and repay principal. The Investment Funds may invest in bonds rated lower than investment grade, which may be considered speculative. The Investment Funds may also invest a substantial portion of their assets in high-risk instruments that are low rated or unrated.

*Convertible Securities.* Some of the Investment Funds will invest in convertible securities ("Convertibles"), which are generally debt securities or preferred stocks that may be converted into common stock. Convertibles typically pay current income as either interest (debt security convertibles) or dividends (preferred stocks). A Convertible's value usually reflects both the stream of current income payments and the value of the underlying common stock. The market value of a Convertible performs like that of a regular debt security; that is, if market interest rates rise, the value of a Convertible usually falls. Since it is convertible into common stock, the Convertible generally has the same types of market and issuer risk as the underlying common stock. Convertibles that are debt securities are also subject to the normal risks associated with debt securities, such as interest rate risks, credit spread expansion and ultimately default risk, as discussed below. Convertibles are also prone to liquidity risk, as demand can dry up periodically, and bid/ask spreads on bonds can widen significantly.

An issuer may be more likely to fail to make regular payments on a Convertible than on its other debt because other debt securities may have a prior claim on the issuer's assets, particularly if the Convertible is preferred stock. However, Convertibles usually have a claim prior to the issuer's common stock.

Derivatives. Certain Investment Funds may invest in derivatives. Derivatives are financial contracts whose values depend on, or are derived from, the value of an underlying asset, reference rate or index. Investment Funds may use derivatives for any number of purposes including, among other things, as a substitute for taking a position in the underlying asset or as part of a strategy designed to reduce or increase exposure to other risks, such as interest rate or currency risk. An Investment Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this section, such as interest rate risk, market risk and credit risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. If an Investment Fund invests in a derivative instrument, it could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that an Investment Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

Option Transactions. The purchase or sale of an option by an Investment Fund involves the payment or receipt of a premium payment and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security or other instrument in excess of the premium payment received.

OTC Transactions. Certain Investment Funds may invest in derivative instruments that are not traded on organized exchanges and, as such, are not standardized. These transactions are known as over-the-counter ("OTC") transactions. In general, there is less governmental regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. This exposes an Investment Fund to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. In addition, an Investment Fund will be subject to the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy, governmental prohibition or other causes, which could subject the Investment Fund, and thus the investing Fund, to losses.

Futures Contracts and Options on Futures Contracts. In entering into futures contracts and options on futures contracts, there is a credit risk that a counterparty will not be able to meet its obligations to an Investment Fund. The counterparty for futures contracts and options on futures contracts traded in the United States and on most foreign futures exchanges is the clearinghouse associated with such exchange. In general, clearinghouses are backed by the corporate members of the clearinghouse who are required to share any financial burden resulting from the non-performance by one of its members and, as such, should significantly reduce this credit risk. In cases where the clearinghouse is not backed by the clearing members (*i.e.*, some

foreign exchanges), it is normally backed by a consortium of banks or other financial institutions. There can be no assurance that any counterparty, clearing member or clearinghouse will be able to meet its obligations to an Investment Fund.

In addition, under the Commodity Exchange Act (“CEA”), futures commission merchants are required to maintain customers’ assets on a segregated basis. If an Investment Fund engages in futures and options contract trading and the futures commission merchants with whom the Investment Fund maintains accounts fail to so segregate the Investment Fund’s assets or are not required to do so, the Investment Fund will be subject to a risk of loss in the event of the bankruptcy of any of its futures commission merchants. Even where customers’ funds are properly segregated, an Investment Fund might be able to recover only a *pro rata* share of its property pursuant to a distribution of a bankrupt futures commission merchant’s assets.

*Non-U.S. Investments.* Investment in non-U.S. issuers or securities principally traded outside the United States may involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive, accounting reporting and disclosure requirements than domestic issuers. The securities of some foreign governments and companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets. The foregoing risks associated with non-U.S. investments are even greater in emerging markets.

*Non-U.S. Exchanges and Markets.* An Investment Fund may engage in trading on non-U.S. exchanges and markets. Trading on such exchanges and markets may involve certain risks not applicable to trading on U.S. exchanges and is frequently less regulated. For example, certain of those exchanges may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants, as do U.S. exchanges. There also may be less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on those exchanges. Some non-U.S. exchanges, in contrast to U.S. exchanges, are “principals’ markets” in which performance is the responsibility only of the individual member with whom the trader has dealt and is not the responsibility of an exchange or clearing association. Furthermore, trading on certain non-U.S. exchanges may be conducted in such a manner that all participants are not afforded an equal opportunity to execute certain trades and may also be subject to a variety of political influences and the possibility of direct government intervention. Investment in non-U.S. markets is also subject to the risk of fluctuations in the exchange rate between the local currency and the dollar and to the possibility of exchange controls. Foreign brokerage commissions and other fees are also generally higher than in the United States.

*Currency Risk.* The value of an Investment Fund’s assets may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred when an Investment Fund changes investments from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the

relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments.

***Mortgage-Related Securities.*** Mortgage-related securities are collateralized by residential or commercial mortgages or pools of residential or commercial mortgages. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations. These securities may include complex instruments such as collateralized mortgage obligations, stripped mortgage-backed securities, mortgage pass-through securities, interests in real estate mortgage investment conduits, as well as other real estate-related securities. The mortgage-related securities in which the Investment Funds invest may include those with fixed, adjustable, floating or variable interest rates, those with interest rates that change based on multiples of changes in a specified index of interest rates and those with interest rates that change inversely to changes in interest rates, as well as those that do not bear interest. The mortgage-related securities in which the Investment Funds invest may also relate to balloon mortgages.

Mortgage-related securities are subject to credit risks associated with the performance by the mortgagors. In certain instances, the credit risk associated with mortgage-related securities can be reduced by third-party guarantees or other forms of credit support. Improved credit risk does not reduce prepayment risk, which is unrelated to the rating assigned to the mortgage-related security. Prepayment risk can lead to fluctuations in value of the mortgage-related security, which may be pronounced. If a mortgage-related security is purchased at a premium, all or part of the premium may be lost if there is a decline in the market value of the security, whether resulting from changes in interest rates or prepayments on the underlying mortgage collateral. Certain mortgage-related securities that may be purchased by the Investment Funds, such as inverse floating rate collateralized mortgage obligations, have coupons that move inversely to a multiple of a specific index, which may result in a form of leverage. As with other interest-bearing securities, the prices of certain mortgage-related securities are inversely affected by changes in interest rates. However, although the value of a mortgage-related security may decline when interest rates rise, the converse is not necessarily true, since in periods of declining interest rates the mortgages underlying the security are more likely to be prepaid. For this and other reasons, a mortgage-related security's stated maturity may be shortened by unscheduled prepayments on the underlying mortgages. Therefore, it is not possible to predict accurately the security's return to the Investment Funds. Moreover, with respect to certain stripped mortgage-backed securities, if the underlying mortgage securities experience greater than anticipated prepayments of principal, the Investment Funds may fail to fully recoup their initial investment even if the securities are rated in the highest rating category by a rating agency. During periods of rapidly rising interest rates, prepayments of mortgage-related securities may occur at slower than expected rates. Slower prepayments effectively may lengthen a mortgage-related security's expected maturity, which generally would cause the value of such security to fluctuate more widely in response to changes in interest rates.

Investments in subordinated mortgage-backed securities ("MBS") involve greater credit risk of default than the senior classes of the issue or series. Default risks may be further

pronounced in the case of MBS secured by, or evidencing an interest in, a relatively small or less diverse pool of underlying loans.

*Risks of Investing in Real Estate and Real Estate Securities.* An Investment Fund may invest in real estate either directly through a subsidiary or special purpose entity or indirectly through real estate related securities. An Investment Fund will usually invest in a real estate asset on a passive basis, giving a third-party operating partner and/or property manager a large degree of authority and responsibility for daily management of the assets. An Investment Fund may also invest a portion of its assets in a concentrated portfolio of real estate securities. An Investment Fund may in large part be dependent on the ability of third parties to successfully operate the underlying real estate assets. If an Investment Fund invests in real estate with a joint venturer or partner, the Investment Fund may be unable to exercise sole decision-making authority (including determining when to liquidate such assets) and will be subject to the risk that a joint venturer or partner will act negligently or in a manner contrary to the Investment Fund's best interest. Movements in the overall real estate market due, for example, to changes in property values, cyclical changes in the economy, vacancies of rental properties, overbuilding, environmental liabilities, changes in local laws, changes in property taxes, changes in the Internal Revenue Code of 1986, as amended ("Code"), or changes in interest rates could adversely impact an Investment Fund. In addition, the real estate securities in which an Investment Fund may invest are potentially subject to the impact of leverage at both the property and entity levels. For example, real estate investment trusts ("REITs") generally invest in real estate operating properties that can be highly leveraged (through both on and off balance sheet financing).

#### Risks of Investing in Dorchester AB

*Risks of Investment in Mortgage Loans.* Loans made by the Investment Fund in which Dorchester AB invests will generally be collateralized by real estate. Accordingly, the value of a loan may be detrimentally affected if the real estate collateral declines in value. To that extent, Dorchester AB will be subject to the risks generally incident to the ownership of real property, including: uncertainty of cash flow to meet fixed and other obligations; adverse changes in local market conditions, population trends, neighborhood values, community conditions, general economic conditions, local employment conditions, interest rates and real estate tax rates; changes in fiscal policies; changes in applicable laws and regulations (including tax laws); and uninsured losses and other risks that are beyond the control of DPEM. In addition, to the extent the Investment Fund in which Dorchester AB invests becomes the owner of real estate as a result of a foreclosure, Dorchester AB could be exposed to significant carrying costs prior to the liquidation of the asset and may be unable to realize the value assigned to the asset upon liquidation of the asset. Further, certain loans may be supported, in whole or in part, by personal guarantees made by the borrower or a relative, or guarantees made by a corporation affiliated with the borrower. The amount realizable with respect to a loan may be detrimentally affected if a guarantor fails to meet its obligations under the guarantee.

In addition, active lending/origination by the Investment Fund in which Dorchester AB invests may subject Dorchester AB to additional regulation, as well as possible adverse tax consequences to the limited partners. Finally, there may be a monetary, as well as a time cost



involved in collecting on defaulted loans and, if applicable, taking possession of and subsequently liquidating various types of collateral.

Investment in Dorchester AB is also subject to the risks set forth above in “*Risks of Investing in Real Estate and Real Estate Securities.*”

## **Item 9. - Disciplinary Information**

DPEM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an investor’s evaluation of DPEM or its personnel.

## **Item 10. - Other Financial Industry Activities and Affiliations**

DCA, an affiliate of DPEM and an SEC-registered investment adviser, is the investment manager to three Delaware limited partnerships: Dorchester Capital Partners, L.P., Dorchester Select Opportunities Fund, L.P. and Dorchester Capital Lakeside, L.P.

DCAI, an affiliate of DPEM and an SEC-registered investment adviser, is the investment manager to two Cayman Islands companies: Dorchester Capital International, Ltd. and Dorchester Capital International Select Opportunities, Ltd., as well as the investment manager for EAH, Ltd., DSH2, Ltd. and HPEL, Ltd., Cayman Island companies in which the Secondaries Funds invest.

DPEM, DCA and DCAI share common offices and share all of the same employees, including portfolio managers.

Neither DCA nor DCAI receives fees, carried interests or incentive allocations from the Funds.

Certain purchases of Investment Fund interests or shares in secondary market transactions may be appropriate for one or more of the Funds and Affiliated Funds. Allocation procedures are described in Item 6.

DPEM, DCA and DCAI serve as general partner and/or investment manager to several private investment funds and thus maintain nominal capital accounts with respect to such funds. In addition, certain members, officers or employees of DPEM invest in such funds. These members, officers or employees may pay or make reduced or no fees or allocations in such funds, as applicable.

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

DPEM has adopted a Code of Ethics (the “Code”) that sets forth standards of conduct expected of advisory personnel and addresses potential conflicts that arise from personal trading by advisory personnel. DPEM also has policies involving the safeguarding of proprietary and non-public information by Advisor personnel along with restrictions on the use of insider information and the use of non-public information.

Under the Code, employees are required to provide both initial and annual securities holdings reports as well as periodic transactions reports.

In addition, Investment Persons (as defined below) are prohibited from investing in initial public offerings of securities. Under the Code, “Investment Person” means (i) any employee who is involved in making securities recommendations to DPEM; (ii) any employee of DPEM who, in connection with his or her regular functions or duties, makes or participates in making recommendations regarding the purchase or sale of securities by a Fund; (iii) any natural person who controls DPEM and who obtains information concerning recommendations made to a Fund regarding the purchase or sale of securities by the Fund; and (iv) any employee otherwise designated by the Chief Compliance Officer in writing that such person is an Investment Person. The definition of Investment Person is applied so as to include, without limitation, all DPEM employees that would be “access persons” under the Advisers Act and the rules thereunder.

Under the Code, DPEM’s employees and their family members are prohibited from purchasing interests in any Private Fund unless permission is received in advance from the Chief Compliance Officer. Under the Code, a “Private Fund” is defined to include any private investment fund, including a private investment fund that relies on the exclusion from the definition of “investment company” set forth in either Section 3(c)(1) or Section 3(c)(7) of the 1940 Act. Employees and their family members may invest in a Fund only with the prior written approval of the Chief Compliance Officer. Employees and their family members are permitted to own interests in Private Funds if they owned such interests prior to the initial effective date of the Code or prior to becoming employees (or, in the case of family members, prior to the relevant access person becoming an access person). In such cases, Advisor employees and their family members must seek the prior written approval of DPEM’s Chief Compliance Officer prior to redeeming or transferring such interests.

Craig Carlson, DPEM’s Chief Compliance Officer, currently is required to report issues that arise under the Personal Trading Policy to DPEM’s co-CIOs at least annually. Fund investors and prospective investors can obtain a copy of the Code by contacting DPEM at (310) 402-5090.

As noted above, DPEM, DCA and DCAI serve as general partner and/or investment manager to several private investment funds and thus maintain nominal capital accounts with respect to such funds. Certain of these capital accounts represent only a nominal investment. In addition, certain members, officers or employees of DPEM, DCA and DCAI invest in such funds (including the Funds). These members, officers or employees may pay or make reduced or no fees or allocations in such funds (including the Funds), as applicable. As noted above, investments in “Private Funds,” including the Funds, by members, officers or employees of DPEM or its affiliates requires pre-approval by the Chief Compliance Officer. The Chief Compliance Officer and/or his or her designee periodically reviews the trades of members, officers and employees listed on the quarterly transactions reports in order to monitor any conflicts of interest relating to such persons’ investments.

Certain investors in the Funds are also key personnel of the Underlying Managers for the Investment Funds. In some instances, certain of these Fund investors also maintain side letter arrangements granting preferential terms, such as “most favored nation” status for their investment

in the Dorchester Funds. These relationships and practices could present conflicts of interest; however, all investments these potential conflicts are minimized by the implementation of controls and practices described in Dorchester's written compliance policies and procedures.

DPEM does not engage in principal transactions with the Funds for its own account.

## **Item 12. - Brokerage Practices**

DPEM is responsible for implementing each Fund's investment objectives and strategies, as set forth in the applicable Fund's offering memorandum or limited partnership agreement.

DPEM expects to achieve each Fund's investment objectives by investing in Investment Funds managed by Underlying Managers that employ a variety of investment strategies. While DPEM makes decisions concerning the investment of assets in Investment Funds, each Underlying Manager arranges for the placement of buy and sell orders and the execution of portfolio transactions on behalf of the Investment Fund managed by that Underlying Manager. If a Fund invests with an Underlying Manager through a separate account, DPEM will seek to obtain a report from the Underlying Manager regarding the execution of trades made for the Fund in that account.

If DPEM were ever called upon to select a broker, it would do so in accordance with its duty to seek best execution for the Funds.

DPEM does not direct brokerage in the case of investments made with an Underlying Manager through a separate account. No investor in a Fund can direct DPEM to select a broker for any purpose.

DPEM has adopted procedures to address the allocation of investment opportunities between or among the Funds and/or Affiliated Funds. The procedures generally require the *pro rata* allocation of investment opportunities between or among the Funds and Affiliated Funds for which the investment opportunity would be appropriate. See Item 6, above. DPEM has developed special allocation policies relating to the allocation of investment opportunities in secondary market purchases of Investment Fund and private equity fund interests or shares. See Item 6, above.

## **Item 13. - Review of Accounts**

Each Fund's portfolio is reviewed by the co-CIOs on at least a quarterly basis. The review includes an analysis of the diversification of each Fund's assets, including exposure to market and other risks, and a review of the performance of the various Investment Funds and Underlying Managers in which and with which that Fund invests.

The Chief Financial Officer and Controller are responsible for monitoring accounting, administration and regulatory matters relating to the Funds. In addition, certain Funds have engaged an administrator and each Fund's auditor performs interim testing and annual reviews of the Funds, including verification of each Fund's cash flows, position valuations, and accounting.

Monthly performance estimates and capital account statements, written quarterly reports and annual audited reports are furnished to each investor in the Funds.

#### **Item 14. - Client Referrals and Other Compensation**

DPEM has entered into an agreement with a broker-dealer (a “Solicitor”) for the purpose of introducing prospective investors in DCS and DCS II to DPEM. DPEM pays fees to such Solicitors which fees generally consist of a portion of the management fees and may include a portion of the performance fees earned by DPEM from the investor introduced by the Solicitor.

#### **Item 15. - Custody**

As general partner of the Funds, DPEM is deemed to have custody of the Funds’ assets. All non-Investment Fund securities in which a Fund has invested are held in custody by unaffiliated broker-dealers or banks and many Investment Fund positions are also held in custody by unaffiliated broker-dealers or banks; however DPEM may have access to Fund accounts since it serves as the general partner of the Funds and certain of its officers and employees serve on the Funds’ boards of directors. Investors will not receive statements from the custodian. Instead, each Fund is subject to an annual audit by independent public accountants and the audited financial statements are distributed to each investor. The audited financial statements of a Fund will be prepared in accordance with U.S. generally accepted accounting principals and distributed to Fund investors within 180 days of such Fund’s fiscal year end.

#### **Item 16. - Investment Discretion**

DPEM is responsible for implementing each Fund’s investment objectives and strategies, as set forth in the applicable Fund’s offering memorandum or other offering documents. DPEM has full discretionary authority over the investment activities of each Fund pursuant to its limited partnership agreement. Any limitations on DPEM’s discretionary authority with respect to a Fund’s investments are set forth in that limited partnership agreement and/or the Fund’s offering memorandum.

#### **Item 17. – Voting Client Securities**

DPEM does not anticipate owning equity securities granting the Funds the right to vote proxies other than interests in the Investment Funds in which the Funds invest. However, should the Funds acquire the right to vote proxies, DPEM will exercise such voting authority in accordance with the policies and procedures it has adopted governing such voting.

DPEM generally will vote proxies so as to promote the long-term economic value of the underlying securities held by the Funds. Each proxy proposal will be considered on its own merits, and an independent determination will be made whether to support or oppose management’s position. DPEM believes that the recommendation of management should be given substantial weight, but DPEM will not support management proposals that DPEM believes may be detrimental to the underlying value of the Funds’ positions.

DPEM generally characterizes proxy voting issues into three Levels (I, II and III). Proxies are reviewed by the CIO most familiar with the company or fund issuing the proxy. The Level of a proposal will determine the depth of research required by the applicable CIO when deciding how to vote each proxy.

DPEM will receive and forward each proxy statement to the appropriate CIO to review. The CIO will examine the materials and then decide on how to vote based on the Level of the issue raised by the proxy. The CIO will communicate the decision to the Chief Compliance Officer, who will then arrange for the votes to be entered. The Chief Compliance Officer may employ a third-party or utilize specialized software to record and transmit proxy votes electronically. The communication between the CIO and the Chief Compliance Officer will be kept in its original form for the period required by the Advisers Act and the rules thereunder. After votes are cast, the Chief Compliance Officer will perform a review to ensure that all proxies received, and for which a voting obligation exists, have been voted.

The Chief Compliance Officer is responsible for administering and overseeing the proxy voting process. An investor may obtain a copy of DPEM's proxy voting policies as well as information about how DPEM has voted proxies for the Fund(s) in which that investor is a shareholder by calling (310) 402-5072.

## **Item 18. - Financial Information**

DPEM is not aware of any financial condition that is expected to affect its ability to manage the Funds.