



**withum<sup>‡</sup>**

## **Alternate Investent Fund**

*Financial Statements  
Reference Manual  
6th Edition 2022*

**Proforma**



# ProForma Alternative Investment Fund

## FINANCIAL STATEMENTS REFERENCE MANUAL

**DECEMBER 31, 20XX**

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2022

As the alternative investment community turned towards 2023 we did so in a much different economic environment than previous years. The SEC is setting an agenda with increased scrutiny on investment managers from investment strategies to how investment managers operate. One thing remains certain: when it comes to investor satisfaction and capital inflow, alternative investments rank at the head of the class.

With so many recent and anticipated changes on the horizon, managers must keep pace with the latest financial reporting standards, industry trends and hot-button topics - all in the name of running a successful investment vehicle.

As THE industry-leading one-stop resource for today's managers, Withum is pleased to roll out its Sixth Annual Financial Statements Reference Manual. Created solely to assist in financial-statement preparation in the wake of the latest National Exam Priorities, this manual reflects our exceptional expertise and commitment to ensure uniform industry reporting as well as transparency. Of important note: this manual and its examples are not intended to be a substitute for consulting with a qualified advisor. It is simply a general guide.

Once again, it is our pleasure to share this Sixth Annual Financial Statements Reference Manual as a desk guide. Should you have any questions or concerns, we encourage you to contact Withum. From start-up and fund formation to long-term audit, tax and compliance, Withum is the trusted advisor of choice throughout the entire alternative investment lifecycle.

The logo for Withum, featuring the word "Withum" in a stylized, cursive script font.

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# **Pro**Forma DOMESTIC FUND, L.P.

FINANCIAL STATEMENTS  
DECEMBER 31, 20XX





# Domestic Fund, L.P.

## Statement of Assets and Liabilities

December 31, 20XX

### Assets

|   |    |             |
|---|----|-------------|
| Investments in securities, at fair value (cost \$498,521,000) including<br>\$280,000 of securities loaned | \$ | 568,137,000 |
| Investments in private investment companies, at fair value (cost \$92,472,100) <sup>1</sup>               |    | 109,378,000 |
| Derivative contracts, at fair value   |    | 86,741,000  |
| Securities purchased under agreements to resell, at fair value (cost \$7,546,000)                         |    | 6,851,000   |
| Due from brokers  |    | 9,471,000   |
| Cash and cash equivalents   |    | 15,985,000  |
| Cash denominated in foreign currencies (cost \$410,000)   |    | 485,000     |
| Due from related parties  |    | 149,000     |
| Dividends and interest receivable   |    | 1,563,000   |
| Other assets  |    | 358,000     |
| Total assets  | \$ | 799,118,000 |

### Liabilities

|   |    |             |
|---|----|-------------|
| Securities sold short, at fair value (proceeds \$402,111,000) | \$ | 375,928,000 |
| Derivative contracts, at fair value                           |    | 83,652,000  |
| Payable for securities sold under agreements to repurchase    |    | 5,902,000   |
| Payable upon return of securities loaned                      |    | 301,000     |
| Due to brokers  |    | 7,544,000   |
| Dividends and interest payable                                |    | 405,000     |
| Advance capital contributions                                 |    | 913,000     |
| Management fee payable  |    | 847,000     |
| Loans payable   |    | 178,000     |
| Due to related parties  |    | 129,000     |
| Capital withdrawals payable                                   |    | 4,189,000   |
| Accrued expenses and other liabilities                        |    | 73,000      |
| Total liabilities   |    | 480,061,000 |

### Partners' capital

|  |    |             |
|--|----|-------------|
|  |    | 319,057,000 |
|  | \$ | 799,118,000 |

<sup>1</sup> Refer to appendix for schedule of investments details.

See accompanying notes to financial statements.

# Domestic Fund, L.P.

## Statement of Operations

Year Ended December 31, 20XX

### Investment income

|   |              |
|---|--------------|
| Interest  | \$ 3,791,000 |
| Dividends (net of foreign withholding taxes of \$137,000) | 1,724,000    |
| Income from securities loaned - net                       | 8,000        |
| Other income  | 377,000      |
| Total investment income                                   | 5,900,000    |

### Expenses

|                             |           |
|-----------------------------|-----------|
| Interest and dividends      | 1,293,000 |
| Management fee              | 6,685,000 |
| Administrative fee          | 201,000   |
| Professional fees and other | 163,000   |
| Total expenses              | 8,342,000 |

### Net investment income (loss)

(2,442,000)

### Realized and unrealized gain (loss) on investments

|  |             |
|--|-------------|
| Net realized gain (loss) on securities and foreign currency transactions                                 | 13,145,000  |
| Net realized gain (loss) on private investment companies   | 2,699,000   |
| Net realized gain (loss) from derivative contracts   | 541,000     |
| Net change in unrealized appreciation or (depreciation) on securities and foreign currency transactions  | 19,484,000  |
| Net change in unrealized appreciation or (depreciation) on private investment companies                  | (3,005,000) |
| Net change in unrealized appreciation or (depreciation) from derivative contracts                        | 7,350,000   |
| Net change in unrealized gains and losses on translation of assets and liabilities in foreign currencies | 1,000,000   |

### Net gain (loss) on investments

41,214,000

### Net income (loss)

\$ 38,772,000

See accompanying notes to financial statements.

## Domestic Fund, L.P.

### Statement of Changes in Partners' Capital

Year Ended December 31, 20XX

|                                      | General<br>Partner   | Limited<br>Partners*  | Total                 |
|--------------------------------------|----------------------|-----------------------|-----------------------|
| Partners' capital, beginning of year | \$ 21,958,000        | \$ 240,619,000        | \$ 262,577,000        |
| Capital contributions                | —                    | 32,515,000            | 32,515,000            |
| Capital withdrawals                  | —                    | (14,874,000)          | (14,874,000)          |
| Early redemption fee                 | 6,000                | 61,000                | 67,000                |
| Allocation of net income (loss)      |                      |                       |                       |
| Pro rata allocation                  | 3,348,000            | 35,424,000            | 38,772,000            |
| Reallocation to General Partner      | 6,349,000            | (6,349,000)           | —                     |
|                                      | <u>9,697,000</u>     | <u>29,075,000</u>     | <u>38,772,000</u>     |
| Partners' capital, end of year       | <u>\$ 31,661,000</u> | <u>\$ 287,396,000</u> | <u>\$ 319,057,000</u> |

\*Consider separate disclosure of each class or series of limited partner interests if separately defined in the Fund's offering documents or if considered more informative to financial statement users.

[If 1st year of fund, include initial capital contributions with capital contributions. Do not break out separately.]

["Reallocation" wording to be consistent with footnotes, the terms used in the fund documents, and financial highlights.]

See accompanying notes to financial statements.

# Domestic Fund, L.P.

## Statement of Cash Flows

Year Ended December 31, 20XX

[See Appendix A for disclosure requirements of restricted cash and restricted cash equivalents.]

### Cash flows from operating activities

|   |                     |
|---|---------------------|
| Net income (loss)   | \$ 38,772,000       |
| <b>Adjustments to reconcile net (income) loss to net cash provided by (used in) operating activities:</b>                             |                     |
| Net realized (gain) loss on securities and foreign currency transactions and private investment companies                             | (15,844,000)        |
| Net realized (gain) loss from derivative contracts  | (541,000)           |
| Net change in unrealized (appreciation) or depreciation on securities, foreign currency transactions and private investment companies | (16,479,000)        |
| Net change in unrealized (appreciation) or depreciation on derivative contracts   | (7,350,000)         |
| Net change in unrealized gains and losses on translation of assets and liabilities in foreign currencies                              | (1,000,000)         |
| Amortization of premiums and discounts on debt securities   | (68,000)            |
| Purchases of investments in securities  | (109,750,000)       |
| Proceeds from sales of investments in securities  | 120,342,000         |
| Purchases of investments in private investment companies  | (34,362,000)        |
| Proceeds from sales of investments in private investment companies  | 6,957,000           |
| Securities purchased under agreements to resell   | (5,412,000)         |
| Proceeds from securities sold short   | 37,654,000          |
| Payments to cover securities sold short   | (35,989,000)        |
| Purchases of derivative contracts   | (7,250,000)         |
| Proceeds from sales of derivative contracts   | 11,637,000          |
| Proceeds from derivative contracts sold short   | 8,000,000           |
| Payments to cover derivative contracts sold short   | (7,842,000)         |
| <b>Changes in operating assets and liabilities:</b>   |                     |
| Due from brokers  | (4,787,000)         |
| Due from related parties  | (96,000)            |
| Dividends and interest receivable   | (125,000)           |
| Other assets  | 163,000             |
| Payable upon return of securities loaned  | 658,000             |
| Due to brokers  | (7,114,000)         |
| Dividends and interest payable  | (146,000)           |
| Management fee payable  | 223,000             |
| Due to related parties  | (46,000)            |
| Accrued expenses and other liabilities  | (172,000)           |
| <b>Net cash provided by (used in) operating activities</b>  | <b>(29,967,000)</b> |

See accompanying notes to financial statements.

# Domestic Fund, L.P.

## Statement of Cash Flows (continued)

Year Ended December 31, 20XX

|   |    |                   |
|---|----|-------------------|
| <b>Cash flows from financing activities</b>                           |    |                   |
| Capital contributions, net of change in advance capital contributions | \$ | 32,228,000        |
| Capital withdrawals, net of change in capital withdrawals payable     |    | (12,879,000)      |
| Payable for securities sold under agreements to repurchase            |    | 12,648,000        |
| Proceeds from loans payable   |    | 3,505,000         |
| Repayments of loans payable   |    | (1,995,000)       |
| <b>Net cash provided by (used in) financing activities</b>            |    | <b>33,507,000</b> |
| <b>Net change in cash and cash equivalents</b>                        |    |                   |
|   |    | 3,540,000         |
| <b>Cash and cash equivalents, beginning of year</b>                   |    |                   |
|   |    | 12,930,000        |
| <b>Cash and cash equivalents, end of year</b>                         |    |                   |
|   | \$ | 16,470,000        |
| <b>Supplemental disclosure of cash flow information</b>               |    |                   |
| Cash paid during the year for interest                                | \$ | 456,000           |
| <b>Supplemental disclosure of noncash financing activities</b>        |    |                   |
| Early redemption fee  | \$ | 67,000            |
| Distribution of securities, at fair value (cost basis of \$518,000)   | \$ | 635,000           |
| Contribution of securities, at fair value (cost basis \$96,500)       | \$ | 125,000           |

See accompanying notes to financial statements.

# Domestic Fund, L.P.

## Condensed Schedule of Investments

December 31, 20XX

[See Appendix B for presentation of investments in private investment companies.]

[See Appendix E for alternative presentations including ASC Topic 820 fair value hierarchy and summarization of country origins.]

|  | Number<br>of Shares | Percentage of<br>Partners' Capital | Fair<br>Value      |
|--|---------------------|------------------------------------|--------------------|
| Investments in securities, at fair value                 |                     |                                    |                    |
| <b>Common stocks</b>                                     |                     |                                    |                    |
| <b>United States</b>                                     |                     |                                    |                    |
| Banking  |                     |                                    |                    |
| Exchange traded Banking Company 1                        | 368,452             | 8.0 %                              | \$ 25,487,000      |
| Other  |                     | 5.9                                | 18,921,000         |
| Manufacturing  |                     |                                    |                    |
| Exchange traded Manufacturing Company 1                  | 1,024,513           | 9.0                                | 28,557,000         |
| Other  |                     | 13.0                               | 41,334,000         |
| Consumer discretionary                                   |                     | 24.6                               | 78,601,000         |
| Health care  |                     | 20.4                               | 64,975,000         |
| Real estate  |                     | 10.3                               | 33,012,000         |
| <b>Total United States (cost \$249,805,000)</b>          |                     | <b>91.2</b>                        | <b>290,887,000</b> |
| <b>United Kingdom</b>                                    |                     |                                    |                    |
| Manufacturing  |                     |                                    |                    |
| Exchange traded Manufacturing Company 2                  | 395,756             | 6.5                                | 20,798,000         |
| Telecommunications                                       |                     | 6.6                                | 21,117,000         |
| <b>Total United Kingdom (cost \$36,458,000)</b>          |                     | <b>13.1</b>                        | <b>41,915,000</b>  |
| <b>Total common stocks (cost \$286,263,000)</b>          |                     | <b>104.3</b>                       | <b>332,802,000</b> |
| <b>Preferred stocks</b>                                  |                     |                                    |                    |
| <b>United States</b>                                     |                     |                                    |                    |
| Banking  |                     |                                    |                    |
| Exchange traded Banking Company 1, 5%, non-participating | 178,998             | 5.1                                | 16,300,900         |
| Other  |                     | 10.3                               | 32,745,000         |
| Information technology                                   |                     | 7.8                                | 24,818,000         |
| <b>Total preferred stocks (cost \$66,105,000)</b>        |                     | <b>23.2</b>                        | <b>73,863,900</b>  |
| <b>Exchange traded funds</b>                             |                     |                                    |                    |
| <b>United States</b>                                     |                     |                                    |                    |
| Real estate (cost \$10,785,000)                          |                     | 8.1                                | 25,941,000         |
| <b>Private preferred stocks</b>                          |                     |                                    |                    |
| <b>Canada</b>  |                     |                                    |                    |
| Information technology (cost \$7,085,000)                |                     | 4.8                                | 15,462,100         |

# Domestic Fund, L.P.

## Condensed Schedule of Investments (continued)

December 31, 20XX

|  | Principal<br>Amount | Percentage of<br>Partners' Capital | Fair<br>Value         |
|--|---------------------|------------------------------------|-----------------------|
| Investments in securities, at fair value (continued)                           |                     |                                    |                       |
| <b>Corporate bonds</b>   |                     |                                    |                       |
| <b>United States</b>   |                     |                                    |                       |
| Banking  |                     |                                    |                       |
| Banking Company 1, 6.75%, 7/15/20XX  | \$17,000,000        | 5.2 %                              | \$ 16,476,000         |
| Telecommunications   |                     | 8.0                                | 25,632,000            |
| <b>Total United States (cost \$46,654,000)</b>                                 |                     | <b>13.2</b>                        | <b>42,108,000</b>     |
| <b>United Kingdom</b>  |                     |                                    |                       |
| Manufacturing (cost \$14,985,000)  |                     | 4.6                                | 14,648,000            |
| <b>Total corporate bonds (cost \$61,639,000)</b>                               |                     | <b>17.8</b>                        | <b>56,756,000</b>     |
| <b>Government bonds</b>  |                     |                                    |                       |
| <b>United States</b>   |                     |                                    |                       |
| U.S. Treasury Bills, 3.85%, 4/1/20XX<br>(cost \$16,000,000)                    | \$16,000,000        | 5.1                                | 16,360,000            |
| <b>Municipal bonds</b>   |                     |                                    |                       |
| <b>United States</b>   |                     |                                    |                       |
| Construction   |                     |                                    |                       |
| Essex County, New Jersey, 6.25%, 4/1/20XX                                      | \$14,500,000        | 5.0                                | 15,998,000            |
| Water  |                     | 1.5                                | 4,750,000             |
| Highway  |                     | 0.6                                | 2,022,000             |
| <b>Total municipal bonds (cost \$20,231,000)</b>                               |                     | <b>7.1</b>                         | <b>22,770,000</b>     |
| <b>Asset-backed securities</b>   |                     |                                    |                       |
| <b>United States</b>   |                     |                                    |                       |
| Senior debt  |                     |                                    |                       |
| High Yield CLO   |                     | 2.9                                | 9,320,000             |
| Market Value CDO   |                     | 2.1                                | 6,550,000             |
| <b>Total senior debt (cost \$14,658,000)</b>                                   |                     | <b>5.0</b>                         | <b>15,870,000</b>     |
| Mezzanine debt   |                     |                                    |                       |
| High Yield CLO (cost \$15,755,000)   |                     | 2.6                                | 8,312,000             |
| <b>Total asset-backed securities (cost \$30,413,000)</b>                       |                     | <b>7.6</b>                         | <b>24,182,000</b>     |
| <b>Total investments in securities, at fair value<br/>(cost \$498,521,000)</b> |                     | <b>178.0 %</b>                     | <b>\$ 568,137,000</b> |

See accompanying notes to financial statements.

# Domestic Fund, L.P.

## Condensed Schedule of Investments (continued)

December 31, 20XX

|   | Percentage of<br>Partners' Capital | Fair<br>Value        |
|---|------------------------------------|----------------------|
| Derivative contracts – assets, at fair value                                      |                                    |                      |
| <b>Interest rate swaps</b>  |                                    |                      |
| Floating / Fixed  | 3.3 %                              | \$ 10,412,000        |
| Fixed / Floating  | 2.5                                | 8,102,000            |
| <b>Total interest rate swaps</b>  | <b>5.8</b>                         | <b>18,514,000</b>    |
| <b>Warrants purchased</b>   |                                    |                      |
| <b>United States</b>  |                                    |                      |
| Financial   | 4.3                                | 13,845,000           |
| Telecommunications  | 2.0                                | 6,505,000            |
| <b>Total warrants purchased (cost \$24,849,000)</b>                               | <b>6.3</b>                         | <b>20,350,000</b>    |
| <b>Total return swaps</b>   |                                    |                      |
| <b>Canada</b>   |                                    |                      |
| Manufacturing   | 3.6                                | 11,366,000           |
| Financial   | 2.7                                | 8,750,000            |
| <b>Total total return swaps</b>   | <b>6.3</b>                         | <b>20,116,000</b>    |
| <b>Option contracts purchased</b>   |                                    |                      |
| <b>Call options purchased</b>   |                                    |                      |
| <b>United States</b>  |                                    |                      |
| Healthcare  | 2.2                                | 6,984,000            |
| Financial   | 2.2                                | 7,108,000            |
| <b>Total call options purchased (cost \$13,837,000)</b>                           | <b>4.4</b>                         | <b>14,092,000</b>    |
| <b>Put options purchased</b>  |                                    |                      |
| <b>United States</b>  |                                    |                      |
| Biotechnology   | 4.0                                | 12,698,000           |
| Financial   | 0.3                                | 971,000              |
| <b>Total put options purchased (cost \$8,898,000)</b>                             | <b>4.3</b>                         | <b>13,669,000</b>    |
| <b>Total option contracts purchased (cost \$22,735,000)</b>                       | <b>8.7</b>                         | <b>27,761,000</b>    |
| <b>Total derivative contracts – assets, at fair value<br/>(cost \$47,584,000)</b> | <b>27.1 %</b>                      | <b>\$ 86,741,000</b> |

See accompanying notes to financial statements.



# Domestic Fund, L.P.

## Condensed Schedule of Investments (continued)

December 31, 20XX

|   | Number<br>of Shares | Percentage of<br>Partners' Capital | Fair<br>Value         |
|---|---------------------|------------------------------------|-----------------------|
| Securities purchased under agreements to resell, at fair value                    |                     |                                    |                       |
| ABC Bank, 3.5%, 1/3/20XX collateralized by U.S. Treasury bonds (cost \$7,546,000) |                     | 2.1 %                              | \$ 6,851,000          |
| Securities sold short, at fair value  |                     |                                    |                       |
| <b>Common stocks</b>  |                     |                                    |                       |
| <b>United States</b>  |                     |                                    |                       |
| Retail trade  |                     |                                    |                       |
| Exchange traded Retail Company 1  | 634,000             | 9.9 %                              | \$ 31,521,000         |
| Other   |                     | 20.0                               | 63,750,000            |
| Transportation  |                     | 21.7                               | 69,346,000            |
| Telecommunications  |                     | 29.7                               | 94,653,000            |
| <b>Total United States (proceeds \$305,965,000)</b>                               |                     | <b>81.3</b>                        | <b>259,270,000</b>    |
| <b>United Kingdom</b>   |                     |                                    |                       |
| Manufacturing   |                     |                                    |                       |
| Exchange traded Manufacturing Company 3   | 851,000             | 11.6                               | 37,102,000            |
| Banking   |                     | 8.0                                | 25,467,000            |
| Retail trade  |                     | 6.0                                | 19,241,000            |
| Consumer discretionary  |                     | 2.2                                | 7,113,000             |
| Information technology  |                     | 1.4                                | 4,340,000             |
| <b>Total United Kingdom (proceeds \$76,300,000)</b>                               |                     | <b>29.2</b>                        | <b>93,263,000</b>     |
| <b>Total common stocks (proceeds \$382,265,000)</b>                               |                     | <b>110.5</b>                       | <b>352,533,000</b>    |
| <b>Corporate bonds</b>  |                     |                                    |                       |
| <b>United Kingdom</b>   |                     |                                    |                       |
| Banking   |                     | 5.5                                | 17,410,000            |
| Manufacturing   |                     | 1.9                                | 5,985,000             |
| <b>Total corporate bonds (proceeds \$19,846,000)</b>                              |                     | <b>7.4</b>                         | <b>23,395,000</b>     |
| <b>Total securities sold short, at fair value (proceeds \$402,111,000)</b>        |                     | <b>117.9 %</b>                     | <b>\$ 375,928,000</b> |

See accompanying notes to financial statements.

# Domestic Fund, L.P.

## Condensed Schedule of Investments (continued)

December 31, 20XX

|  | Percentage of<br>Partners' Capital | Fair<br>Value     |
|--|------------------------------------|-------------------|
| Derivative contracts – liabilities, at fair value  |                                    |                   |
| <b>Credit default swaps - purchased protection</b>   |                                    |                   |
| <b>United States</b>   |                                    |                   |
| Financial  | 1.6 %                              | \$ 4,978,000      |
| Information technology   | 1.1                                | 3,412,000         |
| <b>Total United States (upfront premiums paid \$191,000)</b>   | <b>2.7</b>                         | <b>8,390,000</b>  |
| <b>Germany</b>   |                                    |                   |
| Sovereign (upfront premiums received \$543,000)  | 0.9                                | 3,001,000         |
| <b>Total credit default swaps - purchased protection (net<br/>upfront premiums received \$352,000)</b> | <b>3.6</b>                         | <b>11,391,000</b> |
| <b>Total return swaps</b>  |                                    |                   |
| <b>United States</b>   |                                    |                   |
| Manufacturing  | 1.8                                | 5,652,000         |
| Financial  | 0.8                                | 2,450,000         |
| <b>Total total return swaps</b>  | <b>2.6</b>                         | <b>8,102,000</b>  |
| <b>Interest rate swaps</b>   |                                    |                   |
| Floating / Fixed   | 2.4                                | 7,565,000         |
| Fixed / Floating   | 1.9                                | 6,200,000         |
| <b>Total interest rate swaps</b>   | <b>4.3</b>                         | <b>13,765,000</b> |
| <b>Contracts for differences</b>   |                                    |                   |
| Financial  | 1.8                                | 5,695,000         |
| Metals   | 0.8                                | 2,584,000         |
| <b>Total contracts for differences</b>   | <b>2.6</b>                         | <b>8,279,000</b>  |

[The use of "other" category may be used to group smaller industries into one line item, but generally it should not exceed 10% of net assets.]

[See Appendix E for alternative presentation of SOI with ASC 820 levels disclosed.]

[For Funds with material derivatives consider adding a column disclosing the counterparty.]

See accompanying notes to financial statements.

# Domestic Fund, L.P.

## Condensed Schedule of Investments (continued)

December 31, 20XX

|   | Expiration<br>Dates | Number<br>of Contracts | Percentage of<br>Partners' Capital | Fair<br>Value |
|---|---------------------|------------------------|------------------------------------|---------------|
| Derivative contracts – liabilities, at fair value (continued) |                     |                        |                                    |               |
| <b>Forward contracts</b>                                      |                     |                        |                                    |               |
| <b>Currency contracts</b>                                     |                     |                        |                                    |               |
| Australian Dollar   |                     |                        | 1.1 %                              | \$ 3,422,000  |
| Other currencies  |                     |                        | 0.6                                | 1,987,000     |
| <b>Total currency contracts</b>                               |                     |                        | 1.7                                | 5,409,000     |
| <b>Commodity contracts</b>                                    |                     |                        |                                    |               |
| Metals  |                     |                        | 0.7                                | 2,231,000     |
| Grains  |                     |                        | 0.5                                | 1,750,000     |
| <b>Total commodity contracts</b>                              |                     |                        | 1.2                                | 3,981,000     |
| <b>Total forward contracts</b>                                |                     |                        | 2.9                                | 9,390,000     |
| <b>Futures contracts</b>                                      |                     |                        |                                    |               |
| <b>Indices</b>  |                     |                        |                                    |               |
| Index Fund 1  | Sept–Nov<br>20XX    | 5,887                  | 5.1                                | 16,150,000    |
| <b>Metals</b>   |                     |                        | 0.7                                | 2,178,000     |
| <b>Total futures contracts</b>                                |                     |                        | 5.8                                | 18,328,000    |

See accompanying notes to financial statements.

# Domestic Fund, L.P.

## Condensed Schedule of Investments (continued)

December 31, 20XX

|  | Expiration<br>Dates | Number<br>of Contracts | Percentage of<br>Partners' Capital | Fair<br>Value        |
|--|---------------------|------------------------|------------------------------------|----------------------|
| Derivative contracts – liabilities, at fair value (continued)  |                     |                        |                                    |                      |
| <b>Option contracts written</b>  |                     |                        |                                    |                      |
| <b>Call options written</b>  |                     |                        |                                    |                      |
| <b>United States</b>   |                     |                        |                                    |                      |
| Retail trade   |                     |                        | 2.1 %                              | \$ 6,699,000         |
| Consumer staples   |                     |                        | 1.2                                | 3,889,000            |
| <b>Total call options written<br/>(proceeds \$11,230,000)</b>  |                     |                        | <b>3.3</b>                         | <b>10,588,000</b>    |
| <b>Put options written</b>   |                     |                        |                                    |                      |
| <b>United States</b>   |                     |                        |                                    |                      |
| <b>Retail trade</b>  |                     |                        |                                    |                      |
| Public Retail Company 1  | Feb 20XX            | 85                     | 0.7                                | 2,287,000            |
| Other  |                     |                        | 0.0                                | 546,000              |
| Consumer discretionary   |                     |                        | 0.3                                | 976,000              |
| <b>Total put options written<br/>(proceeds \$3,125,000)</b>  |                     |                        | <b>1.0</b>                         | <b>3,809,000</b>     |
| <b>Total option contracts written<br/>(proceeds \$14,355,000)</b>  |                     |                        | <b>4.3</b>                         | <b>14,397,000</b>    |
| <b>Total derivative contracts — liabilities, at<br/>fair value (proceeds \$14,355,000 and net<br/>upfront premiums received \$352,000)</b> |                     |                        |                                    |                      |
|  |                     |                        | <b>26.1 %</b>                      | <b>\$ 83,652,000</b> |

See accompanying notes to financial statements.

# Domestic Fund, L.P.

## Notes to Financial Statements December 31, 20XX

### 1. Nature of operations and summary of significant accounting policies

#### Nature of Operations

Domestic Fund, L.P. (the “Fund”), a Delaware investment limited partnership, commenced operations on September XX, 20XX. The Fund was organized for the purpose of trading and investing in securities. The Fund is managed by General Partner, LLC (the “General Partner”) and Investment Manager, LLC (the “Investment Manager”). [If applicable:] The Investment Manager is registered with the United States Securities and Exchange Commission as a registered investment adviser, and (if applicable) with the National Futures Association.

#### Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”), and are presented in U.S. dollars. The Fund qualifies as an investment company under the provisions outlined in Accounting Standards Codification (“ASC”) 946, Financial Services — Investment Companies.

These financial statements were approved by management and available for issuance on [Month, Date, Year]. Subsequent events have been evaluated through this date.

#### Cash Equivalents

Cash equivalents consist of demand deposits with original terms to maturity of not more than three months. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

#### Fair Value—Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

The Fund discloses the fair value of its investments according to a hierarchy that prioritizes the inputs used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

**Level 1:** Inputs that reflect unadjusted quoted prices on a securities exchange in active markets for identical assets or liabilities;

**Level 2:** Inputs, other than quoted prices on a securities exchange that are observable for the asset or liability either directly or indirectly in active markets, or unadjusted prices on a securities exchange in markets that are not considered to be active;

**Level 3:** Significant inputs that may be unobservable or inputs, including market quotations other than quoted prices on a securities exchange, in markets that are not considered to be active.

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Fund’s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

### 1. Nature of operations and summary of significant accounting policies (continued)

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

#### Fair Value—Valuation Techniques and Inputs

[These notes should be tailored to the Fund's specific techniques and inputs used to value investments.]

[See Appendix C for additional illustrative disclosures of valuation techniques and inputs used for Level 2 and 3 investments.]

#### Investments in Securities and Securities Sold Short

Investments listed on a national securities exchange or quoted by the NASDAQ National Market System, providing last sale data, are valued at their last available public sale price quoted in their principal market on the date of determination.

Investments that are not listed on an exchange but are traded over-the-counter are valued at the representative "bid" quotation if held long and the representative "ask" quotation if held short or, in the case of equities that trade on over-the-counter marketplaces, at the last deemed reliable sale price provided by pricing vendors.

To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Securities traded on inactive markets or valued by reference to similar instruments are generally categorized in Level 2 of the fair value hierarchy.

#### Derivative Contracts

The Fund records its derivative activities at fair value. Gains and losses from derivative contracts are included in net realized gain (loss) from derivative contracts and net change in unrealized appreciation or (depreciation) from derivative contracts in the statement of operations.

#### Option contracts

The fair value of options which are listed on major securities exchanges are valued at their last reported sales price as of the valuation date or, if no recent transactions occurred, based on the last reported "bid" price for long positions or last reported "ask" price for short positions. Options that are traded in the OTC market are typically valued using prices received from counterparties. Option contracts are generally categorized in Level 1 or 2 of the fair value hierarchy, depending on the frequency of market trading and other factors.

#### Futures contracts

Futures contracts that are traded on an exchange are valued at their last reported sales price as of the valuation date. Listed futures contracts are generally categorized in Level 1 of the fair value hierarchy.

#### Warrants

Warrants that are traded on an exchange are valued at their last reported sales price as of the valuation date. The fair value of OTC warrants is determined using the Black-Scholes option pricing model, a valuation technique that follows the income approach. This pricing model takes into account the contract terms (including maturity) as well as multiple inputs, including time value, implied volatility, equity prices, interest rates and currency rates.

Warrants that are traded on an exchange in an active market are generally classified in Level 1 of the fair value hierarchy. Warrants that are traded on the OTC market are generally classified in Level 2 or 3 of the fair value hierarchy.

#### Contracts for differences

Contracts for differences are traded on the OTC market. The fair value of contracts for differences is derived by taking the difference between the quoted price of the underlying security and the contract price. Contracts for differences are generally categorized in Level 2 of the fair value hierarchy.

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

### Forward contracts

Forward contracts are traded on the OTC market. The fair value of forward contracts is determined using observable inputs, such as currency exchange rates or commodity prices, applied to notional amounts stated in the applicable contracts.

The Fund enters into forward contracts to hedge itself against foreign currency exchange rate risk for its foreign currency denominated assets and liabilities due to adverse foreign currency fluctuations against the U.S. dollar and to manage the price risk associated with its commodity portfolio positions. Forward contracts are generally categorized in Level 2 of the fair value hierarchy.

### Interest rate swaps

Interest rate swaps are contractual agreements whereby one counterparty pays a floating rate of interest on a notional principal amount and receives a fixed rate on the same notional principal amount for a fixed period of time, or vice versa. Interest rate swaps that are traded on an exchange are valued at their last reported sales price as of the valuation date. These listed interest rate swaps are generally categorized in Level 1 or 2 of the fair value hierarchy. Interest rate swaps traded on the OTC market are valued using a widely accepted pricing model which takes into account the contract terms, including the maturity date, interest rates, prepayment speeds and/or currency rates. Many inputs in the model are observable in the OTC marketplace. Interest rate swaps traded on the OTC market are generally categorized in Level 2 of the fair value hierarchy.

### Total return swaps

Total return swaps are OTC contracts that are valued at contractual terms based upon the market value of the underlying assets plus accrued interest. A total return swap involves an exchange of future cash flows between parties in which one cash flow is based on a reference interest rate and the other cash flow is based on the performance of an underlying referenced security. Total return swaps are generally categorized in Level 2 of the fair value hierarchy.

### Credit default swaps

[See Appendix F for disclosures of Credit Default Swaps - Protection Sold.]

Credit default swap contracts are contracts whereby, one party makes a stream of payments to another party in exchange for the right to receive a specified return in the event of a default by a third party on its obligation. The Fund may use credit default swaps to provide a measure of protection against defaults of sovereign or corporate issuers (i.e., to reduce risk where the Fund owns or has exposure to the issuer) or to take an active long or short position with respect to the likelihood of a particular issuer's default. Credit default swaps may also be traded on the OTC market. Credit default swaps traded on the OTC market are valued using a widely accepted pricing model which takes into account the contract terms (interest rates, interest rate yield curves, recovery rates, credit curves, and current credit spreads obtained from swap counterparties and other market participants). Many inputs in the model are observable in the OTC marketplace. In addition to the contract terms, valuation is derived by the difference between the contract spread, or rate, and the current market spread. The contract spread is generally fixed and the market spread is determined by the credit risk of the underlying referenced entity or debt. If the OTC market for the current spread is active and the underlying debt is liquid, OTC credit default swaps are categorized in Level 2 of the fair value hierarchy. Conversely, if the OTC market for the current spread is not active and the underlying debt is illiquid, OTC credit default swaps are categorized in Level 3 of the fair value hierarchy.

### Swaptions

Swaption contracts are traded on the OTC market. The fair value of swaption contracts is derived using a pricing model that is widely accepted by marketplace participants. The pricing model takes into account the contract terms (including maturity) as well as multiple inputs, including notional market value, interest rates, currency rates and implied volatility. Swaptions are generally categorized as Level 2 or 3 of the fair value hierarchy.



**1. Nature of operations and summary of significant accounting policies (continued)**

**Government Bonds**

The fair value of sovereign government bonds is generally based on recently executed transactions and market price quotations (where observable). When observable price quotations are not available, fair value is determined based on cash flow models. These investments are generally categorized in Level 2 of the fair value hierarchy; in instances where significant inputs are unobservable, they are categorized in Level 3 of the fair value hierarchy.

**Municipal Bonds**

The fair value of municipal bonds is estimated using recently executed transactions, market price quotations or pricing models that factor in, where applicable, interest rates, bond or credit default swap spreads and volatility. Municipal bonds are generally categorized in Level 2 of the fair value hierarchy. [Include/modify the description of the valuation techniques and the inputs used in the fair value of Level 2 municipal bonds, if necessary.]

**Corporate Bonds**

The fair value of corporate bonds is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers market price quotations (when observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any difference between cash and derivative instruments. Although most corporate bonds are categorized in Level 2 of the fair value hierarchy, in instances when lower relative weight is placed on transaction prices, quotations, or similar observable inputs, they are categorized in Level 3. [Include/modify the description of the valuation techniques and the inputs used in the fair value of Level 2 or 3 corporate bonds, if necessary.]

**Bank Debt**

The fair value of bank debt is generally valued using recently executed transactions, market price quotations (where observable) and market observable credit default swap levels. When quotations are unobservable, proprietary valuation models and default recovery analysis methods are employed. Bank debt is categorized in Level 2 or 3 of the fair value hierarchy, depending on the use and availability of observable inputs.

**Commercial Mortgage-Backed Securities ("CMBS") and Asset-Backed Securities ("ABS")**

[See Appendix C]

The fair value of CMBS and ABS are estimated based on models that consider the estimated cash flows of each tranche of the security establishes a benchmark yield and develops an estimated tranche-specific spread to the benchmark yield based on the unique attributes of the tranche. To the extent that the inputs are observable and timely, the values would be categorized in Level 2 of the fair value hierarchy; otherwise, they would be categorized in Level 3.

**Collateralized Loan Obligations ("CLO")**

Investments in this category represent direct ownership in the equity tranche of a CLO. CLOs are a form of securitization where payments from multiple small, middle and large business loans are pooled together and passed on to different classes of owners in various tranches; generally referred to as senior, mezzanine and equity tranches. Generally, these securities provide periodic payments to the senior and mezzanine tranches which consist of interest and principal and once the contractual obligations regarding the periodic payments are met, all remaining flow-through cash is paid to the equity tranche investors in the form of a dividend. CLO's may be valued based on prices of comparable securities or cash flow models that consider inputs including default rates, conditional prepayment rates, loss severity, expected yield to maturity, and other inputs specific to each security. CLOs are categorized in Level 2 of the fair value hierarchy when inputs are observable and in Level 3 when inputs are unobservable.



# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

### Securities Purchased Under Agreements to Resell

Transactions involving purchases of securities under agreements to resell are treated as collateralized financial transactions and are recorded at their contracted resell amounts. In addition, interest is included in interest receivable and interest payable, respectively.

In connection with transactions in agreements to resell, it is the Fund's policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the agreements to resell, including accrued interest, at all times. At December 31, 20XX, securities with a fair value of approximately \$6,851,000 were received as collateral for securities purchased under agreements to resell. If the counterparty defaults under agreements to resell and the fair value of the collateral declines, the realization of the collateral by the Fund may be delayed or limited.

### Investments in Private Operating Companies

[See Appendix C]

Investments in private operating companies consist of direct private common and preferred stock (together or individually "equity") investments. The transaction price, excluding transaction costs, is typically the Fund's best estimate of fair value at acquisition. When evidence supports a change to the carrying value from the transaction price, adjustments are made to reflect expected exit values in the investment's principal market under current market conditions. Ongoing reviews by the Fund's management are based on an assessment of trends in the performance of each underlying investment from the acquisition date through the most recent valuation date.

These assessments typically incorporate valuation techniques using the income approach or the market approach. The income approach measures the present worth of anticipated future economic benefits (i.e. net cash flows). The net cash flow is forecast over the expected remaining economic life and discounted to present value using an appropriate risk-adjusted discount rate. The market approach includes an

analysis of valuation metrics of comparable public companies and recent merger and acquisition transactions for the development of multiples used in valuation. In certain instances the Fund may use multiple valuation techniques for a particular investment and estimate its fair value based on a weighted average or a selected outcome within a range of multiple valuation results. These investments in private operating companies are categorized in Level 3 of the fair value hierarchy.

### Investments in Special Purpose Vehicles

Investments in special purpose vehicles ("SPVs") are either offshore private investment companies or United States corporations that invest directly or indirectly through joint ventures or United States limited liability companies in private equity or debt securities, real estate or intangible property. If an SPV is accounted for as an investment company, the Fund generally values the investment, using the practical expedient, at the net asset values provided by the SPV when the net asset value is calculated in a manner consistent with GAAP for investment companies. The Fund applies the practical expedient to eligible SPVs on an investment-by-investment basis and consistently with the Fund's entire position in a particular investment, unless it is probable that the Fund will sell a portion of an investment at an amount different from the net asset value of the investment.

If an SPV is not accounted for as an investment company, the SPV may be valued in its entirety using an income approach or a market approach. In certain instances, an SPV may be valued based on the evaluation of the net assets of the SPV, whereby the assets and liabilities of the SPV are valued based on each underlying investment within the SPV, incorporating valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information, including comparable transactions and performance multiples, among other factors. [Include/modify the description of the valuation techniques and the inputs used in the fair value of Level 2 and 3 investments in special purpose vehicles, if necessary.]

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

### 1. Nature of operations and summary of significant accounting policies (continued)

#### Investments in Restricted Securities of Public Companies

Investments in restricted securities of public companies cannot be offered for sale to the public until the Fund complies with certain statutory requirements. The valuation of the securities by management takes into consideration the type and duration of the restriction, but in no event does the valuation exceed the listed price on any major securities exchange. Investments in restricted securities of public companies are generally categorized in Level 2 of the fair value hierarchy. However, to the extent that significant inputs used to determine liquidity discounts are not observable, investments in restricted securities of public companies may be categorized in Level 3 of the fair value hierarchy.

#### Investments in Private Investment Companies

Investments in private investment companies are valued at their net asset value as reported by the underlying funds in accordance with their respective agreements. The Fund applies the practical expedient to its investments in private investment companies on an investment-by-investment basis, and consistently with the Fund's entire position in a particular investment, unless it is probable that the Fund will sell a portion of an investment at an amount different from the net asset valuation.

[See Appendix B when there is a material departure from the practical expedient in valuing the Fund's investments in private investment companies.]

#### Translation of Foreign Currency

Assets and liabilities that are denominated in foreign currencies are translated into U.S. dollars at closing rates of exchange on the date of valuation. Transactions during the year are translated at the rate of exchange prevailing on the date of the transaction. The Fund does not isolate that portion of results of operations resulting from changes in foreign exchange rates on securities from fluctuations resulting from changes in market prices of such securities. Such foreign currency

translation gains and losses are included in the net realized gain or loss on securities and foreign currency transactions and net change in unrealized appreciation or (depreciation) on securities and foreign currency transactions in the statement of operations.

#### Investment Transactions and Related Investment Income

Investment transactions are accounted for on a trade-date basis. Realized gains and losses on investment transactions are determined using cost calculated on [a specific identification] [an average cost] basis. Interest income is recognized on an accrual basis on current paying debt. For non-paying debt, interest is not accrued and is only recognized when received. Dividend income is recognized on the ex-dividend date, net of any foreign withholding taxes. [If applicable:] Premiums and discounts are amortized over the lives of the respective debt securities. [If applicable:] Discounts for high-yield debt securities and other debt securities are not amortized to the extent that interest income is not expected to be realized.

#### Offsetting of Amounts Related to Certain Contracts

[Ensure proper disclosure depending on the election of the Fund:] The Fund has elected to offset fair value amounts recognized for cash collateral receivables and payables against fair value amounts recognized for derivative positions executed with the same counterparty under the same master netting arrangement. At December 31, 20XX, the Fund offset cash collateral receivables and payables of \$XXX and \$XXX, respectively, against its derivative positions. At December 31, 20XX, the Fund had cash collateral receivables and payables of \$XXX,000,000 and \$XXX,000,000, respectively, with derivative counterparties under the same master netting arrangement that were not eligible to be offset against its derivative positions.

[Ensure proper disclosure depending on the election of the Fund:] The Fund has elected not to offset fair value amounts recognized for cash collateral receivables and payables against fair value amounts recognized for derivative positions executed with the same counterparty under the same master netting arrangement. At December 31, 20XX, the Fund had

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

cash collateral receivables and payables of \$XXX,000 and \$X,XXX,000, respectively, with derivative counterparties under the same master netting arrangement.

### Securities Lending

Pursuant to securities lending agreements, the Fund may enter into securities lending transactions in which the Fund will lend certain securities to one or more of its prime brokers in return for a fee, which is included in interest income in the statement of operations.

The Fund (the “Lender”) may lend securities to various financial institutions, principally to broker-dealers (the “Borrower”). Such transactions are documented as loans of securities in which the Borrower of securities generally is required to provide collateral to the Lender, commonly cash but sometimes other securities or standby letters of credit, with a value slightly higher than that of the securities borrowed. If the collateral is cash, the Lender of securities normally earns a return by investing that cash typically in short-term, high-quality debt instruments at rates higher than the rate paid or rebated to the Borrower. Investments of cash collateral are subject to the Fund’s investment restrictions. If the collateral is other than cash, the Lender of securities typically receives a fee. The Fund, as Lender, receives amounts from the Borrower equivalent to dividends and interest on the securities loaned. As with other extensions of credit, there are risks of delay in recovery or even loss of rights in the collateral should the Borrower of the securities fail financially.

When the Fund receives cash as collateral, it accounts for it as a secured borrowing whereby it records an asset for cash collateral received and a corresponding liability for the obligation to return the collateral to the counterparty. Securities received as collateral are accounted for as a secured borrowing if the Fund has the ability to sell or repledge the securities.

### Income Taxes

[See Appendix D for alternative Income Taxes footnote(s) when the Fund has recognized a liability for unrecognized benefits.]

Generally, the Fund does not record a provision for U.S. federal, state, or local income taxes because

the partners report their share of the Fund’s income or loss on their income tax returns. [If applicable] However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax for those limited partners that are foreign entities or foreign individuals. [If applicable] Further, certain non-U.S. dividend income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction. The Fund files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states [if applicable] and foreign jurisdictions. [optional] The Fund may be subject to tax liabilities at the Fund level when those liabilities result from an Internal Revenue Service audit.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained, assuming examination by tax authorities. The tax benefit recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 20XX.

### Use of Estimates

The preparation of financial statements requires the Fund to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

### Capital Withdrawals Payable

Withdrawals are recognized as liabilities when the amount requested in the withdrawal notice becomes fixed, which generally occurs on the last day of the fiscal [month/quarter]. As a result, withdrawals paid after the end of the year, based on partners’ capital balances at year-end, are included in capital withdrawals payable.

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

### 2. Fair value measurement

[See Appendix E for an alternative presentation of the condensed schedule of investments including hierarchy levels. If this alternative method is used, the table would not apply.]

The Fund's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Fund's significant accounting policies in Note 1. The following tables present information about the Fund's assets and liabilities measured at fair value as of December 31, 20XX (in thousands):

| Assets (at fair value)                                 | Level 1           | Level 2           | Level 3          | Total             |
|--|-------------------|-------------------|------------------|-------------------|
| <b>Investments in securities</b>                       |                   |                   |                  |                   |
| <b>Common stocks</b>                                   |                   |                   |                  |                   |
| <b>United States</b>                                   |                   |                   |                  |                   |
| Banking  | \$ 44,408         | \$ —              | \$ —             | \$ 44,408         |
| Manufacturing  | 66,666            | 3,225             | —                | 69,891            |
| Consumer discretionary                                 | 78,601            | —                 | —                | 78,601            |
| Health care  | 64,975            | —                 | —                | 64,975            |
| Real estate  | 33,012            | —                 | —                | 33,012            |
| <b>United Kingdom</b>                                  |                   |                   |                  |                   |
| Manufacturing  | 20,798            | —                 | —                | 20,798            |
| Telecommunications                                     | 20,326            | 791               | —                | 21,117            |
| Preferred stocks                                       | 73,864            | —                 | —                | 73,864            |
| Exchange-traded funds                                  | 25,941            | —                 | —                | 25,941            |
| Private preferred stocks                               | —                 | —                 | 15,462           | 15,462            |
| Corporate bonds  | —                 | 49,925            | 6,831            | 56,756            |
| Government bonds                                       | 16,360            | —                 | —                | 16,360            |
| Municipal bonds  | —                 | 22,770            | —                | 22,770            |
| <b>Asset-backed securities</b>                         |                   |                   |                  |                   |
| Senior debt  | —                 | —                 | 15,870           | 15,870            |
| Mezzanine debt   | —                 | 8,312             | —                | 8,312             |
| <b>Total investments in securities</b>                 | <b>444,951</b>    | <b>85,023</b>     | <b>38,163</b>    | <b>568,137</b>    |
| <b>Derivative contracts</b>                            |                   |                   |                  |                   |
| Interest rate swaps                                    | —                 | 18,514            | —                | 18,514            |
| Warrants purchased                                     | —                 | 12,496            | 7,854            | 20,350            |
| Total return swaps                                     | —                 | 15,884            | 4,232            | 20,116            |
| Call options purchased                                 | 14,092            | —                 | —                | 14,092            |
| Put options purchased                                  | 13,669            | —                 | —                | 13,669            |
| <b>Gross total</b>                                     | <b>27,761</b>     | <b>46,894</b>     | <b>12,086</b>    | <b>86,741</b>     |
| <b>Less: Master netting arrangements</b>               | <b>—</b>          | <b>(7,802)</b>    | <b>—</b>         | <b>(7,802)</b>    |
| <b>Total derivative contracts</b>                      | <b>27,761</b>     | <b>39,092</b>     | <b>12,086</b>    | <b>78,939</b>     |
| <b>Securities purchased under agreements to resell</b> | <b>—</b>          | <b>6,851</b>      | <b>—</b>         | <b>6,851</b>      |
| <b>Cash equivalents</b>                                | <b>4,878</b>      | <b>—</b>          | <b>—</b>         | <b>4,878</b>      |
|  | <b>\$ 477,590</b> | <b>\$ 130,966</b> | <b>\$ 50,249</b> | <b>\$ 658,805</b> |

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

[The following disclosure may be used to reconcile the fair value categorized within the fair value hierarchy to the amounts presented in the statement of assets and liabilities when certain of the Fund's investments are investments in private investment companies measured at net asset value.]

At December 31, 20XX, the Fund had investments in private investment companies of approximately \$XX,XXX,000 measured using net asset value as a practical expedient, which are not categorized in the fair value hierarchy.

| Liabilities (at fair value)                          | Level 1           | Level 2          | Level 3         | Total             |
|--|-------------------|------------------|-----------------|-------------------|
| <b>Securities sold short</b>                         |                   |                  |                 |                   |
| Common stocks  |                   |                  |                 |                   |
| United States  |                   |                  |                 |                   |
| Retail   | \$ 95,271         | \$ —             | \$ —            | \$ 95,271         |
| Transportation                                       | 69,346            | —                | —               | 69,346            |
| Telecommunications                                   | 94,653            | —                | —               | 94,653            |
| United Kingdom                                       |                   |                  |                 |                   |
| Manufacturing  | 37,102            | —                | —               | 37,102            |
| Banking  | 18,354            | 7,113            | —               | 25,467            |
| Retail trade   | 19,241            | —                | —               | 19,241            |
| Consumer discretionary                               | 7,113             | —                | —               | 7,113             |
| Information technology                               | 4,340             | —                | —               | 4,340             |
| <b>Total common stocks</b>                           | <b>345,420</b>    | <b>7,113</b>     | <b>—</b>        | <b>352,533</b>    |
| <b>Corporate bonds</b>                               |                   |                  |                 |                   |
| United Kingdom                                       |                   |                  |                 |                   |
| Banking  | —                 | 17,410           | —               | 17,410            |
| Manufacturing  | —                 | 5,985            | —               | 5,985             |
| <b>Total corporate bonds (proceeds \$19,846,000)</b> | <b>—</b>          | <b>23,395</b>    | <b>—</b>        | <b>23,395</b>     |
| <b>Total securities sold short</b>                   | <b>345,420</b>    | <b>30,508</b>    | <b>—</b>        | <b>375,928</b>    |
| <b>Derivative contracts</b>                          |                   |                  |                 |                   |
| Credit default swaps                                 |                   |                  |                 |                   |
| United States  | —                 | 8,390            | —               | 8,390             |
| Germany  | —                 | 230              | 2,771           | 3,001             |
| Total return swaps                                   | —                 | 4,673            | 3,429           | 8,102             |
| Interest rate swaps                                  | —                 | 13,765           | —               | 13,765            |
| Contracts for differences                            | —                 | 8,279            | —               | 8,279             |
| Forward contracts                                    | —                 | 9,390            | —               | 9,390             |
| Futures contracts                                    | 18,328            | —                | —               | 18,328            |
| Call options   | 10,588            | —                | —               | 10,588            |
| Put options  | 3,809             | —                | —               | 3,809             |
| <b>Gross total</b>                                   | <b>32,725</b>     | <b>44,727</b>    | <b>6,200</b>    | <b>83,652</b>     |
| <b>Less: Master netting arrangements</b>             | <b>—</b>          | <b>(7,802)</b>   | <b>—</b>        | <b>(7,802)</b>    |
| <b>Total derivative contracts</b>                    | <b>32,725</b>     | <b>36,925</b>    | <b>6,200</b>    | <b>75,850</b>     |
|  | <b>\$ 396,985</b> | <b>\$ 48,593</b> | <b>\$ 6,200</b> | <b>\$ 451,778</b> |

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

### 2. Fair value measurement (continued)

The following tables present additional information about Level 3 assets and liabilities measured at fair value.

Changes in Level 3 assets for the year ended December 31, 20XX (in thousands) were as follows:

|  | Purchases        | Sales              | Transfers Into Level 3 | Transfers (Out) of Level 3 |
|--|------------------|--------------------|------------------------|----------------------------|
| <b>Assets (at fair value)</b>          |                  |                    |                        |                            |
| <b>Investments in securities</b>       |                  |                    |                        |                            |
| Private preferred stocks               | \$ 11,975        | \$ —               | \$ —                   | \$ —                       |
| Corporate bonds                        | 8,425            | (465)              | —                      | —                          |
| Asset-backed securities                | —                | (24,513)           | —                      | —                          |
| <b>Total investments in securities</b> | <b>20,400</b>    | <b>(24,983)</b>    | <b>—</b>               | <b>—</b>                   |
| <b>Derivative contracts</b>            |                  |                    |                        |                            |
| Warrants purchased                     | —                | —                  | 3,311                  | (985)                      |
| Total return swaps                     | —                | —                  | 2,001                  | (2,531)                    |
| <b>Total derivative contracts</b>      | <b>—</b>         | <b>—</b>           | <b>5,312</b>           | <b>(3,516)</b>             |
|  | <b>\$ 20,400</b> | <b>\$ (24,983)</b> | <b>\$ 5,312</b>        | <b>\$ (3,516)</b>          |

Changes in Level 3 liabilities for the year ended December 31, 20XX (in thousands) were as follows:

|                                    | Purchases   | Sales           | Transfers Into Level 3 | Transfers (Out) of Level 3 |
|------------------------------------|-------------|-----------------|------------------------|----------------------------|
| <b>Liabilities (at fair value)</b> |             |                 |                        |                            |
| <b>Derivative contracts</b>        |             |                 |                        |                            |
| Credit default swaps               | \$ —        | \$ —            | \$ 601                 | \$ (1,200)                 |
| Total return swaps                 | —           | (119)           | —                      | —                          |
| <b>Total derivative contracts</b>  | <b>—</b>    | <b>(119)</b>    | <b>601</b>             | <b>(1,200)</b>             |
|                                    | <b>\$ —</b> | <b>\$ (119)</b> | <b>\$ 601</b>          | <b>\$ (1,200)</b>          |

Transfers between Levels 2 and 3 generally relate to whether significant unobservable inputs are used for the fair value measurements.

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

The following table summarizes the valuation techniques and significant unobservable inputs used for the Fund's investments that are categorized within Level 3 of the fair value hierarchy as of December 31, 20XX (in thousands):

|                                    | Fair Value at<br>December 31,<br>20XX | Valuation<br>Technique      | Unobservable<br>Inputs                | Range of Inputs<br>(Weighted Average) |
|------------------------------------|---------------------------------------|-----------------------------|---------------------------------------|---------------------------------------|
| <b>Assets (at fair value)</b>      |                                       |                             |                                       |                                       |
| Investments in securities          |                                       |                             |                                       |                                       |
| Private preferred stocks           | \$ 15,462                             | Market comparable companies | Adjusted valuation multiples (EBITDA) | 6X–8X (7X)                            |
|                                    |                                       |                             | Discounts for lack of marketability   | 10%–15% (12.5%)                       |
| Corporate bonds                    | \$ 6,831                              | Indicative quote            | Control premiums                      | 1%–4% (2.5%)                          |
|                                    |                                       |                             | Discounts for lack of marketability   | 9%                                    |
| Asset-backed securities            | \$ 15,870                             | Discounted cash flow model  | Loss severities                       | 1%–4% (2.5%)                          |
|                                    |                                       |                             | Probabilities of default              | 9%–14% (11.5%)                        |
|                                    |                                       |                             | Prepayment rates                      | 8%–10% (9%)                           |
| Derivatives                        |                                       |                             |                                       |                                       |
| Warrants purchased                 | \$ 7,854                              | Industry accepted model     | Volatility                            | 10%–15% (12.5%)                       |
| <b>Liabilities (at fair value)</b> |                                       |                             |                                       |                                       |
| Derivatives                        |                                       |                             |                                       |                                       |
| Credit default swaps               | \$ 4,232                              | Industry accepted model     | Indicative credit spread              | 6.5%–8.5% (7.5%)                      |
|                                    |                                       |                             | Default rates                         | 2%–3% (2.5%)                          |

The Fund's remaining Level 3 investments have been valued using unadjusted third party transactions and quotations or unadjusted historical third party financial information. As a result, there were no unobservable inputs that have been internally developed by the Fund in determining the fair values of these investments as of December 31, 20XX.



# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

### 3. Investments in private investment companies

[See Appendix B for additional disclosures required if the Fund invests in private investment companies.]

### 4. Due from/to brokers

Amounts due from brokers may be restricted to the extent they serve as collateral for securities sold short or derivative contracts.

Amounts due to brokers represent margin borrowings that are collateralized by certain marketable securities.

In the normal course of business, substantially all of the Fund's securities transactions, money balances and security positions are transacted with the Fund's brokers, Prime Broker 1, LLC and Prime Broker 2, Ltd. [For Funds with separate clearing brokers, add the following sentence] Accounts with Prime Broker 1, LLC are cleared by Prime Broker 3, LLC. The Fund is subject to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on its behalf. The Fund's management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

[If applicable, for tri-party collateral agreement]

The Fund entered into collateral account control agreements with [List derivative counterparty(ies)] (the "Secured Party") and Prime Broker 4, LLC (the "Securities Intermediary") in order to mitigate the risk associated with its derivative counterparties. Upon entering derivative contracts, the Fund posts collateral to the Secured Party which is held in custody by the Securities Intermediary. The Fund does not have the ability to transfer the collateral unless certain contingent events occur. As of December 31, 20XX, approximately \$XX,XXX,000 of collateral receivables posted with the Secured Party are held by the Securities Intermediary, which are included in due from brokers on the statement of assets and liabilities.

### At December 31, 20XX, due from brokers and due to brokers consisted of the following:

|  |                     |
|--|---------------------|
| Receivables related to unsettled trades                        | \$ 600,000          |
| Collateral posted with counterparties for derivative contracts | 3,000,000           |
| Cash pledged as collateral for securities sold short           | 3,550,000           |
| Unrestricted cash  | 2,321,000           |
| <b>Due from brokers</b>  | <b>\$ 9,471,000</b> |

|  |                     |
|--|---------------------|
| Payables related to unsettled trades                             | \$ 555,000          |
| Collateral received from counterparties for derivative contracts | 4,503,000           |
| Margin borrowings  | 2,486,000           |
| <b>Due to brokers</b>  | <b>\$ 7,544,000</b> |

### 5. Derivative contracts

In the normal course of business, the Fund invests in derivative contracts with underlying exposure to commodity and equity price risk, credit risk, interest rate risk and foreign currency risk. The Fund uses these derivatives in connection with its risk management activities to hedge certain risks or reposition the risk profile of the Fund or to gain exposure to equities or fixed income securities. Derivatives are either exchange-traded or OTC contracts. Exchange-traded derivatives are standard contracts traded on a regulated exchange. OTC contracts are private contracts negotiated with counterparties. These derivatives involve, to varying degrees, elements of credit and market risk in excess of the amount recorded in the statement of assets and liabilities.

[If applicable:] The Fund accounts for the payment and receipt of variation margin for centrally cleared derivatives and futures contracts that are characterized as settled-to-market as settlements of those contracts and recognizes daily settlements of settled-to-market contracts as [realized/unrealized] gains or losses. Unrealized gains or losses are not recorded as realized until the contracts expire or are settled.



# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

[If applicable:] The Fund accounts for the payment and receipt of variation margin for centrally cleared derivatives and futures contracts that are characterized as collateralized-to-market as daily changes in collateral receivable from or payable to the clearing house. Gains or losses from collateralized-to-market contracts are not realized until the contracts expire or are settled.

### Forward Contracts

The Fund enters into forward contracts to hedge itself against foreign currency exchange rate risk for its foreign currency denominated assets and liabilities due to adverse foreign currency fluctuations against the U.S. dollar and to manage the price risk associated with its commodity portfolio positions.

Forward currency and commodity transactions are contracts or agreements for delayed delivery of specific currencies and commodities in which the seller agrees to make delivery at a specified future date of specified currencies and commodities. Risks associated with forward currency and commodity contracts are the inability of counterparties to meet the terms of their respective contracts and movements in fair value and exchange rates.

### Futures Contracts

The Fund enters into futures contracts to gain exposure or hedge against changes in the value of equities, interest rates or foreign currencies. Futures contracts represent a firm commitment to buy or sell the underlying asset at a specified value and point in time based upon the agreed or contracted quantity. Initial margin is paid upon entering the contract and variation margin is paid or received by the Fund each day, depending on the daily fluctuations in the value of the contract, and the change is recorded as an unrealized gain or loss. For these contracts, the unrealized gain or loss represents the approximate future cash requirements.

Futures have minimal counterparty risk because futures contracts are exchange traded and the

exchange's clearing house, as the counterparty to all exchange traded futures, guarantees the futures against default.

The Commodity Exchange Act requires an FCM ("Futures Commission Merchant") to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM's segregation requirements. In the event of an FCM's insolvency, recovery may be limited to the Fund's pro rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total of cash and other equity deposited.

### Swap Contracts

Swap contracts ("swaps") involve an exchange of cash flows based on returns linked to an underlying security or index and based on a notional amount. The Fund is obligated to pay, or entitled to receive, as the case may be, the net difference in the value determined at the onset of the swap contract versus the value determined at the termination or reset of the swap contract. Therefore, the amounts required for the future satisfaction of the swap may be greater or less than the amounts recorded on the statement of assets and liabilities. The ultimate gain or loss on a swap contract depends upon the value of the underlying instrument at the time of termination or reset.

The Fund enters into various swaps, including interest rate swaps, total return swaps, credit default swaps and swaptions as part of its investment strategies, to hedge against unfavorable changes in the value of investments and to protect against adverse movements in interest rates or credit performance with counterparties.

During the term of the swap contract, changes in value are recognized as unrealized gains or losses by marking the contracts at fair value. Additionally, the Fund records a realized gain (loss) when a swap contract is terminated and when periodic payments are received or made at the end of each

## 5. Derivative contracts (continued)

measurement period. In addition to realized gains (losses) and the change in unrealized gains (losses), periodic interest expense and/or income is also reflected in net realized gain (loss) from derivative contracts in the statement of operations.

### Interest Rate Swaps

The Fund is exposed to interest rate risk when there is an unfavorable change in the value of investments as a result of adverse movements in the market interest rates. The Fund enters into interest rate swaps to protect against such adverse movements in the interest rates.

Interest rate swaps are contracts whereby counterparties exchange different rates of interest on a specified notional amount for a specified period of time. The payment flows are usually netted against each other, with the difference being paid by one party to the other. Entering into interest rate swaps involves varying degrees of risk, including the possibility that there is no liquid market for the contracts, the counterparty to the swap may default on its obligation to perform, and there may be unfavorable changes in fair value. The Fund's interest rate swap contracts are scheduled to terminate from 20XX through 20XX.

### Total Return Swaps

The Fund is subject to equity price risk in the normal course of pursuing its investment objectives. The Fund may enter into total return swaps either to manage its exposure to the market or certain sectors of the market, or to create exposure to certain equities to which it is otherwise not exposed.

Total return swaps involve an exchange of cash flows based on a commitment to pay an amount based on a referenced interest rate in exchange for a market-linked return, both based on a notional amount. The market linked return may include, among other things, the total return of a security or index. Entering into total return swaps involves varying degrees of risk, including the possibility that there is no liquid market for the contracts, the counterparty to the swap may default on its obligation to perform, and there may be unfavorable changes in fair value. The Fund's total

return swap contracts are scheduled to terminate from 20XX through 20XX.

### Credit Default Swaps

The Fund is subject to credit risk in the normal course of pursuing its investment objectives. The Fund may enter into credit default swaps to manage its exposure to the market or certain sectors of the market, to reduce its risk exposure to defaults of corporate and sovereign issuers, or to create exposure to corporate or sovereign issuers to which it is not otherwise exposed.

Credit default swap contracts involve an arrangement between the Fund and a counterparty to make or receive payments in the event of default or a credit event of a specified entity. As a "buyer of protection" ("Credit Default Swaps Purchased"), the Fund pays periodic premiums and the counterparty agrees to make a payment to compensate the Fund for losses only upon the occurrence of a specified credit event. Alternatively, when the Fund "sells protection" ("Credit Default Swaps Sold"), it receives premium payments from the counterparty in exchange for assuming the credit risk of the specified reference entity.

The Fund agrees to make a payment to compensate the counterparty for losses only upon the occurrence of a specified credit event. If a credit event occurs, the protection seller may deliver the full notional value or the current cash value of the referenced entity or the actual bonds to the protection buyer, depending on the terms agreed upon at the onset of the contract. Credit default swap contracts involve greater risks than if the Fund had invested in the reference obligation directly. In addition to the general market risks, credit default swap contracts are subject to liquidity risk and counterparty credit risk.

The Fund's credit default swap contracts are scheduled to terminate from 20XX through 20XX.

[See Appendix F for additional disclosures if the Fund is selling credit protection.]

### Swaptions

The Fund is subject to interest rate risk in the normal course of pursuing its investment objectives. The Fund may enter into swaptions to manage exposure to

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

fluctuations in interest rates and to enhance portfolio yield.

Swaptions represent an option that gives the purchaser the right, but not the obligation, to enter into a previously agreed upon swap contract on a future date. Swaptions are marked to market daily based upon quotations from market makers. When the Fund writes a swaption, the premium received is recorded as a liability and is subsequently adjusted to the current fair value of the swaption. A gain or loss is recognized when the swaption contract expires or is closed. Premiums received from writing swaptions that expire are treated by the Fund as realized gains from swaptions written. The writer of the swaption bears the market risk arising from any change in index values or interest rates. The Fund's swaption contracts are scheduled to terminate from 20XX through 20XX.

### Options

The Fund is subject to equity, commodity price and foreign currency exchange rate risk in the normal course of pursuing its investment objectives. The Fund may enter into options to speculate on the price movements of the financial instrument, commodity, or currency underlying the option, or for use as an economic hedge against certain positions held in the Fund's portfolio holdings. Options purchased give the Fund the right, but not the obligation, to buy or sell within a limited time, a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices. Options written obligate the Fund to buy or sell within a limited time, a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or price.

### Warrants

The Fund received warrants from its portfolio companies upon an investment in the debt or equity of a portfolio company. The warrants provide the Fund with exposure and potential gains upon equity appreciation of the portfolio company's share price.

The value of a warrant has two components: time value and intrinsic value. A warrant has a limited life and expires on a certain date. As time to the expiration date of a warrant approaches, the time value of a warrant will decline. In addition, if the stock underlying the warrant declines in price, the intrinsic value of an "in the money" warrant will decline. Further, if the price of the stock underlying the warrant does not exceed the strike price of the warrant on the expiration date, the warrant will expire worthless. As a result, there is the potential for the Fund to lose its entire investment in a warrant.

### Contracts for Differences

The Fund enters into contracts for differences arrangements with a financial institution. Contracts for differences arrangements involve an agreement by the Fund and a counterparty to exchange the difference between the opening and closing price of the position underlying the contract, which is generally an equity security. Therefore, amounts required for the future satisfaction of the contracts for differences may be greater or less than the amount recorded.

### Credit-Risk-Related Contingent Features

The Fund's derivative contracts are subject to International Swaps and Derivatives Association ("ISDA") Master Agreements which contain certain covenants and other provisions that may require the Fund to post collateral on derivatives if the Fund is in a net liability position with its counterparties exceeding certain amounts.

[If applicable] The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net liability position at December 31, 20XX is \$X,XXX,000 for which the Fund has posted \$XXX,000 as collateral in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered as of December 31, 20XX, the Fund would have been required to post additional collateral of \$X,XXX,000 to its counterparties.

Additionally, counterparties may immediately terminate these agreements and the related derivative contracts if the Fund fails to maintain sufficient asset

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

### 5. Derivative contracts (continued)

coverage for its contracts, or its net assets decline by stated percentages or amounts. [If applicable] As of December 31, 20XX, the termination values of these derivative contracts were approximately \$XX,000 less than their fair values.

[If Fund is selling credit protection via credit default swaps, add the following paragraph.]

In the event that certain specified credit events occur, the maximum potential amount of future undiscounted payments that the Fund would be required to pay under its credit default swaps sold would be \$XXX,XXX at December 31, 20XX. However, if the Fund was required to make payments under its credit default swaps sold, it would be entitled to certain assets owned by the entities that collateralize the reference obligations. The Fund cannot reasonably estimate the value of the recourse provisions of such contracts. The assumed value of the assets may diminish materially and such assets may not be recovered under certain circumstances.

### Volume of Derivative Activities

At December 31, 20XX, the volume of the Fund's derivative activities based on their notional amounts(a) categorized by primary underlying risk, are as follows:

[Consider calculating and disclosing average notional amounts when year-end amounts are not indicative of the overall volume throughout the year and/or there are no derivatives held as of year-end but there is material net gain (loss) from derivatives for the year.] [Optional language: The Fund considers the volume at December 31, 20XX to be an accurate representation of the volume of derivative activities during the year ended December 31, 20XX.]

[If applicable - for derivative types that were traded during the year and are included on the gain/loss table but are not held at year end] The Fund may utilize certain types of derivative contracts from time to time to create, or hedge exposures, relative to unique circumstances in the market. As such, the Fund has excluded these derivative types from the table on the next page, as they are not representative of the Fund's regular trading activity throughout the year.

[If applicable - for Funds that traded derivatives during the year but are not holding any at year end] At December 31, 20XX, the Fund did not hold any derivative contracts. The Fund's volume of derivative trading during the year was de minimus. As a result, no quantitative volume disclosure has been added to the financial statements.

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

### 5. Derivative contracts (continued)

|                                       | Long exposure    | Short exposure   |
|---------------------------------------|------------------|------------------|
| (notional amounts in thousands)       | Notional amounts | Notional amounts |
| <b>Primary underlying risk</b>        |                  |                  |
| <b>Interest rate</b>                  |                  |                  |
| Interest rate swaps                   | \$ 201,000       | \$ 85,647        |
| Swaptions                             | —                | —                |
|                                       | 326,000          | 85,647           |
| <b>Foreign currency exchange rate</b> |                  |                  |
| Forward contracts                     | 845,120          | 415,965          |
| <b>Equity price</b>                   |                  |                  |
| Total return swaps                    | 61,300           | 14,210           |
| Futures contracts                     | 36,200           | —                |
| Options (b)                           | 156,325          | 26,321           |
| Warrants (b)                          | 274,651          | —                |
| Contracts for differences             | 21,021           | 26,532           |
|                                       | 549,497          | 67,063           |
| <b>Commodity price</b>                |                  |                  |
| Futures contracts                     | —                | 2,511            |
| <b>Credit</b>                         |                  |                  |
| <b>Purchased protection:</b>          |                  |                  |
| Credit default swaps                  | —                | 87,500           |
| <b>Written protection:</b>            |                  |                  |
| Credit default swaps                  | —                | —                |
|                                       | —                | 87,500           |
| <b>Other risks</b>                    |                  |                  |
|                                       | —                | —                |
|                                       | \$ 1,720,617     | \$ 658,686       |

(a) [if applicable] Notional amounts are presented net of identical offsetting derivative contracts.

(b) Notional amounts presented for options and warrants are based on the fair value of the underlying shares as if the options and warrants were exercised at December 31, 20XX.

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

### Impact of Derivatives on the Statement of Assets and Liabilities and Statement of Operations

The following table identifies the fair value amounts of derivative instruments included in the statement of assets and liabilities as derivative contracts, categorized by primary underlying risk, at December 31, 20XX. Balances are presented on a gross basis, prior to the application of the impact of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of master netting arrangements and have been adjusted by the application of cash collateral receivables and payables with its counterparties. The following table also identifies the net gain and loss amounts included in the statement of operations as net realized gain (loss) from derivative contracts and net change in unrealized appreciation or (depreciation) from derivative contracts, categorized by primary underlying risk, for the year ended December 31, 20XX:

(in thousands)

| Primary underlying risk               | Derivative assets | Derivative liabilities | Net realized gain (loss) | Net unrealized gain (loss) |
|---------------------------------------|-------------------|------------------------|--------------------------|----------------------------|
| <b>Interest rate</b>                  |                   |                        |                          |                            |
| Interest rate swaps                   | \$ 18,514         | \$ 13,765              | \$ 37,000                | \$ 4,098                   |
| Swaptions                             | —                 | —                      | —                        | —                          |
|                                       | 18,514            | 13,765                 | 37,000                   | 4,098                      |
| <b>Foreign currency exchange rate</b> |                   |                        |                          |                            |
| Forward contracts                     | —                 | 9,390                  | (23,000)                 | (784)                      |
| <b>Equity price</b>                   |                   |                        |                          |                            |
| Total return swaps                    | 20,116            | 8,102                  | (450)                    | (37)                       |
| Futures contracts                     | —                 | —                      | (900)                    | 54                         |
| Call options                          | 14,092            | 10,588                 | 6,000                    | 19,965                     |
| Put options                           | 13,669            | 3,809                  | 1,700                    | 89                         |
| Warrants                              | 20,350            | —                      | 4,800                    | 2,745                      |
| Contracts for differences             | —                 | 8,279                  | (24,483)                 | (4,158)                    |
|                                       | 68,227            | 30,778                 | (13,333)                 | 18,658                     |
| <b>Commodity price</b>                |                   |                        |                          |                            |
| Futures contracts                     | —                 | 18,328                 | (84)                     | 253                        |
| <b>Credit</b>                         |                   |                        |                          |                            |
| Purchased protection:                 |                   |                        |                          |                            |
| Credit default swaps                  | —                 | 11,391                 | (42)                     | (14,875)                   |
| Written protection:                   |                   |                        |                          |                            |
| Credit default swaps                  | —                 | —                      | —                        | —                          |
|                                       | —                 | 11,391                 | (42)                     | (14,875)                   |
| <b>Other risks</b>                    |                   |                        |                          |                            |
|                                       | —                 | —                      | —                        | —                          |
| <b>Gross total</b>                    | <b>86,741</b>     | <b>83,652</b>          | <b>541</b>               | <b>7,350</b>               |
| Add: Counterparty receivable/payable  | —                 | —                      | —                        | —                          |
| Less: Master netting arrangements     | (7,802)           | (7,802)                | —                        | —                          |
| Less: Cash collateral applied         | —                 | —                      | —                        | —                          |
| <b>Total</b>                          | <b>\$ 78,939</b>  | <b>\$ 75,850</b>       | <b>\$ 541</b>            | <b>\$ 7,350</b>            |



# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

### 6. Collateralized financing arrangements

#### Securities purchased under agreements to resell and securities sold under agreements to repurchase

Transactions involving purchases of securities under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financial transactions and are recorded at their contracted resell or repurchase amounts. In addition, interest on both types of transactions is included in interest receivable and interest payable, respectively.

In connection with transactions in agreements to resell, it is the Fund's policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the agreements to resell, including accrued interest, at all times. If the counterparty defaults under agreements to resell, and the fair value of the collateral declines, the realization of the collateral by the Fund may be delayed or limited.

At December 31, 20XX, the Fund received the following securities as collateral for its repurchase agreements (in thousands).

| Type of collateral | Resell price | Fair value |
|--------------------|--------------|------------|
| U.S Treasury bonds | \$ 7,546     | \$ 6,851   |
| Commercial paper   | —            | —          |
|                    | \$ 7,546     | \$ 6,851   |

[If applicable:] The Fund is permitted to sell or repledge collateral received in connection with its repurchase agreements. At December 31, 20XX, the fair value of such collateral was \$X,XXX,000. [If applicable:] During the year ended December 31, 20XX, the Fund had [sold/repledged] collateral with a fair value of \$X,XXX,000.

#### Reverse Repurchase Agreements

Reverse repurchase agreements involve the sale of a security to a counterparty, subject to an obligation by the Fund to repurchase the security from the counterparty at a contracted price on maturity. In connection with its reverse repurchase agreements, the Fund is required to pledge collateral to its counterparties, the fair value of which, at all times, to be at least [specify the percentage of required collateral value to the contracted repurchase amount, including accrued interest] of the excess of the amounts borrowed plus accrued interest. If the fair value of the collateral declines, the Fund may be required to post additional collateral to the counterparty. To mitigate this risk, the Fund pledges financial instruments as collateral that are 1) issued by entities with sufficient creditworthiness to meet their obligations when they come due and 2) sufficiently liquid to be sold at their carrying amounts in the ordinary course of operations (in thousands).

[If applicable:] At December 31, 20XX, the Fund pledged the following securities, included in investments in securities in the statement of assets and liabilities, to collateralize securities sold under agreements to repurchase (in thousands):

| Type of collateral | Repurchase price | Fair value |
|--------------------|------------------|------------|
| Corporate bonds    | \$ 3,201         | \$ 3,200   |
| Municipal bonds    | 2,701            | 2,800      |
|                    | \$ 5,902         | \$ 6,000   |

#### Securities lending agreement

The Fund may lend securities to various financial institutions, principally to broker-dealers. Those transactions are secured by collateral such as cash, securities, or standby letters of credit, the fair value of which, at all times, to be at least [specify the

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

### 6. Collateralized financing arrangements (continued)

percentage of required collateral value to the amount of securities loaned, including accrued interest and dividends], at all times, to the fair value of the securities loaned plus accrued interest and dividends. If the collateral is cash, the Fund normally earns a return by investing that cash typically in short-term, high-quality debt instruments. Investments of cash collateral are subject to the Fund's investment restrictions.

At December 31, 20XX, securities purchased under agreements to resell [and/or] securities sold under agreements to repurchase had interest rates of X.X%

through X.X% and maturity dates of [month, date, year] through [month, date, year].

As of December 31, 20XX, the Fund entered into a securities lending agreement with its prime broker and loaned common stocks and received the following collateral for the loan (in thousands).

| Type of collateral | Fair value of securities | Fair value of collateral |
|--------------------|--------------------------|--------------------------|
| Cash               | \$ 280                   | \$ 301                   |

The cash was invested in U.S. Treasury bills with a maturity of April 1, 20XX, included in investments in securities in the statement of assets and liabilities.

### Disclosures for secured borrowing arrangements

The following table provides information related to the gross liabilities from arrangements accounted for as secured borrowings, presented by class of collateral pledged and remaining contractual maturities of the Fund's secured borrowings as of December 31, 20XX (in thousands).

|   | Overnight and continuous | Up to 30 days | 30 - 90 days | Over 90 days | Total    |
|---|--------------------------|---------------|--------------|--------------|----------|
| <b>Reverse repurchase agreements</b>                                  |                          |               |              |              |          |
| Corporate bonds   | \$ 1,550                 | \$ 1,652      | \$ —         | \$ —         | \$ 3,202 |
| Municipal bonds   |                          | —             | 2,700        | —            | 2,700    |
| <b>Total reverse repurchase agreements</b>                            | 1,550                    | 1,652         | 2,700        | —            | 5,902    |
| <b>Securities lending agreements</b>                                  |                          |               |              |              |          |
| Common stocks   | 331                      | —             | —            | —            | 331      |
| <b>Total secured borrowings</b>                                       | \$ 1,881                 | \$ 1,652      | \$ 2,700     | \$ —         | \$ 6,233 |
| <b>Gross recognized liabilities for reverse repurchase agreements</b> |                          |               |              |              | \$ 5,902 |
| <b>Amounts related to agreements not subject to offsetting</b>        |                          |               |              |              |          |
| Reverse repurchase agreements   |                          |               |              |              | \$ —     |
| Securities lending agreements   |                          |               |              |              | \$ 331   |



## 7. Offsetting assets and liabilities

The Fund's statement of assets and liabilities includes derivative contracts that are eligible for offset and that are subject to a fully-executed master netting arrangement. The Fund presents these contracts on a gross basis (without taking into account any offset). A master netting arrangement could allow the counterparty to net payment obligations and liabilities (including collateral held by the counterparty) that the counterparty owes to the Fund against payment obligations and liabilities (including collateral held by the Fund) that the Fund owes to the counterparty.

Excluding the criteria that the Fund intends to set off, securities purchased under agreements to resell and securities sold under agreements to repurchase need to meet the following additional criteria to be offset:

- (1) positions are with the same counterparty,
- (2) have the same explicit settlement date specified at the inception of the agreements,
- (3) are executed in accordance with a master netting arrangement,
- (4) have securities underlying the agreements that exist in book entry form and can be transferred only by means of entries in the records of the transfer system operator or securities custodian,
- (5) will both be settled on a securities transfer system and have an associated banking arrangements in place as described by FASB, and
- (6) intends to use the same account at the clearing bank or other financial institution at the settlement date in transacting both the cash inflows resulting from the settlement of the securities purchased under agreements to re sell and the cash outflows in settlement of the offsetting securities sold under agreements to repurchase.

As of December 31, 20XX, the Fund holds financial instruments and derivative instruments that are eligible for offset in the statement of assets and liabilities and are subject to a master netting arrangement. The master netting arrangement allows the counterparty to net applicable collateral held on behalf of the Fund against applicable liabilities or payment obligations of the Fund to the counterparty. These arrangements also allow the counterparty to net any of its applicable liabilities or payment obligations they have to the Fund against any collateral sent to the Fund.

[If applicable:] The gross amounts of derivative assets and liabilities presented in the preceding tables differ from the amounts of derivative assets and liabilities reported in the statement of assets and liabilities as the result of option contracts, warrants and futures in the amounts of \$XX,XXX,000 and \$XX,XXX,000 respectively, which are not subject to enforceable master netting arrangements.

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

The following table provides disclosure regarding the potential effect of offsetting of recognized assets presented in the statement of assets and liabilities:

(in thousands)

| As of December 31, 20XX | Description                                     | Net Amounts of Recognized Assets Presented in the Statement of Assets and Liabilities |   | Gross Amounts Not Offset in the Statement of Assets and Liabilities (a) |                       |                          | Net Amount       |
|-------------------------|---|---|---|---|-----------------------|--------------------------|------------------|
|                         |   | Gross Amounts of Recognized Assets  | Gross Amounts Offset in the Statement of Assets and Liabilities | Gross Amounts Offset in the Statement of Assets and Liabilities         | Financial Instruments | Cash Collateral Received |                  |
|                         | Derivative contracts                            | \$ 38,630   | \$ —  | \$ 38,630   | \$ (21,867)           | \$ —                     | \$ 16,763        |
|                         | Securities purchased under agreements to resell | 6,851   | —   | 6,851   | —                     | (4,500)                  | 2,351            |
|                         | <b>Total</b>                                    | <b>\$ 45,481</b>  | <b>\$ —</b>   | <b>\$ 45,481</b>  | <b>\$ (21,867)</b>    | <b>\$ (4,500)</b>        | <b>\$ 19,114</b> |

(a) Amounts include \$XXX,XXX of collateral included in due from/to brokers on the statement of assets and liabilities.

The following table provides disclosure regarding the potential effect of offsetting of recognized liabilities presented in the statement of assets and liabilities:

(in thousands)

| As of December 31, 20XX | Description  | Net Amounts of Recognized Liabilities Presented in the Statement of Assets and Liabilities |   | Gross Amounts Not Offset in the Statement of Assets and Liabilities (a) |                       |                      | Net Amount       |
|-------------------------|--|--|---|---|-----------------------|----------------------|------------------|
|                         |  | Gross Amounts of Recognized Liabilities  | Gross Amounts Offset in the Statement of Assets and Liabilities | Gross Amounts Offset in the Statement of Assets and Liabilities         | Financial Instruments | Cash Collateral Paid |                  |
|                         | Derivative contracts                                   | \$ 42,648  | \$ —  | \$ 42,648   | \$ (21,867)           | \$ (2,304)           | \$ 18,477        |
|                         | Payable for securities sold under agreements to resell | 5,902  | —   | 5,902   | —                     | —                    | —                |
|                         | <b>Total</b>   | <b>\$ 48,550</b>   | <b>\$ —</b>   | <b>\$ 48,550</b>  | <b>\$ (21,867)</b>    | <b>\$ (2,304)</b>    | <b>\$ 18,477</b> |

(a) Amounts include \$XXX,XXX of collateral included in due from/to brokers on the statement of assets and liabilities.

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

### 8. Securities sold short

The Fund is subject to certain inherent risks arising from its investing activities of selling securities short. By entering into short sales, the Fund bears the market risk of increases in the value of the security sold short in excess of the proceeds received. Possible losses from short sales differ from losses that could be incurred from purchases of securities because losses from short sales may be unlimited whereas losses from purchases cannot exceed the total amount invested. At December 31, 202X, the Fund has offsetting long positions with a fair value of \$XX,XXX.

### 9. Concentration of credit risk

In the normal course of business, the Fund maintains its cash balances in financial institutions, which at times may exceed federally insured limits. The Fund is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties.

### 10. Partners capital

Profits and losses of the Fund are allocated to partners according to their respective interests in the Fund. Subject to certain limitations, generally XX% of the net profits allocated to the limited partners is reallocated to the General Partner. The General Partner, in its sole discretion, may waive all or part of the incentive reallocation for any limited partner.

The minimum initial investment in the Fund is \$XX,000,000. Capital contributions may be made by limited partners as of the first business day of any month at the General Partner's sole discretion.

Upon giving at least XX days' prior written notice, and subject to a XX month lock-up period, a limited partner may redeem all or a portion of its outstanding capital balance as of the last business day of each calendar quarter. The early redemption fee represents the amount charged to limited partners withdrawing

capital prior to expiration of their agreed upon lock-up period.

Advance capital contributions represent amounts owed to limited partners for cash received prior to the effective date of such contributions.

Capital withdrawals payable represent amounts due to partners based on withdrawals effective through December 31, 20XX.

### 11. Related party transactions

The Fund pays the General Partner (or the Investment Manager), a management fee, calculated and payable quarterly in advance, equal to X.XX% of the Fund's net asset value determined as of the beginning of each calendar quarter.

Due to related parties represents amounts payable to the General Partner for expenses paid on behalf of the Fund.

Certain limited partners are affiliated with the General Partner. The aggregate value of the affiliated limited partners' share of partners' capital at December 31, 20XX is approximately \$34,631,000.

Certain limited partners have special management fee arrangements, performance arrangements, or redemption rights.

[If applicable] During 20XX, the Fund entered into purchase and sale transactions with an affiliated entity which is also managed by the General Partner. Total purchases and sales at fair value of approximately \$5,196,000 were made with this related party. Transactions with related parties resulted in net gains (losses) of \$17,000 and are included in net realized gain (loss) on investments in the statement of operations. The terms, conditions and execution of each such purchase and sale were on an arm's-length basis.

[If applicable] The General Partner generally allocates investments between the Fund and other entities for which it serves as the General Partner on a pro rata basis based on assets under management. In order to maintain pro rata allocations, the Fund may sell securities to, or purchase securities from, these other

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

### 11. Related party transactions (continued)

entities. Such transactions are generally executed at the closing price on the date prior to the trade date, or, in the case of restricted yet tradable securities, at fair value as determined by the General Partner.

[If applicable] Additionally, the Fund may co-invest with other entities with the same General Partner as the Fund.

### 12. Administrative fee

Administrator Fund Services Ltd. (the “Administrator”) serves as the Fund's administrator and performs certain administrative and clerical services on behalf of the Fund.

[If applicable] The Administrator is also affiliated with a broker through which the Fund transacts operations. At December 31, 20XX, there is a balance of approximately \$X,XXX,000 due from/to this broker. [If applicable] At December 31, 20XX, cash balances of approximately \$XXX,000 are held by an affiliate of the Administrator.

### 13. Indemnification

The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote. No amounts have been accrued related to such indemnifications.

### 14. Financial highlights

Financial highlights for the year ended December 31, 20XX are as follows:

#### Total return

|   |       |   |
|---|-------|---|
| Total return before reallocation to General Partner | 13.0  | % |
| Reallocation to General Partner                     | (2.3) |   |
| Total return after reallocation to General Partner  | 10.7  | % |

#### Ratio to average limited partners' capital

|  |       |   |
|--|-------|---|
| Expenses (including interest and dividends)  | 3.1   | % |
| Reallocation to General Partner              | 2.3   |   |
| Expenses and reallocation to General Partner | 5.4   | % |
| Net investment income (loss)                 | (0.9) | % |

Financial highlights are calculated for the limited partner class taken as a whole. An individual limited partner's ratios and returns may vary based on [as applicable] participation in new issues, private investments, different performance and/or management fee arrangements and the timing of capital transactions. The net investment income (loss) ratio does not reflect the effects of the reallocation to the General Partner.

# Domestic Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

[If applicable, for investments in private investment companies] The net investment income (loss) ratio does not reflect the income and expenses incurred by the underlying private investment companies.

[If applicable, funds open greater than or less than one year] The ratios, excluding nonrecurring expenses and the reallocation to the General Partner, have [have not] been annualized.

### 15. Subsequent events

[If applicable] From January 1, 20XX through [Month, Date, Year] the Fund recorded \$XX,000,000 of additional capital contributions of which \$XX,XXX,XXX was received prior to January 1, 20XX and has also received withdrawal requests of approximately \$XX,XXX,XXX of which, approximately \$X,000,000 was requested by the General Partner.

[If applicable] In addition, as of [Month, Date, Year], the Fund has received limited partner withdrawal requests that are anticipated to be effective on June 30, 20XX. The limited partner interests for these requests were approximately XX% of the partners' capital as of December 31, 20XX. The ultimate amounts withdrawn for these requests may vary based upon the performance of the Fund.

[If applicable] From January 1, 20XX through [Month, Date, Year], the Fund made additional investments of approximately \$XX,000,000 in private investment companies and received additional redemptions from private investment companies of approximately \$XX,XXX,000.

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# **Pro**Forma OFFSHORE FUND, LTD. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 20XX





# Offshore Fund, Ltd. and Subsidiary

## Consolidated Statement of Assets and Liabilities

December 31, 20XX

(Expressed in United States Dollars)

### Assets

|   |                         |
|---|-------------------------|
| Investments in securities, at fair value (cost \$602,206,000)<br>including \$756,000 of securities loaned | \$ 684,744,400          |
| Investments in private investment companies, at fair value (cost \$194,345,000)                           | 214,874,000             |
| Derivative contracts, at fair value   | 183,795,200             |
| Securities purchased under agreements to resell, at fair value (cost \$19,546,000)                        | 24,605,000              |
| Due from brokers  | 51,433,000              |
| Cash and cash equivalents   | 10,992,000              |
| Cash denominated in foreign currencies (cost \$224,000)   | 401,300                 |
| Due from related parties  | 350,400                 |
| Dividends and interest receivable   | 2,440,000               |
| Other assets  | 375,000                 |
| <b>Total assets</b>   | <b>\$ 1,174,010,300</b> |

### Liabilities

|   |                    |
|---|--------------------|
| Securities sold short, at fair value (proceeds \$411,325,000) | \$ 416,316,600     |
| Derivative contracts, at fair value                           | 206,602,000        |
| Payable for securities sold under agreements to repurchase    | 14,987,000         |
| Payable upon return of securities loaned                      | 375,500            |
| Due to brokers  | 1,557,000          |
| Dividends and interest payable                                | 761,000            |
| Advance subscriptions   | 3,965,400          |
| Management fee payable  | 2,215,000          |
| Loans payable   | 350,000            |
| Due to related parties  | 209,000            |
| Redemptions payable   | 7,864,000          |
| Accrued expenses and other liabilities                        | 36,000             |
| <b>Total liabilities</b>                                      | <b>655,238,500</b> |

### Net assets

|  |                       |
|--|-----------------------|
| Net assets attributable to Offshore Fund, Ltd.     | 476,112,400           |
| Net assets attributable to noncontrolling interest | 42,659,400            |
| <b>Total net assets</b>                            | <b>\$ 518,771,800</b> |

See accompanying notes to consolidated financial statements.

# Offshore Fund, Ltd. and Subsidiary

## Consolidated Statement of Operations

Year Ended December 31, 20XX  
(Expressed in United States Dollars)

|  |                      |
|--|----------------------|
| <b>Investment income</b>   |                      |
| Interest   | \$ 5,798,000         |
| Dividends (net of foreign and U.S. withholding taxes of \$395,000)   | 2,410,000            |
| Income from securities loaned – net  | 175,300              |
| Other income   | 269,000              |
| <b>Total investment income</b>   | <b>8,652,300</b>     |
| <b>Expenses</b>  |                      |
| Interest and dividends   | 6,137,000            |
| Management fee   | 9,442,000            |
| Administrative fee   | 211,300              |
| Professional fees and other  | 375,000              |
| <b>Total expenses</b>  | <b>16,165,000</b>    |
| <b>Net investment income (loss)</b>  | <b>(7,513,000)</b>   |
| <b>Realized and unrealized gain (loss) on investments</b>  |                      |
| Net realized gain (loss) on securities and foreign currency transactions   | 34,707,000           |
| Net realized gain (loss) on private investment companies   | 4,658,000            |
| Net realized gain (loss) from derivative contracts   | 401,500              |
| Net change in unrealized appreciation or (depreciation) on securities and foreign currency transactions (includes realized gains on distribution of securities of \$362,000) | 64,300,300           |
| Net change in unrealized appreciation or (depreciation) on private investment companies  | (3,988,000)          |
| Net change in unrealized appreciation or (depreciation) from derivative contracts  | 19,761,000           |
| <b>Net gain (loss) on investments</b>  | <b>119,839,800</b>   |
| <b>Net change in net assets resulting from operations</b>  | <b>112,326,800</b>   |
| Less: Net change in net assets resulting from operations attributable to noncontrolling interest   | 12,355,948           |
| <b>Net change in net assets resulting from operations attributable to Offshore Fund, Ltd.</b>  | <b>\$ 99,970.852</b> |

See accompanying notes to consolidated financial statements.

# Offshore Fund, Ltd. and Subsidiary

## Consolidated Statement of Changes in Net Assets

Year Ended December 31, 20XX

(Expressed in United States Dollars)

| Operations  | Offshore Fund,<br>LTD. | Noncontrolling<br>Interest | Total                 |
|---|------------------------|----------------------------|-----------------------|
| Net investment income (loss)  | \$ (6,686,570)         | \$ (826,430)               | \$ (7,513,000)        |
| Net realized gain (loss) on securities and foreign currency transactions                                | 30,889,230             | 3,817,770                  | 34,707,000            |
| Net realized gain (loss) on private investment companies  | 4,145,620              | 512,380                    | 4,658,000             |
| Net realized gain (loss) from derivative contracts  | 357,335                | 44,165                     | 401,500               |
| Net change in unrealized appreciation or (depreciation) on securities and foreign currency transactions | 57,227,267             | 7,073,033                  | 64,300,300            |
| Net change in unrealized appreciation or (depreciation) on private investment companies                 | (3,549,320)            | (438,680)                  | (3,988,000)           |
| Net change in unrealized appreciation or (depreciation) from derivative contracts                       | 17,587,290             | 2,173,710                  | 19,761,000            |
| Performance allocation  | (21,984,000)           | 21,984,000                 | —                     |
| <b>Net change in net assets resulting from operations</b>   | <b>77,986,852</b>      | <b>34,339,948</b>          | <b>112,326,800</b>    |
| <b>Capital share transactions</b>   |                        |                            |                       |
| Issuance of shares  | 68,320,000             | —                          | 68,320,000            |
| Redemption of shares  | (41,275,000)           | —                          | (41,275,000)          |
| <b>Net change in net assets resulting from capital share transactions</b>                               | <b>27,045,000</b>      | <b>—</b>                   | <b>27,045,000</b>     |
| <b>Net change in net assets</b>   | <b>105,031,852</b>     | <b>34,339,948</b>          | <b>139,371,800</b>    |
| <b>Net assets, beginning of year</b>  | <b>371,080,548</b>     | <b>8,319,452</b>           | <b>401,384,000</b>    |
| <b>Net assets, end of year</b>  | <b>\$ 476,112,400</b>  | <b>\$ 42,659,400</b>       | <b>\$ 518,771,800</b> |

See accompanying notes to consolidated financial statements.

# Offshore Fund, Ltd. and Subsidiary

## Consolidated Statement of Cash Flows

Year Ended December 31, 20XX

(Expressed in United States Dollars)

[See Appendix A for disclosure requirements of restricted cash and restricted cash equivalents.]

### Cash flows from operating activities

|   |                     |
|---|---------------------|
| Net change in net assets resulting from operations  | \$ 112,326,800      |
| Adjustments to reconcile net change in net assets resulting from operations to net cash provided by (used in) operating activities:   |                     |
| Net realized (gain) loss on securities and foreign currency transactions and private investment companies                             | (39,365,000)        |
| Net realized (gain) loss from derivative instruments  | (401,500)           |
| Net change in unrealized (appreciation) or depreciation on securities, foreign currency transactions and private investment companies | (60,312,300)        |
| Net change in unrealized (appreciation) or depreciation on derivative contracts   | (19,761,000)        |
| Amortization of premiums and discounts on debt securities   | (96,000)            |
| Purchases of investments in securities  | (78,250,500)        |
| Proceeds from sales of investments in securities  | 130,214,500         |
| Purchases of investments in private investment companies  | (34,533,000)        |
| Proceeds from sales of investments in private investment companies  | 22,585,000          |
| Securities purchased under agreements to resell   | (17,412,000)        |
| Proceeds from securities sold short   | 71,103,000          |
| Payments to cover securities sold short   | (99,784,000)        |
| Proceeds from derivative contracts  | 19,397,000          |
| Purchases of derivative contracts   | (26,998,000)        |
| Payments to cover derivative contracts  | (16,294,200)        |
| Changes in operating assets and liabilities:  |                     |
| Due from brokers  | 23,773,000          |
| Due from related parties  | 52,000              |
| Dividends and interest receivable   | (418,000)           |
| Other assets  | 39,000              |
| Derivative contracts  | (26,191,000)        |
| Payable upon return of securities loaned  | 496,000             |
| Payable for securities sold under agreements to repurchase  | 7,458,000           |
| Due to brokers  | (12,782,000)        |
| Management fee payable  | 207,000             |
| Dividends and interest payable  | 356,000             |
| Due to related parties  | 459,300             |
| Accrued expenses and other liabilities  | 585,000             |
| <b>Net cash provided by (used in) operating activities</b>  | <b>(43,546,900)</b> |

### Cash flows from financing activities

See accompanying notes to consolidated financial statements.

# Offshore Fund, Ltd. and Subsidiary

## Consolidated Statement of Cash Flows *(continued)*

Year Ended December 31, 20XX

(Expressed in United States Dollars)

[See Appendix A for disclosure requirements of restricted cash and restricted cash equivalents.]

|  |           |                     |
|--|-----------|---------------------|
| Proceeds from issuance of shares, net of change in advance subscriptions | \$        | 72,285,400          |
| Payments for redemption of shares, net of change in redemptions payable  |           | (49,139,000)        |
| Proceeds from loans payable  |           | 4,785,000           |
| Repayments of loans payable  |           | (5,911,300)         |
| <b>Net cash provided by (used in) financing activities</b>               |           | <b>22,020,100</b>   |
| <b>Net change in cash and cash equivalents</b>                           |           | <b>(21,526,800)</b> |
| <b>Cash and cash equivalents, beginning of year</b>                      |           | <b>32,920,100</b>   |
| <b>Cash and cash equivalents, end of year</b>                            | <b>\$</b> | <b>11,393,300</b>   |
| <b>Supplemental disclosure of cash flow information</b>                  |           |                     |
| Cash paid during the year for interest                                   | \$        | 413,000             |
| <b>Supplemental disclosure of noncash financing activities</b>           |           |                     |
| Distribution of securities, at fair value (cost basis of \$333,000)      | \$        | 695,000             |
| Contribution of securities, at fair value                                | \$        | 125,000             |

See accompanying notes to consolidated financial statements.

## Offshore Fund, Ltd. and Subsidiary

### Consolidated Condensed Schedule of Investments

*Year Ended December 31, 20XX*

*(Expressed in United States Dollars)*

[See Condensed Schedule of Investments in the Domestic Fund, L.P. for illustrative schedule. References to Partners' Capital should be replaced with Net Assets where applicable.]

*See accompanying notes to consolidated financial statements.*

# Offshore Fund, Ltd. and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

### 1. Nature of operations and summary of significant accounting policies

#### Nature of Operations

Offshore Fund, Ltd. (the "Offshore Fund") is an exempted investment company which was formed under the laws of the Cayman Islands on [Month, Date, Year] and commenced operations on [Month, Date, Year]. The Offshore Fund was organized for the purpose of trading and investing in securities. Pursuant to an investment management agreement, the Offshore Fund is managed by Investment Manager, LLC (the "Investment Manager"). [If applicable] The Investment Manager is registered with the United States Securities and Exchange Commission as a registered investment adviser.

The Master Fund, L.P. (the "Master Fund"), a Delaware investment limited partnership, commenced operations on September XX, 20XX. The Offshore Fund invests substantially all of its assets through a master-feeder structure in the Master Fund, which has the same investment objective as the Offshore Fund.

#### Basis of Presentation

The consolidated financial statements include the accounts of the Offshore Fund and its subsidiary, the Master Fund (collectively the "Fund"). The Offshore Fund owned approximately 76% of the Master Fund at December 31, 20XX. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"), and are presented in U.S. dollars. The Fund qualifies as an investment company under the provisions outlined in Accounting Standards Codification ("ASC") 946, Financial Services — Investment Companies.

These consolidated financial statements were approved by management and available for issuance on [Month, Date, Year]. Subsequent events have been evaluated through this date.

[Refer to "Nature of operations and summary of significant accounting policies" footnote in the Domestic Fund, L.P. for the following captions.]

#### Cash Equivalents

#### Fair Value – Definition and Hierarchy

#### Fair Value – Valuation Techniques and Inputs

#### Translation of Foreign Currency

#### Investment Transactions and Related Investment Income

#### Offsetting of Amounts Related to Certain Contracts

#### Securities Lending

#### Use of Estimates

#### Income Taxes

Under the laws of the Cayman Islands, the Fund is generally not subject to income taxes. However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax. [If applicable] Further, certain non-United States dividend income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained, assuming examination by tax authorities. The tax benefit recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 20XX.

[See Appendix D for alternative Income Taxes footnote(s) when the Fund has recognized a liability for unrecognized tax benefits.]

#### Redemptions Payable

Redemptions are recognized as liabilities when the amount requested in the redemption notice becomes fixed, which generally occurs on the last day of the fiscal [month/quarter]. As a result, redemptions paid after the end of the year, based on shareholders' capital balances at year-end, are included in redemptions payable.

# Offshore Fund, Ltd. and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

### 2. Fair value measurements

[Refer to “Fair value measurements” footnote in the Domestic Fund, L.P.]

### 3. Investments in private investment companies

[See Appendix B for additional disclosures required if the Fund invests in private investment companies.]

### 4. Due from/to brokers

[Refer to “Due from/to brokers” footnote in the Domestic Fund, L.P.]

### 5. Derivative contracts

[Refer to “Derivative contracts” footnote in the Domestic Fund, L.P.]

### 6. Securities purchased under agreements to resell and securities sold under agreements to repurchase

[Refer to “Securities purchased under agreements to resell and securities sold under agreements to repurchase” footnote in the Domestic Fund, L.P.]

### 7. Securities lending agreements

[Refer to “Securities lending agreements” footnote in the Domestic Fund, L.P.]

### 8. Offsetting assets and liabilities

[Refer to “Offsetting assets and liabilities” footnote in the Domestic Fund, L.P.]

### 9. Securities sold short

[Refer to “Securities sold short” footnote in the Domestic Fund, L.P.]

### 10. Concentration of credit risk

[Refer to “Concentration of credit risk” footnote in the Domestic Fund, L.P.]

### 11. Capital share transactions

As of December 31, 20XX there are X,XXX,XXX redeemable shares of \$0.01 par value authorized. There are two classes of shares, Class A and Class B. Shareholders who may be restricted from receiving certain types of income are issued Class B shares. All other shareholders are issued Class A shares. For purposes of accounting for the performance allocation, shares issued at different times are issued in series, a different series being issued on each subscription date. Series 1 shares within each class are issued on the first subscription date in each calendar year and the remaining series are issued on any other subscription dates during the calendar year. After the close of each calendar year, all such series are converted into Series 1 shares of such class unless a loss carryforward attributable to such other series or to Series 1 of such class remains outstanding.



# Offshore Fund, Ltd. and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

### 11. Capital share transactions (continued)

The minimum initial investment in the Fund is \$XX,000,000. The Fund, may accept new and existing subscriptions on the first business day of any month.

Upon giving at least XX days' prior written notice, and subject to a XX month lock-up period, a shareholder may redeem all or a portion of its outstanding shares as of the last business day of each calendar quarter.

Transactions in capital shares during the period, and the shares outstanding and the net asset value ("NAV") per share as of December 31, 20XX, for each class and series of shares are as follows:

|                         | Beginning<br>Shares | Share Transfers/<br>Conversions | Shares<br>Issued    | Shares<br>Redeemed   | Ending<br>Shares        |
|-------------------------|---------------------|---------------------------------|---------------------|----------------------|-------------------------|
| Class A                 |                     |                                 |                     |                      |                         |
| Series 1                | 22,000.00           | 20,000.00                       | 19,000.00           | —                    | 61,000.00               |
| Series 2                | 5,000.00            | 7,000.00                        | 6,000.00            | —                    | 18,000.00               |
| Series 3                | 45,000.00           | (11,000.00)                     | —                   | (14,658.54)          | 19,341.46               |
| Class B                 |                     |                                 |                     |                      |                         |
| Series 1                | 46,000.00           | —                               | —                   | (9,000.00)           | 37,000.00               |
| Series 2                | —                   | —                               | 29,470.00           | —                    | 29,470.00               |
| Series 3                | —                   | —                               | 13,850.00           | —                    | 13,850.00               |
|                         |                     |                                 |                     |                      |                         |
| Noncontrolling interest | 10,000              | —                               | —                   | —                    | 10,000.00               |
|                         |                     |                                 |                     |                      |                         |
|                         |                     | Amounts<br>Issued               | Amounts<br>Redeemed | Ending<br>Net Assets | Ending NAV<br>Per Share |
| Class A                 |                     |                                 |                     |                      |                         |
| Series 1                |                     | \$ 19,000,000                   | \$ —                | \$ 300,965,000       | \$ 4,933.85             |
| Series 2                |                     | 6,000,000                       | —                   | 18,526,800           | 1,029.27                |
| Series 3                |                     | —                               | (27,914,000)        | 20,368,000           | 1,053.07                |
| Class B                 |                     |                                 |                     |                      |                         |
| Series 1                |                     | —                               | (13,361,000)        | 94,401,000           | 2,551.38                |
| Series 2                |                     | 29,470,000                      | —                   | 32,221,600           | 1,093.37                |
| Series 3                |                     | 13,850,000                      | —                   | 9,630,000            | 695.31                  |
|                         |                     | 68,320,000                      | (41,275,000)        | 476,112,400          |                         |
| Noncontrolling interest |                     | —                               | —                   | 42,659,400           | 4,265.94                |
|                         |                     | \$ 68,320,000                   | \$ (41,275,000)     | \$ 518,771,800       |                         |

# Offshore Fund, Ltd. and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

### 11. Capital share transactions (continued)

[If applicable:] The early redemption fee represents the amount charged to shareholders redeeming shares prior to expiration of their agreed upon lock-up period.

[If applicable:] Advance subscriptions represent amounts owed to shareholders for cash received prior to the effective date of such subscriptions.

[If applicable:] Redemptions payable represent amounts due to shareholders based on redemption requests effective through December 31, 20XX.

### 12. Related party transactions

[Refer to “Related party transactions” footnote in the Domestic Fund, L.P. References to General Partner and limited partners should be changed to Investment Manager and shareholders, respectively, where applicable.]

### 13. Administrative fee

[Refer to “Administrative fee” footnote in the Domestic Fund, L.P.]

### 14. Indemnification

[Refer to “Indemnification” footnote in the Domestic Fund, L.P.]

# Offshore Fund, Ltd. and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

|  | Class A Shares<br>Series 1 | Class B Shares<br>Series 1 |
|--|----------------------------|----------------------------|
| <b>Per share operating performance</b>           |                            |                            |
| Net asset value, beginning of year               | \$ 2,994.61                | \$ 2,201.20                |
| <b>Income (loss) from investment operations:</b> |                            |                            |
| Net investment income (loss)                     | (206.18)                   | (114.34)                   |
| Net gain (loss) on investments                   | 837.65                     | 464.52                     |
| <b>Total from investment operations</b>          | <b>631.47</b>              | <b>350.18</b>              |
| Net asset value, end of year                     | \$ 3,626.08                | \$ 2,551.38                |
| <b>Total return</b>                              |                            |                            |
| Total return before performance allocation       | 23.6 %                     | 23.2 %                     |
| Performance allocation                           | (4.6)                      | (4.5)                      |
| <b>Total return after performance allocation</b> | <b>19.0 %</b>              | <b>18.7 %</b>              |
| <b>Ratio to average net assets</b>               |                            |                            |
| Expenses other than performance allocation       | 8.0 %                      | 7.9 %                      |
| Performance allocation                           | 4.6                        | 4.5                        |
| <b>Total expenses</b>                            | <b>12.6 %</b>              | <b>12.4 %</b>              |
| Net investment income (loss)                     | (6.2) %                    | (6.1) %                    |

# Offshore Fund, Ltd. and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

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### 15. Financial highlights

Financial highlights for the year ended December 31, 20XX are as follows:

#### 15. Financial highlights (continued)

Financial highlights are calculated for each permanent, non-managing class or series of common shares. An individual shareholder's ratios and returns may vary based on [as applicable] participation in new issues, private investments, different performance allocation and/or management fee arrangements and the timing of capital share transactions.

[If applicable, for investments in private investment companies:] The net investment income (loss) ratio does not reflect the income and expenses incurred by the underlying private investment companies.

[For periods greater than or less than one year:] The ratios, excluding nonrecurring expenses and the performance allocation, have [have not] been annualized.

# **Pro**Forma MASTER FUND, L.P.

## FINANCIAL STATEMENTS

DECEMBER 31, 20XX



# Master Fund, L.P.

## Statement of Assets and Liabilities

December 31, 20XX

(Expressed in United States Dollars)

### Assets

|  |           |                      |
|--|-----------|----------------------|
| Investments in securities, at fair value (cost \$487,652,300) including \$213,000 of securities loaned | \$        | 366,635,600          |
| Investments in private investment companies, at fair value (cost \$300,256,000)                        |           | 346,528,000          |
| Derivative contracts, at fair value  |           | 245,682,000          |
| Securities purchased under agreements to resell, at fair value (cost \$23,639,500)                     |           | 45,875,000           |
| Due from brokers   |           | 36,145,000           |
| Cash denominated in foreign currencies (cost \$216,000)  |           | 285,000              |
| Cash and cash equivalents  |           | 4,587,100            |
| Due from related parties   |           | 154,000              |
| Dividends and interest receivable  |           | 369,000              |
| Other assets   |           | 45,000               |
| <b>Total assets</b>  | <b>\$</b> | <b>1,046,305,700</b> |

### Liabilities

|   |    |                    |
|---|----|--------------------|
| <b>Liabilities</b>  |    |                    |
| Securities sold short, at fair value (proceeds \$298,574,000) | \$ | 381,030,600        |
| Derivative contracts, at fair value                           |    | 7,451,200          |
| Payable for securities sold under agreements to repurchase    |    | 6,333,000          |
| Payable upon return of securities loaned                      |    | 1,284,000          |
| Due to brokers  |    | 8,648,000          |
| Dividends and interest payable                                |    | 74,000             |
| Advance capital contributions                                 |    | 319,000            |
| Management fee payable  |    | 2,007,000          |
| Loans payable   |    | 102,000            |
| Due to related parties  |    | 36,000             |
| Capital withdrawals payable                                   |    | 1,305,400          |
| Accrued expenses and other liabilities                        |    | 12,000             |
| <b>Total liabilities</b>                                      |    | <b>408,602,200</b> |

### Partners' capital

|  |           |                      |
|--|-----------|----------------------|
|  |           | 637,703,500          |
|  | <b>\$</b> | <b>1,046,305,700</b> |

See accompanying notes to financial statements.

# Master Fund, L.P.

## Statement of Operations

Year Ended December 31, 20XX

(Expressed in United States Dollars)

### Investment income

|   |    |                  |
|---|----|------------------|
| Interest  | \$ | 3,222,000        |
| Dividends (net of foreign withholding taxes of \$117,000) |    | 3,621,000        |
| Income from securities loaned — net                       |    | 2,000            |
| Other income  |    | 354,000          |
| <b>Total investment income</b>                            |    | <b>7,199,000</b> |

### Expenses

|                             |  |                   |
|-----------------------------|--|-------------------|
| Interest and dividends      |  | 8,787,000         |
| Management fee              |  | 6,311,000         |
| Administrative fee          |  | 24,000            |
| Professional fees and other |  | 358,000           |
| <b>Total expenses</b>       |  | <b>15,480,000</b> |

|                                     |  |                    |
|-------------------------------------|--|--------------------|
| <b>Net investment income (loss)</b> |  | <b>(8,281,000)</b> |
|-------------------------------------|--|--------------------|

### Realized and unrealized gain (loss) on investments

|   |  |                   |
|---|--|-------------------|
| Net realized gain (loss) on securities and foreign currency transactions                                |  | 41,875,000        |
| Net realized gain (loss) on private investment companies  |  | (1,479,000)       |
| Net realized gain (loss) from derivative contracts  |  | 410,000           |
| Net change in unrealized appreciation or (depreciation) on securities and foreign currency transactions |  | 32,325,000        |
| Net change in unrealized appreciation or (depreciation) on private investment companies                 |  | (477,000)         |
| Net change in unrealized appreciation or (depreciation) from derivative contracts                       |  | 21,214,000        |
| <b>Net gain (loss) on investments</b>   |  | <b>93,868,000</b> |

|                          |           |                   |
|--------------------------|-----------|-------------------|
| <b>Net income (loss)</b> | <b>\$</b> | <b>85,587,000</b> |
|--------------------------|-----------|-------------------|

See accompanying notes to financial statements.



## Master Fund, L.P.

### Statement of Changes in Partners' Capital

Year Ended December 31, 20XX

(Expressed in United States Dollars)

|  | General Partner | Limited Partners* | Total          |
|--|-----------------|-------------------|----------------|
| <b>Partners' capital</b> , beginning of year | \$ 21,424,000   | \$ 477,092,500    | \$ 498,516,500 |
| <b>Capital contributions</b>                 | —               | 63,775,000        | 63,775,000     |
| <b>Capital withdrawals</b>                   | —               | (11,005,000)      | (11,005,000)   |
| <b>Early redemption fee</b>                  | 152,000         | 678,000           | 830,000        |
| <b>Allocation of net income (loss)</b>       |                 |                   |                |
| Pro rata allocation                          | 3,680,500       | 81,906,500        | 85,587,000     |
| Reallocation to General Partner              | 6,598,000       | (6,598,000)       | —              |
|  | 10,278,500      | 75,308,500        | 85,587,000     |
| <b>Partners' capital</b> , end of year       | \$ 31,854,500   | \$ 605,849,000    | \$ 637,703,500 |

\*Consider separate disclosure of each class or series of limited partner interests if separately defined in the Fund's offering documents or if considered more informative to financial statement users.

See accompanying notes to financial statements.

## Master Fund, L.P.

### Statement of Cash Flows

*December 31, 20XX*

*(Expressed in United States Dollars)*

[ See Statement of Cash Flows in the Domestic Fund, L.P. for illustrative statement]

### Condensed Schedule of Investments

*December 31, 20XX*

*(Expressed in United States Dollars)*

[ See Condensed Schedule of Investments in the Domestic Fund, L.P. for illustrative schedule]

*See accompanying notes to financial statements.*

# Master Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

### 1. Nature of operations and summary of significant accounting policies

#### Nature of Operations

Master Fund, L.P. (the “Master Fund”) is an investment partnership which was formed under the laws of the Cayman Islands and commenced operations on [Month, Date, Year]. The Master Fund was organized for the purpose of trading and investing in securities and has two limited partners: Domestic Feeder, L.P. (the “Domestic Feeder Fund”), a United States of America investment limited partnership, and Offshore Feeder, Ltd. (the “Offshore Feeder Fund”), a Cayman Islands exempted investment company (collectively the “Feeder Funds”). The Feeder Funds invest substantially all of their assets in the Master Fund. The Master Fund is managed by General Partner, LLC (the “General Partner”) and Investment Manager, LLC (the “Investment Manager”). The Investment Manager is registered with the United States Securities and Exchange Commission as a registered investment adviser.

#### Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”), and are presented in U.S. dollars. The Master Fund qualifies as an investment company under the provisions outlined in Accounting Standards Codification (“ASC”) 946, Financial Services — Investment Companies.

These financial statements were approved by management and available for issuance on [Month, Date, Year]. Subsequent events have been evaluated through this date.

[Refer to “Nature of operations and summary of significant accounting policies” footnote in the Domestic Fund, L.P. for the following captions. References to Fund should be changed to Master Fund where applicable.]

#### Cash Equivalents

#### Fair Value - Definition and Hierarchy

#### Fair Value - Valuation Techniques and Inputs

#### Translation of Foreign Currency

#### Investment Transactions and Related Investment Income

#### Offsetting of Amounts Related to Certain Contracts

#### Securities Lending

#### Use of Estimates

#### Capital Withdrawals Payable

#### Income Taxes

Under the laws of the Cayman Islands, the Master Fund is generally not subject to income taxes. However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax. [If applicable] Further, certain non-United States dividend income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction. The Master Fund files an income tax return in the U.S. federal jurisdiction [if applicable], and foreign jurisdictions. [optional] The Master Fund may be subject to tax liabilities at the Master Fund level when those liabilities result from an Internal Revenue Service audit.

The Master Fund recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained, assuming examination by tax authorities. The tax benefit recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Based on its analysis, the Master Fund has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 20XX.

[See Appendix D for alternative Income Taxes footnote(s) when the Master Fund has recognized a liability for unrecognized tax benefits.]

# Master Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

### 2. Fair value measurements

[Refer to “Fair value measurements” footnote in the Domestic Fund, L.P. References to Fund should be changed to Master Fund where applicable.]

### 3. Investments in private investment companies

[See Appendix B for additional disclosures required if the Master Fund invests in private investment companies.]

### 4. Due from/to brokers

[Refer to “Due from/to brokers” footnote in the Domestic Fund, L.P. References to Fund should be changed to Master Fund where applicable.]

### 5. Derivative contracts

[Refer to “Derivative contracts” footnote in the Domestic Fund, L.P. References to Fund should be changed to Master Fund where applicable.]

### 6. Securities purchased under agreements to resell and securities sold under agreements to repurchase

[Refer to “Securities purchased under agreements to resell and securities sold under agreements to repurchase” footnote in the Domestic Fund, L.P. References to Fund should be changed to Master Fund where applicable.]

### 7. Securities lending agreements

[Refer to “Securities lending agreements” footnote in the Domestic Fund, L.P. References to Fund should be changed to Master Fund where applicable.]

### 8. Offsetting assets and liabilities

[Refer to “Offsetting assets and liabilities” footnote in the Domestic Fund, L.P. References to Fund should be changed to Master Fund where applicable.]

### 9. Securities sold short

[Refer to “Securities sold short” footnote in the Domestic Fund, L.P. References to Fund should be changed to Master Fund where applicable.]

### 10. Concentration of credit risk

[Refer to “Concentration of credit risk” footnote in the Domestic Fund, L.P. References to Fund should be changed to Master Fund where applicable.]

### 11. Partners’ capital

Profits and losses of the Master Fund are allocated to the General Partner and Feeder Funds according to their respective interests in the Master Fund.

[If applicable:] Advance contributions represent amounts received from the Feeder Funds for contributions with an effective date after December 31, 20XX.

[If applicable:] Capital withdrawals payable represent amounts due to the Feeder Funds based on underlying withdrawals effective through December 31, 20XX.

[If applicable:] Subject to certain limitations, generally XX% of the net profits allocated to the limited partners is reallocated to the General Partner.

The early redemption fee represents the amount charged to limited partners withdrawing capital prior to expiration of their agreed upon lock-up period.

### 12. Related party transactions

The Master Fund pays the Investment Manager a management fee, calculated and payable quarterly in advance, equal to X.XX% (X.X% per annum) of the Feeder Funds’ net asset value determined as of the beginning of each calendar quarter.

Certain limited partners have special management fee or incentive arrangements.

Due to related parties represents amounts payable to the Investment Manager [and/or] General Partner for expenses paid on behalf of the Master Fund.

# Master Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

[If related party transactions occurred in the current year] During 20XX, the Master Fund entered into purchase and sale transactions with an affiliate entity which is also managed by the Investment Manager. Total purchases and sales at fair value of approximately \$2,324,000 were made with this related party. Transactions with related parties resulted in net gains (losses) of \$151,000 and are included in net gain (loss) on investments in the statement of operations. The terms, conditions and execution of each such purchase and sale were on an arm's-length basis.

[If applicable:] The Investment Manager generally allocates investments between the Master Fund and other entities for which it serves as the Investment Manager on a pro rata basis based on assets under management. In order to maintain pro rata allocations, the Master Fund may sell securities to, or purchase securities from, these other entities. Such transactions are generally executed at the closing price on the date prior to the trade date, or, in the case of restricted yet tradable securities, at fair value as determined by the Investment Manager.

[If applicable:] Additionally, the Master Fund may co-invest with other entities with the same Investment Manager as the Master Fund.

### 13. Administrative fee

[Refer to "Administrative fee" footnote in the Domestic Fund, L.P. References to Fund should be changed to Master Fund where applicable.]

### 14. Indemnifications

[Refer to "Indemnifications" footnote in the Domestic Fund, L.P. References to Fund should be changed to Master Fund where applicable.]

### 15. Financial highlights

Financial highlights for the year ended December 31, 20XX are as follows:

#### Total return

|   |        |
|---|--------|
| Total return before reallocation to General Partner | 15.1 % |
| Reallocation to General Partner                     | (1.2)  |
| Total return after reallocation to General Partner  | 13.9 % |

#### Ratio to average limited partners' capital

|  |         |
|--|---------|
| Expenses (including interest and dividends)  | 2.6 %   |
| Reallocation to General Partner              | 1.2     |
| Expenses and reallocation to General Partner | 3.8 %   |
| Net investment income (loss)                 | (1.4) % |

# Master Fund, L.P.

## Notes to Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

### 15. Financial highlights (continued)

Financial highlights are calculated for the limited partner class taken as a whole. An individual investor's ratios and returns may vary based on [as applicable] participation in new issues, private investments, and the timing of capital transactions. The net investment income (loss) ratio does not reflect the effects of the reallocation to the General Partner.

[If applicable, for investments in private investment companies] The net investment income (loss) ratio does not reflect the income and expenses incurred by the underlying private investment companies.

[For periods greater than or less than one year]  
The ratios, excluding nonrecurring expenses and reallocation to the General Partner, have [have not] been annualized.

for these requests were approximately XX% of the net assets of the Offshore Feeder Fund and XX% of the partners' capital of the Master Fund as of December 31, 20XX. The ultimate amounts redeemed for these requests may vary based upon the performance of the Master Fund and the amount of redemptions declared effective by the Offshore Feeder Fund.

[If applicable] From January 1, 20XX through [Month, Date, Year], the Master Fund made additional investments of approximately \$XX,000,000 in private investment companies and received additional redemptions from private investment companies of approximately \$XX,XXX,000.

### 16. Subsequent events

[If applicable] From January 1, 20XX through [Month, Date, Year], the Master Fund recorded \$XX,000,000 of additional capital contributions of which \$XX,XXX,XXX was received prior to January 1, 20XX and has also received withdrawal requests of approximately \$XX,XXX,XXX of which, approximately \$X,000,000 was requested by the General Partner.

[If applicable:] In addition, as of [Month, Date, Year], the Domestic Feeder Fund has received limited partner withdrawal requests that are anticipated to be effective on June 30, 20XX. The limited partner interests for these requests were approximately XX% of the partners' capital of the Domestic Feeder Fund and XX% of the partners' capital of the Master Fund as of December 31, 20XX. The ultimate amounts withdrawn for these requests may vary based upon the performance of the Master Fund and the amount of withdrawals declared effective by the Domestic Feeder Fund and its limited partners.

[If applicable:] In addition, as of [Month, Date, Year], the Offshore Feeder Fund has received shareholder redemption requests that are anticipated to be effective on June 30, 20XX. The shareholder interests

# ProForma

## DOMESTIC FEEDER, L.P.

FINANCIAL STATEMENTS  
DECEMBER 31, 20XX





## Domestic Feeder, L.P.

### Statement of Assets and Liabilities

December 31, 20XX

#### Assets

|  |           |                    |
|--|-----------|--------------------|
| Investment in Master Fund, L.P., at fair value | \$        | 142,672,830        |
| Cash   |           | 4,583,000          |
| Withdrawals receivable from Master Fund, L.P.  |           | 250,000            |
| Other assets                                   |           | 14,000             |
| <b>Total assets</b>                            | <b>\$</b> | <b>147,519,830</b> |

#### Liabilities

##### Liabilities

|  |    |                  |
|--|----|------------------|
| Advance capital contributions          | \$ | 1,126,000        |
| Due to related parties                 |    | 3,200            |
| Capital withdrawals payable            |    | 3,833,630        |
| Accrued expenses and other liabilities |    | 122,500          |
| <b>Total liabilities</b>               |    | <b>5,085,330</b> |

#### Partners' capital

|  |           |                    |
|--|-----------|--------------------|
|  |           | 142,434,500        |
|  | <b>\$</b> | <b>147,519,830</b> |

See accompanying notes to financial statements.

# Domestic Feeder, L.P.

## Statement of Operations

Year Ended December 31, 20XX

### Net investment income (loss) allocated from Master Fund, L.P.

|  |    |                    |
|--|----|--------------------|
| Interest income  | \$ | 753,000            |
| Dividend income (net of foreign withholding taxes of \$72,000)             |    | 846,000            |
| Income from securities loaned — net  |    | 500                |
| Other income   |    | 83,000             |
| Interest and dividends expense   |    | (2,053,000)        |
| Administrative fee   |    | (6,000)            |
| Management fee   |    | (1,475,000)        |
| Professional fees and other  |    | (84,000)           |
| <b>Total net investment income (loss) allocated from Master Fund, L.P.</b> |    | <b>(1,935,500)</b> |

### Fund expenses

|                             |  |               |
|-----------------------------|--|---------------|
| Administrative fee          |  | 34,500        |
| Professional fees and other |  | 44,500        |
| <b>Total fund expenses</b>  |  | <b>79,000</b> |

|                                     |  |                    |
|-------------------------------------|--|--------------------|
| <b>Net investment income (loss)</b> |  | <b>(2,014,500)</b> |
|-------------------------------------|--|--------------------|

### Realized and unrealized gain (loss) on investments allocated from Master Fund, L.P.

|   |  |           |
|---|--|-----------|
| Net realized gain (loss) on securities and foreign currency transactions                                |  | 9,785,000 |
| Net realized gain (loss) on private investment companies  |  | (346,000) |
| Net realized gain (loss) from derivative contracts  |  | 96,000    |
| Net change in unrealized appreciation or (depreciation) on securities and foreign currency transactions |  | 7,554,000 |
| Net change in unrealized appreciation or (depreciation) on private investment companies                 |  | (111,000) |
| Net change in unrealized appreciation or (depreciation) from derivative contracts                       |  | 4,957,000 |

|  |  |                   |
|--|--|-------------------|
| <b>Net gain (loss) on investments allocated from Master Fund, L.P.</b> |  | <b>21,935,000</b> |
|--|--|-------------------|

|  |  |                   |
|--|--|-------------------|
| <b>Net income (loss) before incentive reallocation to the General Partner of Master Fund, L.P.</b> |  | <b>19,920,500</b> |
|--|--|-------------------|

|   |  |                    |
|---|--|--------------------|
| <b>Incentive reallocation to the General Partner of Master Fund, L.P.</b> |  | <b>(2,003,000)</b> |
|---|--|--------------------|

|                          |           |                   |
|--------------------------|-----------|-------------------|
| <b>Net income (loss)</b> | <b>\$</b> | <b>17,917,500</b> |
|--------------------------|-----------|-------------------|

See accompanying notes to financial statements.

## Domestic Feeder, L.P.

### Statement of Changes in Partners' Capital

Year Ended December 31, 20XX

|   | General Partner | Limited Partners* | Total          |
|---|-----------------|-------------------|----------------|
| <b>Partners' capital, beginning of year</b> | \$ —            | \$ 112,116,000    | \$ 112,116,000 |
| <b>Capital contributions</b>                | —               | 14,987,000        | 14,987,000     |
| <b>Capital withdrawals</b>                  | —               | (2,586,000)       | (2,586,000)    |
| <b>Allocation of net income (loss)</b>      | —               | 17,917,500        | 17,917,500     |
| <b>Partners' capital, end of year</b>       | \$ —            | \$ 142,434,500    | \$ 142,434,500 |

\*Consider separate disclosure of each class or series of limited partner interests if separately defined in the Fund's offering documents or if considered more informative to financial statement users.

See accompanying notes to financial statements.

# Domestic Feeder, L.P.

## Statement of Cash Flows

Year Ended December 31, 20XX

### Cash flows from operating activities

|  |                     |
|--|---------------------|
| Net income (loss)  | \$ 17,917,500       |
| Adjustments to reconcile net (income) loss to net cash provided by (used in) operating activities: |                     |
| Net (income) loss allocated from Master Fund, L.P.   | (17,996,500)        |
| Changes in operating assets and liabilities:   |                     |
| Contributions to Master Fund, L.P.   | (7,908,900)         |
| Withdrawals from Master Fund, L.P.   | 1,316,700           |
| Withdrawals receivable from Master Fund, L.P.  | 1,270,500           |
| Other assets   | 2,500               |
| Due to related parties   | 49,500              |
| Accrued expenses and other liabilities   | 26,300              |
| <b>Net cash provided by (used in) operating activities</b>   | <b>(5,322,400)</b>  |
| <b>Cash flows from financing activities</b>  |                     |
| Capital contributions, net of change in advance capital contributions                              | 10,450,600          |
| Capital withdrawals, net of change in capital withdrawals payable                                  | (9,745,500)         |
| <b>Net cash provided by (used in) financing activities</b>   | <b>705,100</b>      |
| <b>Net change in cash</b>  | <b>(4,617,300)</b>  |
| <b>Cash, beginning of year</b>   | <b>9,200,300</b>    |
| <b>Cash, end of year</b>   | <b>\$ 4,583,000</b> |

See accompanying notes to financial statements.

# Domestic Feeder, L.P.

## Notes to Financial Statements

December 31, 20XX

### 1. Nature of operations and summary of significant accounting policies

#### Nature of Operations

Domestic Feeder, L.P. (the “Fund”), a Delaware investment limited partnership, commenced operations on September XX, 20XX. The Fund was organized for the purpose of trading and investing in securities. The Fund is managed by General Partner, LLC (the “General Partner”) and Investment Manager, LLC (the “Investment Manager”).

The Fund invests substantially all of its assets through a master-feeder structure in Master Fund, L.P. (the “Master Fund”), which has the same investment objective as the Fund. The financial statements of the Master Fund, including the condensed schedule of investments, are included elsewhere in this report and should be read with the Fund’s financial statements. The Fund owns approximately 22.4% of the Master Fund at December 31, 20XX.

#### Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”) and are presented in U.S. dollars. The Fund qualifies as an investment company under the provisions outlined in Accounting Standards Codification (“ASC”) 946, Financial Services — Investment Companies.

These financial statements were approved by management and available for issuance on [Month, Date, Year]. Subsequent events have been evaluated through this date.

#### Valuation of Investment in Master Fund, L.P.

The Fund records its investment in the Master Fund at fair value. Valuation of investments held by the Master Fund, including, but not limited to, the valuation techniques used and classification within the fair value hierarchy of investments, are discussed in the notes to the Master Fund financial statements included elsewhere in this report.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a

liability (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date.

#### Investment Income and Expenses

The Fund records its proportionate share of the Master Fund’s income, expenses and realized and unrealized gains and losses. In addition, the Fund incurs and accrues its own expenses.

#### Income Taxes

Generally, the Fund does not record a provision for U.S. federal, state, or local income taxes because the partners report their share of the Fund’s income or loss on their income tax returns. [If applicable] However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax for those limited partners that are foreign entities or foreign individuals. [If applicable] Further, certain non-U.S. dividend income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction. The Fund files an income tax return in the U.S. federal jurisdiction and may file income tax returns in various U.S. states [if applicable] and foreign jurisdictions. [optional] The Fund may be subject to tax liabilities at the Fund level when those liabilities result from an Internal Revenue Service audit.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained, assuming examination by tax authorities. The tax benefit recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 20XX.

[Refer to “Nature of operations and summary of significant accounting policies” footnote in the Domestic Fund, L.P. for the following captions:]

#### Use of Estimates

#### Capital Withdrawals Payable

# Domestic Feeder, L.P.

## Notes to Financial Statements

December 31, 20XX

### 2. Partners' capital

Profits and losses of the Fund are allocated to the partners according to their respective interest in the Fund. Subject to certain limitations, generally XX% of the net profits allocated to the limited partners is reallocated to the General Partner of the Master Fund. To the extent the reallocation is allocated at the Master Fund level, no reallocation will be made at the Fund level.

The minimum initial investment in the Fund is \$XX,000,000. Capital contributions may be made by limited partners as of the first business day of any month at the General Partner's sole discretion.

Upon giving at least XX days' prior written notice and subject to a XX month lock-up period, a limited partner may redeem all or a portion of its outstanding capital balance as of the last business day of each calendar quarter. An early redemption fee is charged at the Master Fund level, representing the amount charged to limited partners withdrawing capital prior to expiration of their agreed upon lock-up period.

[If applicable] Advance capital contributions represent amounts owed to limited partners for cash received prior to the effective date of such contributions.

[If applicable] Capital withdrawals payable represent amounts due to partners based on withdrawals effective through December 31, 20XX.

### 3. Related party transactions

The Master Fund pays the Investment Manager a management fee at the Master Fund level, calculated and payable quarterly in advance equal to X.XX% (X.X% per annum) of the Fund's net asset value determined as of the beginning of each calendar quarter. The portion of the management fee attributable to the interests of the limited partners that are subject to management fee will be borne solely by such limited partners proportionally to their respective interests in the Net Asset Value of the Master Fund. To the extent that management fees are charged at the Master Fund level, no management fees will be charged at the Fund level.

Due to related parties represents amounts payable to the General Partner for expenses paid on behalf of the Fund.

[If applicable] Certain limited partners are affiliated with the General Partner. The aggregate value of the affiliated limited partners' share of partners' capital at December 31, 20XX, is approximately \$2,638,000.

Certain limited partners have special management fee arrangements, performance arrangements, or redemption rights.

### 4. Administrative fee

Administrator Fund Services Ltd. (the "Administrator") serves as the Fund's administrator and performs certain administrative and clerical services on behalf of the Fund. [If applicable] At December 31, 20XX, cash balances in the amount of approximately \$350,000 are held by an affiliate of the Administrator.

# Domestic Feeder, L.P.

## Notes to Financial Statements

December 31, 20XX

### 5. Financial highlights

Financial highlights for the year ended December 31, 20XX are as follows:

#### Total return

|  |       |   |
|--|-------|---|
| Total return before reallocation to General Partner of Master Fund, L.P. | 14.8  | % |
| Reallocation to General Partner of Master Fund, L.P.                     | (1.5) |   |
| Total return after reallocation to General Partner of Master Fund, L.P.  | 13.3  | % |

#### Ratio to average limited partners' capital

|   |       |   |
|---|-------|---|
| Expenses  | 2.7   | % |
| Reallocation to General Partner of Master Fund, L.P.              | 1.5   |   |
| Expenses and reallocation to General Partner of Master Fund, L.P. | 4.2   | % |
| <b>Net investment income (loss)</b>                               | (1.5) | % |

Financial highlights are calculated for the limited partner class taken as a whole. An individual limited partner's ratios and returns may vary based on [as applicable] participation in new issues, private investments, different performance and/or management fee arrangements and the timing of capital transactions.

The net investment income (loss) ratio does not reflect the effects of the reallocation to the General Partner of the Master Fund.

[For periods greater than or less than one year:] The ratios, excluding nonrecurring expenses and the reallocation to the General Partner of the Master Fund, have [have not] been annualized.

### 6. Subsequent events

[If applicable] From January 1, 20XX through [Month, Date, Year], the Fund recorded \$XX,000,000 of additional capital contributions of which \$XX,XXX,XXX was received prior to January 1, 20XX and has also received withdrawal requests of approximately \$XX,XXX,XXX of which, approximately \$X,000,000 was requested by the General Partner.

[If applicable] In addition, as of [Month, Date, Year], the Fund has received limited partner withdrawal requests that are anticipated to be effective on June 30, 20XX. The limited partner interests for these requests were approximately XX% of the partners' capital of the Fund as of December 31, 20XX. The ultimate amounts withdrawn for these requests may vary based upon the performance of the Fund and the amount of withdrawals declared effective by the Fund.

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# **Pro**Forma OFFSHORE FEEDER, LTD.

FINANCIAL STATEMENTS  
DECEMBER 31, 20XX



# OFFSHORE FEEDER, LTD.

## Statement of Assets and Liabilities

December 31, 20XX

(Expressed in United States Dollars)

### Assets

|  |                    |
|--|--------------------|
| Investment in Master Fund, L.P., at fair value | \$ 463,176,170     |
| Cash   | 4,567,900          |
| Withdrawals receivable from Master Fund, L.P.  | 1,055,400          |
| Other assets                                   | 30,000             |
| <b>Total assets</b>                            | <b>468,829,470</b> |

### Liabilities

|  |                  |
|--|------------------|
| Advance subscriptions                  | 1,927,100        |
| Redemptions payable                    | 4,855,370        |
| Due to related parties                 | 32,500           |
| Accrued expenses and other liabilities | 27,900           |
| <b>Total liabilities</b>               | <b>6,842,870</b> |

### Net assets

\$ 461,986,600

See accompanying notes to financial statements.

# OFFSHORE FEEDER, LTD.

## Statement of Operations

Year Ended December 31, 20XX

(Expressed in United States Dollars)

### Net investment income (loss) allocated from Master Fund, L.P.

|  |                    |
|--|--------------------|
| Interest income  | \$ 1,899,100       |
| Dividend income (net of foreign and U.S. withholding taxes of \$165,000)   | 2,775,000          |
| Income from securities loaned - net  | 1,600              |
| Other income   | 271,000            |
| Interest and dividend expense  | (6,734,000)        |
| Management fee   | (4,836,000)        |
| Administrative fee   | (18,000)           |
| Professional fees and other  | (274,000)          |
| <b>Total net investment income (loss) allocated from Master Fund, L.P.</b> | <b>(6,915,300)</b> |

### Fund expenses

|                             |                |
|-----------------------------|----------------|
| Administrative fee          | 45,000         |
| Professional fees and other | 56,000         |
| <b>Total Fund expenses</b>  | <b>101,000</b> |

|                                     |                    |
|-------------------------------------|--------------------|
| <b>Net investment income (loss)</b> | <b>(7,016,300)</b> |
|-------------------------------------|--------------------|

### Realized and unrealized gain (loss) on investments allocated from Master Fund, L.P.

|   |             |
|---|-------------|
| Net realized gain (loss) on securities and foreign currency transactions                                | 28,409,400  |
| Net realized gain (loss) on private investment companies  | (1,133,000) |
| Net realized gain (loss) from derivative contracts  | 314,000     |
| Net change in unrealized appreciation or (depreciation) on securities and foreign currency transactions | 24,771,000  |
| Net change in unrealized appreciation or (depreciation) on private investment companies                 | (366,000)   |
| Net change in unrealized appreciation or (depreciation) from derivative contracts                       | 16,257,000  |

|  |                   |
|--|-------------------|
| <b>Net gain (loss) on investments allocated from Master Fund, L.P.</b> | <b>68,252,400</b> |
|--|-------------------|

|   |                   |
|---|-------------------|
| <b>Net change in net assets resulting from operations before performance reallocation to the General Partner of Master Fund, L.P.</b> | <b>61,236,100</b> |
|---|-------------------|

|   |                    |
|---|--------------------|
| <b>Performance allocation to the General Partner of Master Fund, L.P.</b> | <b>(4,595,000)</b> |
|---|--------------------|

|   |                      |
|---|----------------------|
| <b>Net change in net assets resulting from operations</b> | <b>\$ 56,641,100</b> |
|---|----------------------|

See accompanying notes to financial statements.

# OFFSHORE FEEDER, LTD.

## Statement of Changes in Net Assets

Year Ended December 31, 20XX

(Expressed in United States Dollars)

### Operations

|   |                   |
|---|-------------------|
| Net investment income (loss)  | \$ (7,016,300)    |
| Net realized gain (loss) on securities and foreign currency transactions                                | 28,409,400        |
| Net realized gain (loss) on private investment companies  | (1,133,000)       |
| Net realized gain (loss) from derivative contracts  | 314,000           |
| Net change in unrealized appreciation or (depreciation) on securities and foreign currency transactions | 24,771,000        |
| Net change in unrealized appreciation or (depreciation) on private investment companies                 | (366,000)         |
| Net change in unrealized appreciation or (depreciation) from derivative contracts                       | 16,257,000        |
| Performance allocation to the General Partner of Master Fund, L.P.                                      | (4,595,000)       |
| <b>Net change in net assets resulting from operations</b>   | <b>56,641,100</b> |

### Capital share transactions

|   |                       |
|---|-----------------------|
| Issuance of shares, net of change in advance subscriptions                | 48,788,000            |
| Redemption of shares, net of change in redemptions payable                | (8,419,000)           |
| <b>Net change in net assets resulting from capital share transactions</b> | <b>40,369,000</b>     |
| <b>Net change in net assets</b>   | <b>97,010,100</b>     |
| <b>Net assets, beginning of year</b>                                      | <b>364,976,500</b>    |
| <b>Net assets, end of year</b>  | <b>\$ 461,986,600</b> |

See accompanying notes to financial statements.

# OFFSHORE FEEDER, LTD.

## Statement of Cash Flows

Year Ended December 31, 20XX

(Expressed in United States Dollars)

### Cash flows from operating activities

|   |                     |
|---|---------------------|
| Net change in net assets resulting from operations  | \$ 56,641,100       |
| Adjustments to reconcile net change in net assets to net cash provided by (used in) operating activities: |                     |
| Net (income) loss allocated from Master Fund, L.P.  | (56,742,100)        |
| Changes in operating assets and liabilities:  |                     |
| Contributions to Master Fund, L.P.  | (48,788,000)        |
| Withdrawals from Master Fund, L.P.  | 8,419,000           |
| Withdrawals receivable from Master Fund, L.P.   | 1,454,900           |
| Other assets  | 4,500               |
| Due to related parties  | 34,600              |
| Accrued expenses and other liabilities  | 21,400              |
| <b>Net cash provided by (used in) operating activities</b>  | <b>(38,954,600)</b> |

### Cash flows from financing activities

|  |              |
|--|--------------|
| Proceeds from issuance of shares, net of change in advance subscriptions | 41,011,800   |
| Payments for redemptions of shares, net of change in redemptions payable | (12,823,800) |

|  |                   |
|--|-------------------|
| <b>Net cash provided by (used in) financing activities</b> | <b>28,188,000</b> |
|--|-------------------|

|                           |                     |
|---------------------------|---------------------|
| <b>Net change in cash</b> | <b>(10,766,600)</b> |
|---------------------------|---------------------|

|                                |                   |
|--------------------------------|-------------------|
| <b>Cash, beginning of year</b> | <b>15,334,500</b> |
|--------------------------------|-------------------|

|                          |                     |
|--------------------------|---------------------|
| <b>Cash, end of year</b> | <b>\$ 4,567,900</b> |
|--------------------------|---------------------|

See accompanying notes to financial statements.

# OFFSHORE FEEDER, LTD.

## Notes to Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

### 1. Nature of operations and summary of significant accounting policies

#### Nature of Operations

Offshore Feeder, Ltd. (the "Fund") is an exempted investment company which was formed under the laws of the Cayman Islands on [Month, Date, Year] and commenced operations on [Month, Date, Year]. The Fund was organized for the purpose of trading and investing in securities. Pursuant to an investment management agreement, the Fund is managed by Investment Manager, LLC (the "Investment Manager").

The Fund invests substantially all of its assets through a master-feeder structure in Master Fund, L.P. (the "Master Fund"), an investment company that has the same investment objectives as the Fund. The financial statements of the Master Fund, including the condensed schedule of investments, are included elsewhere in this report and should be read with the Fund's financial statements. The Fund owns approximately 72.6% of the Master Fund at December 31, 20XX.

#### Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and are presented in U.S. dollars. The Fund qualifies as an investment company under the provisions outlined in Accounting Standards Codification ("ASC") 946, Financial Services — Investment Companies.

These financial statements were approved by management and available for issuance on [Month, Date, Year]. Subsequent events have been evaluated through this date.

#### Valuation of Investment in Master Fund, L.P.

The Fund records its investment in the Master Fund at fair value. Valuation of investments held by the Master Fund, including, but not limited to, the valuation techniques used and classification within the fair value hierarchy of investments, are discussed in the notes to the Master Fund financial statements included elsewhere in this report.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a

liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

#### Investment Income and Expenses

The Fund records its proportionate share of the Master Fund's income, expenses and realized and unrealized gains and losses. In addition, the Fund incurs and accrues its own expenses.

#### Income Taxes

[See Appendix D for alternative Income Taxes footnote(s) when the Fund has recognized a liability for unrecognized tax benefits.]

Under the laws of the Cayman Islands, the Fund is generally not subject to income taxes. However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax. [If applicable] Further, certain non-United States dividend income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained, assuming examination by tax authorities. The tax benefit recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 20XX.

[Refer to "Nature of operations and summary of significant accounting policies" footnote in the Domestic Fund, L.P. References to partners should be changed to shareholders where applicable for the following captions]:

#### Use of Estimates

#### Redemptions Payable

Redemptions are recognized as liabilities when the amount requested in the redemption notice becomes fixed, which generally occurs on the last day of the fiscal [month/quarter]. As a result, redemptions paid after the end of the year, based on shareholders' capital balances at year-end, are included in redemptions payable.

# OFFSHORE FEEDER, LTD.

## Notes to Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

### 2. Capital share transactions

As of December 31, 20XX, there are XXX,XXX redeemable shares of \$0.01 par value authorized. There are two classes of shares, Class A and Class B. Shareholders who may be restricted from receiving certain types of income are issued Class B shares. All other shareholders are issued Class A shares. For purposes of accounting for the performance allocation, shares issued at different times are issued in series, a different series being issued on each subscription date. Series 1 shares within each class are issued on the first subscription date in each calendar year and the remaining series are issued on any other subscription dates during the calendar year. After the close of each calendar year, all such series will be converted into Series 1 shares of such class unless a loss carryforward attributable to such other series or to Series 1 of such class remains outstanding.

Transactions in capital shares during the period and the shares outstanding and the net asset value ("NAV") per share as of December 31, 20XX, for each class and series of shares are as follows:

|                | Beginning<br>Shares | Share Transfers/<br>Conversions | Shares<br>Issued    | Shares<br>Redeemed   | Ending<br>Shares        |
|----------------|---------------------|---------------------------------|---------------------|----------------------|-------------------------|
| <b>Class A</b> |                     |                                 |                     |                      |                         |
| Series 1       | 25,000.00           | 32,000.00                       | 23,000.00           | (15,000.00)          | 65,000.00               |
| Series 2       | 20,000.00           | —                               | 6,000.00            | (7,500.00)           | 18,500.00               |
| Series 3       | 14,000.00           | —                               | —                   | (6,500.00)           | 7,500.00                |
| <b>Class B</b> |                     |                                 |                     |                      |                         |
| Series 1       | 4,500.00            | —                               | 46,000.00           | —                    | 50,500.00               |
| Series 2       | 7,500.00            | 1,500.00                        | 15,000.00           | (4,500.00)           | 19,500.00               |
| Series 3       | 7,600.00            | —                               | 20,000.00           | (1,725.00)           | 25,875.00               |
|                |                     | Amounts<br>Issued               | Amounts<br>Redeemed | Ending<br>Net Assets | Ending NAV<br>Per Share |
| <b>Class A</b> |                     |                                 |                     |                      |                         |
| Series 1       | \$                  | 33,000,000                      | \$ (2,500,000)      | \$ 315,500,000       | \$ 4,853.85             |
| Series 2       |                     | 4,500,000                       | (3,478,000)         | 8,350,000            | 451.35                  |
| Series 3       |                     | —                               | —                   | 16,500,430           | 2,200.06                |
| <b>Class B</b> |                     |                                 |                     |                      |                         |
| Series 1       |                     | 7,500,000                       | —                   | 100,000,000          | 1,980.20                |
| Series 2       |                     | 3,500,000                       | (441,000)           | 14,684,000           | 753.03                  |
| Series 3       |                     | 288,000                         | (2,000,000)         | 6,952,170            | 268.68                  |
|                | \$                  | 48,788,000                      | \$ (8,419,000)      | \$ 461,986,600       |                         |



# OFFSHORE FEEDER, LTD.

## Notes to Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

[If applicable] Shareholders have redemption rights which contain certain restrictions with respect to rights of redemption of shares.

The minimum initial investment in the Fund is \$XX,000,000. The Fund may accept new and existing subscriptions on the first business day of any month.

Upon giving at least XX days' prior written notice and subject to a XX month lock-up period, a shareholder may redeem all or a portion of its outstanding shares as of the last business day of each calendar quarter. An early redemption fee is charged at the Master Fund level, representing the amount charged to shareholders redeeming capital shares prior to expiration of their agreed upon lock-up period.

[If applicable] Advance subscriptions represent amounts owed to shareholders for cash received prior to the effective date of such subscriptions.

[If applicable] Redemptions payable represent amounts due to shareholders based on redemption requests effective through December 31, 20XX.

### 3. Related party transactions

The Master Fund pays the Investment Manager a management fee at the Master Fund level, calculated and payable quarterly in advance, equal to X.XX% (X.X% per annum) of the net assets of the Fund determined as of the beginning of each calendar quarter. To the extent that management fees are charged at the Master Fund level, no management fees will be charged at the Fund level.

The General Partner of the Master Fund is also entitled to a performance reallocation, payable on an annual basis, which will generally be equal to XX% of the amount by which the net asset value per share on the last day of each year exceeds the higher of the original issue price or highest net asset value of such shares as of the close of any prior year.

To the extent the reallocation is allocated at the Master Fund level, no reallocation will be made at the Fund level.

Due to related parties represents amount payable to the Investment Manager for expenses paid on behalf of the Fund.

Certain shareholders have special management fee arrangements, performance allocation arrangements or redemption rights.

[If applicable] One of the directors of the Fund is a member of the Investment Manager.

### 4. Administrative fee

Administrator Fund Services Ltd. (the "Administrator") serves as the Fund's administrator and performs certain administrative and clerical services on behalf of the Fund. [If applicable] One of the directors of the Fund is affiliated with the Administrator. [If applicable] At December 31, 20XX, cash balances in the amount of approximately \$264,000 are held by an affiliate of the Administrator.

# OFFSHORE FEEDER, LTD.

## Notes to Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

### 5. Financial highlights

Financial highlights for the year ended December 31, 20XX are as follows:

|  | Class A Shares<br>Series 1 | Class B Shares<br>Series 1 |
|--|----------------------------|----------------------------|
| <b>Per share operating performance</b>   |                            |                            |
| Net asset value, beginning of year   | \$ 4,258.75                | \$ 1,698.03                |
| <b>Income (loss) from investment operations:</b>                                     |                            |                            |
| Net investment income (loss)   | (73.71)                    | (30.08)                    |
| Net gain (loss) on investments   | 717.09                     | 330.95                     |
| Reallocation to General Partner of Master Fund, L.P.                                 | (48.28)                    | (18.70)                    |
| <b>Total from investment operations</b>  | <b>595.10</b>              | <b>282.17</b>              |
| Net asset value, end of year   | \$ 4,853.85                | \$ 1,980.20                |
| <b>Total return</b>  |                            |                            |
| Total return before performance reallocation to General Partner of Master Fund, L.P. | 15.1 %                     | 17.7 %                     |
| Reallocation to General Partner of Master Fund, L.P.                                 | (1.1)                      | (1.1)                      |
| <b>Total return after reallocation to General Partner of Master Fund, L.P.</b>       | <b>14.0 %</b>              | <b>16.6 %</b>              |
| <b>Ratio to average net assets</b>   |                            |                            |
| Expenses other than reallocation to General Partner of Master Fund, L.P.             | 2.9 %                      | 5.2 %                      |
| Reallocation to General Partner of Master Fund, L.P.                                 | 1.1                        | 1.1                        |
| <b>Total expenses</b>  | <b>4.0 %</b>               | <b>6.3 %</b>               |
| <b>Net investment income (loss)</b>  | <b>(1.6) %</b>             | <b>(1.7) %</b>             |

# OFFSHORE FEEDER, LTD.

## Notes to Financial Statements

December 31, 20XX

(Expressed in United States Dollars)

### 5. Financial highlights (continued)

Financial highlights are calculated for each permanent, nonmanaging class or series of common shares. An individual shareholder's ratios and returns may vary based on [as applicable] participation in new issues, private investments, different performance allocation and/or management fee arrangements and the timing of capital transactions. The net investment income (loss) ratio does not reflect the effects of the reallocation to the General Partner of the Master Fund.

[For periods greater than or less than one year] The ratios, excluding nonrecurring expenses and the reallocation to the General Partner of the Master Fund, have [have not] been annualized.

### 6. Subsequent events

[If applicable] From January 1, 20XX through [Month, Date, Year], the Fund recorded \$XX,000,000 of additional capital contributions of which \$XX,XXX,XXX was received prior to January 1, 20XX and has also received withdrawal requests of approximately \$XX,XXX,XXX.

[If applicable] In addition, as of [Month, Date, Year], the Fund has received shareholder redemption requests that are anticipated to be effective on June 30, 20XX. The shareholder interests for these requests were approximately XX% of the net assets of the Fund as of December 31, 20XX. The ultimate amounts redeemed for these requests may vary based upon the performance of the Fund and the amount of redemptions declared effective by the Fund.

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# ProForma APPENDIX



## Appendix A

### Statement of Cash Flows — Restricted cash

ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

For entities that hold restricted cash or restricted cash equivalents, the following captions would be used in the statement of cash flows:

Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents

Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year

Cash, cash equivalents, restricted cash and restricted cash equivalents at end of year

#### Illustrative Example of required disclosure:

##### Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash as of December 31, 20XX reported within the statement of assets and liabilities that sum to the total of the same such amounts shown in the statement of cash flows:

|   |                      |
|---|----------------------|
| Cash and cash equivalents                               | \$ 15,985,000        |
| Cash denominated in foreign currencies                  | 485,000              |
| Restricted cash   | 10,000,000           |
| <b>Total cash, cash equivalents and restricted cash</b> | <b>\$ 26,470,000</b> |

As of December 31, 20XX restricted cash consisted of cash held at the Fund's broker representing collateral posted for derivative contracts.

See accompanying notes to financial statements.

## Appendix B

### Investments in Private Investment Companies

|   | Percentage of<br>Partners' Capital<br>[Net Assets] | Fair<br>Value         | Unfunded<br>Commitment |
|---|--|-----------------------|------------------------|
| <b>Investments in private investment companies,<br/>at fair value</b>                           |  |                       |                        |
| United States, Domiciled Value  |  |                       |                        |
| North America   |  |                       |                        |
| ABC Fund, Ltd. (31.8% owned) (1)  | 5.2 %  | \$ 22,668,000         |                        |
| Other   | 1.9  | 8,321,000             |                        |
| <b>Total value, North America</b>   | <b>7.1</b>   | <b>30,989,000</b>     |                        |
| Growth  |  |                       |                        |
| North America   |  |                       |                        |
| JKL Partners, Ltd. (19.7% owned) (2)  | 5.5  | 24,005,000            |                        |
| Other   | 1.5  | 6,654,000             |                        |
| Asia  |  |                       |                        |
| Other   | 0.7  | 2,917,000             |                        |
| <b>Total growth</b>   | <b>7.7</b>   | <b>33,576,000</b>     |                        |
| Merger arbitrage  |  |                       |                        |
| North America   |  |                       |                        |
| DEF Partners, LLC (3)   | 4.1  | 17,941,000            |                        |
| Europe  |  |                       |                        |
| Other   | 1.4  | 6,220,500             |                        |
| <b>Total merger arbitrage</b>   | <b>5.5</b>   | <b>24,161,500</b>     |                        |
| <b>Total United States, Domiciled (cost \$72,594,100)</b>                                       | <b>20.3</b>  | <b>88,726,500</b>     |                        |
| Cayman Islands, Domiciled   |  |                       |                        |
| Private Equity  |  |                       |                        |
| North America   |  |                       |                        |
| PE Fund, L.P.   | 3.5  | 15,301,000            | \$ 11,600,000          |
| Asia  |  |                       |                        |
| Other   | 1.2  | 5,350,500             | 5,000,000              |
| <b>Total Cayman Islands, Domiciled (cost \$19,878,000)</b>                                      | <b>4.7</b>   | <b>20,651,500</b>     | <b>16,600,000</b>      |
| <b>Total investments in private investment companies, at<br/>fair value (cost \$92,472,100)</b> | <b>25.2 %</b>                                      | <b>\$ 109,378,000</b> | <b>\$ 16,600,000</b>   |

(1) See page X for disclosure of the Fund's proportionate interest in underlying investments that exceeded 5% of the Fund's December 31, 20XX partners' capital [net assets].

(2) JKL Partners, Ltd. holds an investment in XYZ common stock with a fair value of \$104,242,000. XYZ is a U.S. company in the banking industry. The Fund's proportionate share of its investment is valued at \$36,101,000 as of December 31, 20XX.

(3) Information regarding the investee fund's portfolio is not available.

See accompanying notes to financial statements.



## Appendix B

### Investments in Private Investment Companies

The following discloses the Fund's proportionate interest in underlying investments that exceeded 5% of the Fund's December 31, 20XX partners' capital [net assets].

|   | Principal Amount<br>or Number<br>of Shares | ABC Fund, L.P.<br>Fair Value | Fund's<br>Proportionate Share<br>Share |
|---|--|------------------------------|--|
| <b>Investments in securities, at fair value</b> |  |                              |  |
| Common stocks                                   |  |                              |  |
| United States, Health Care                      |  |                              |  |
| Health Group                                    | 2,590,910                                  | \$ 5,491,000                 | \$ 3,105,614                           |
| XYZ Corporation                                 | 6,784,523                                  | 8,484,000                    | 4,798,403                              |
| <b>Total common stocks</b>                      |  | 13,975,000                   | 7,904,017                              |
| Government debt                                 |  |                              |  |
| United States                                   |  |                              |  |
| U.S. Treasury Bill, 1.50% 10/15/20XX            | \$ 5,000,000                               | 8,491,000                    | 4,802,362                              |
| <b>Securities sold short, at fair value</b>     |  |                              |  |
| Common stocks                                   |  |                              |  |
| United States, Health Care                      |  |                              |  |
| Health Group                                    | 2,987,654                                  | 10,999,000                   | 6,220,843                              |
| XYZ Corporation                                 | 3,546,573                                  | 7,491,000                    | 4,236,780                              |
| <b>Total common stocks</b>                      |  | \$ 18,490,000                | \$ 10,457,623                          |

See accompanying notes to financial statements.

## Appendix B

### Investments in Private Investment Companies

#### 1. Nature of operations and summary of significant accounting policies

##### Valuation Techniques and Inputs

[Add the following paragraph to the Private Investment Company section of “Valuation Techniques and Inputs” in Note 1 if the Fund has a material departure from using the practical expedient]

At December 31, 20XX, the Fund had investments in private investment companies of \$X,XXX,XXX which did not qualify for the practical expedient. Investments in private investment companies of approximately \$X,XXX,000 were valued at a discount ranging between X.X% and X.X% of the stated net asset valuations based on investment-specific features that would be considered by other market participants.

[Consider the below disclosures if the Fund invests in private investment companies]

##### Investments in Private Investment Companies

As of December 31, 20XX, the Fund is invested in other private investment companies. Each of these investments has certain restrictions with respect to rights of withdrawal by the Fund as specified in the respective agreements. Generally, the Fund is required to provide notice of its intent to withdraw after the investment has been maintained for a certain period of time. The management agreements of the private investment companies provide for compensation to the managers in the form of fees ranging from X% to X% annually of net assets and performance incentive allocations or fees ranging from XX% to XX% of net profits earned.

[If invested in a related party, add] The Fund had an investment in Related Fund, LP of approximately \$X,XXX,XXX, an affiliated investment company as of December 31, 20XX. The management agreement of the affiliated investment company provides for compensation to the manager in the form of fees of X.X% annually of net assets and performance incentive allocation or fees of XX% of net profits earned (subject to a loss carry forward). For the year ended December 31, 20XX, the Fund was charged fees of

\$XXX,XXX and \$XXX,XXX, respectively. The following table summarizes the Fund’s investments in other private investment companies as of December 31, 20XX. Other private investment companies in which the Fund invested 5% or more of its net assets, as disclosed in the condensed schedule of investments, are individually identified, while smaller investments are aggregated. The Fund’s investments in private investment companies have certain redemption and liquidity restrictions which are described in the following tables.

[If invested in a related party but the investment is under 5% of partners’ capital, the related party and detail should still be disclosed in the following table.

*See accompanying notes to financial statements.*

# Appendix B

## Investments in Private Investment Companies

### 1. Nature of operations and summary of significant accounting policies (continued)

#### Investments in Private Investment Companies (continued)

| Investment         | Required for CFTC Funds |              |                  | Required for all Funds either here or in SOI <sup>(6)</sup> |                              |                          |                                      |
|--------------------|-------------------------|--------------|------------------|---|------------------------------|--------------------------|--------------------------------------|
|                    | Income (Loss)           | Management   | Fees/Allocations | Incentive   | Redemptions<br>Notice Period | Redemptions<br>Permitted | Liquidity<br>Restrictions            |
| Value              |                         |              |                  |   |                              |                          |                                      |
| North America      |                         |              |                  |   |                              |                          |                                      |
| ABC Fund, Ltd.     | \$ (2,365,000)          | \$ 842,000   | \$               | —   | 45 days                      | Semi-annually            | None                                 |
| Other              | 124,000                 | 48,000       |                  | 25,000  | 30 days                      | Monthly/Annually         | None                                 |
| Growth             |                         |              |                  |   |                              |                          |                                      |
| North America      |                         |              |                  |   |                              |                          |                                      |
| JKL Partners, Ltd. | 3,016,000               | 521,000      |                  | —   | 30-60 days                   | Semi-annually            | None (1)                             |
| Other              | 278,000                 | 91,000       |                  | 40,000  | 45 days                      | Quarterly                |                                      |
| Asia               |                         |              |                  |   |                              |                          |                                      |
| Other              | 5,818,000               | 197,000      |                  | 1,247,000   | 30 days                      | Semi-annually            | lock-up until June<br>XX, 20XX (2)   |
| Merger arbitrage   |                         |              |                  |   |                              |                          |                                      |
| North America      |                         |              |                  |   |                              |                          |                                      |
| DEF Partners, LLC  | (2,659,000)             | 388,000      |                  | —   | 45 days                      | Monthly/Annually         | lock-up until<br>May XX, 20XX<br>(3) |
| Europe             |                         |              |                  |   |                              |                          |                                      |
| Other              | 1,450,000               | 65,000       |                  | 46,000  | 30-60 days                   | Quarterly                | None                                 |
| Private Equity     |                         |              |                  |   |                              |                          |                                      |
| North America      |                         |              |                  |   |                              |                          |                                      |
| PE Fund, L.P       | (2,416,000)             | 621,000      |                  | —   | N/A                          | N/A                      | See below (4)                        |
| Asia               |                         |              |                  |   |                              |                          |                                      |
| Other              | 198,000                 | 32,000       |                  | —   | N/A                          | N/A                      | See below (5)                        |
| Total              | \$ (306,000)            | \$ 2,805,000 | \$               | 2,064,000   |                              |                          |                                      |

- (1) Approximately 30% of this private investment company has been placed in a side pocket. It is anticipated that distributions will be made in 2 to 3 years.
- (2) The private investment company can institute a gate provision if requests for redemptions for any three-month period are in the aggregate of more than 20% of its net assets. The Fund anticipates distributions in [month, year].
- (3) The private investment company can institute a gate provision if requests for redemptions would cause a decline in assets under management of 20% or greater. Investors would have to resubmit redemption requests each quarter until the intended payout is achieved.
- (4) It is estimated that the underlying assets of the fund would be liquidated over 6 to 9 years.
- (5) It is estimated that the underlying assets of the funds would be liquidated over 5 to 6 years.
- (6) Include unfunded capital commitments, if applicable.

## Appendix B

### Investments in Private Investment Companies

[The text below is sample verbiage to summarize the overall risks and any concentration exposures in the aggregate of the investee(s) by geographic regions, industries and types of securities. This will need to be customized for each Fund of Funds specifically.]

The North America value group disclosed in the preceding table invests solely in the health care industry.

The North America merger arbitrage group disclosed in the preceding table consists of investments in hedge funds that invest in approximately 45% equities concentrated in technology and 55% bonds concentrated in economic, political and government-driven events.

The private equity categories disclosed in the preceding table invest primarily in foreign technology companies. These investments cannot be voluntarily redeemed. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the funds.

The Fund is subject to credit risk to the extent that the investment managers of the underlying private investment companies are unable to fulfill their obligations according to their organizational documents. The Fund, through its investments in private investment companies, is subject to risk inherent when investing in securities and private investments. In connection with its investments, the Fund is subject to the market and credit risk of those investments held or sold short by the private investment companies. Due to the nature of the Fund's investments, the risks described above are limited to the Fund's investment balances and unfunded commitments to private investment companies.

[If material, add] At December 31, 20XX, certain investments in private investment companies were managed by the same underlying investment manager, representing approximately XX% of the Fund's partners' capital [net assets].

[If applicable, additional disclosure is required if a reporting entity determines that it is probable that it will sell an investment(s) for an amount different from net asset value per share (or equivalent). The reporting entity shall disclose the total fair value of all investments that meet the criteria of a possible sale and any remaining actions required to complete the sale.]

[If applicable, additional disclosure is required if a reporting entity determines that it is probable that it will sell a group of investments, but the individual investments have not been identified (for example, if a reporting entity decides to sell 20% of its investments in private equity funds but the individual investments to be sold have not been identified), the reporting entity shall disclose its plans to sell and any remaining actions required to complete the sale(s).]

As of December 31, 202X, the Fund has unfunded capital commitments to private investment companies of \$X,XXX,XXX.

# Appendix C

## Fair Value Measurements

### 1. Nature of operations and summary of significant accounting policies (continued)

#### Fair Value — Valuation Techniques and Inputs

[Below are examples of disclosures of the valuation techniques and inputs used for a select group of Level 2 and 3 investments. Funds should consider the inherent risk factors of the investment and the nature of the inputs used, to customize their disclosures to comply with the input disclosure requirements of ASC 820-10-50-2(bbb).]

#### Commercial Mortgage-Backed Securities (“CMBS”) and Asset-Backed Securities (“ABS”)

CMBS and ABS may be valued based on external price/spread data. When position-specific external price data is not observable, the valuation is either based on prices of comparable securities or cash flow models that consider inputs including default rates, conditional prepayment rates, loss severity, expected yield to maturity and other inputs specific to each security. Included in this category are certain interest-only securities, which in the absence of market prices are valued as a function of observable whole bond prices and cash flow values of principal-only bonds using current market assumptions at the measurement date. CMBS and ABS are categorized in Level 2 of the fair value hierarchy when external pricing data is observable and in Level 3 when external pricing data is unobservable.

At December 31, 20XX, the Fund had investments in ABS with a fair value of approximately \$24,513,000 included in Level 3 of the fair value hierarchy. These securities represent senior and mezzanine tranches in various securitization trusts. The underlying loans for these securities include small business loans and credit card receivables that were originated between 20XX and 20XX.

#### Investments in Private Operating Companies

Investments in private operating companies consist of direct private common and preferred stock (together or individually “equity”) investments. The transaction price, excluding transaction costs, is typically the

Fund’s best estimate of fair value at inception. When evidence supports a change to the carrying value from the transaction price, adjustments are made to reflect expected exit values in the investment’s principal market under current market conditions. Ongoing reviews by the Fund’s management are based on an assessment of trends in the performance of each underlying investment from the inception date through the most recent valuation date.

These assessments typically incorporate valuation techniques using the income approach or the market approach. The income approach measures the present worth of anticipated future economic benefits (i.e., net cash flows). The net cash flow is forecast over the expected remaining economic life and discounted to present value using an appropriate risk-adjusted discount rate. The market approach includes an analysis of valuation metrics of comparable public companies and recent merger and acquisition transactions for the development of multiples used in valuation. In certain instances, the Fund may use multiple valuation methodologies for a particular investment and estimate its fair value based on a weighted-average or a selected outcome within a range of multiple valuation results. These investments in private operating companies are generally included in Level 3 of the fair value hierarchy.

The Fund uses the guideline company method of the market approach which involves selecting companies that are similar in size, operating strategy, market position and/or geographic location to the target company.

## Appendix C

### Fair Value Measurements

Inputs relied upon by the income approach include annual projected cash flows for each investment through their respective investment horizons. These cash flow assumptions may be probability-weighted to reflect the risks associated with achieving expected performance levels across various business scenarios. Investments valued using a market approach utilize valuation multiples times the annual earnings before interest, taxes, depreciation and amortization (“EBITDA”), or another performance metric such as revenues or net earnings. The selected valuation multiples were estimated through a comparative analysis of the performance and characteristics for each investment within a range of comparable companies or transactions in the observable marketplace.

Investments in private operating companies also consist of direct private debt investments. The transaction price, excluding transaction costs, is typically the Fund’s best estimate of fair value at inception. When evidence supports a change in carrying value from the transaction price, adjustments are made to reflect expected exit values in the investment’s principal market under current market conditions. Ongoing reviews by the Fund’s management are based on an assessment of trends in the performance and credit profile of each underlying investment from the inception date through the most recent valuation date. These assessments typically

incorporate valuation methodologies that consider the evaluation of arm’s-length financing, sales transactions with third parties and an income approach based upon a discounted cash flow analysis. These investments in private operating companies are generally included in Level 3 of the fair value hierarchy.

Inputs relied upon by debt investments using the income approach include an understanding of the underlying company’s compliance with debt covenants, an assessment of the credit profile of the underlying company from the point of original investment to the stated valuation date, the operating performance of the underlying company, trends in the liquidity and financial leverage ratios of the underlying company from the point of original investment to the stated valuation date, as well as an assessment of the underlying company’s business enterprise value, liquidation value and debt repayment capacity of each subject debt investment. In addition, inputs include an assessment of potential yield adjustments for each debt investment based upon trends in the credit profile of the underlying company and trends in the interest rate environment from the date of original investment to the stated valuation date.

At December 31, 20XX, the approximate fair values of the Fund’s equity and debt investments in private operating companies, by valuation methodology, are as follows:

|                          | Common Stocks | Preferred Stocks | Debt Securities | Total        |
|--------------------------|---------------|------------------|-----------------|--------------|
| Third party transactions | \$ X,XXX,000  | \$ X,XXX,000     | \$ X,XXX,000    | \$ X,XXX,000 |
| Income approach          | X,XXX,000     | X,XXX,000        | X,XXX,000       | X,XXX,000    |
| Market approach          | X,XXX,000     | X,XXX,000        | X,XXX,000       | X,XXX,000    |
| Blended approach         | X,XXX,000     | X,XXX,000        | X,XXX,000       | X,XXX,000    |
| Total                    | \$ X,XXX,000  | \$ X,XXX,000     | \$ X,XXX,000    | \$ X,XXX,000 |

## Appendix D

### Liability for Unrecognized Tax Benefits

#### 1. Nature of operations and summary of significant accounting policies (continued)

[Replace the accounting policy for income taxes with the following language if the Fund has recognized a liability for unrecognized tax benefits]

[Use if Fund is a domestic entity.]

##### Income Taxes

The Fund does not record a provision for U.S. federal, state, or local income taxes because the partners report their share of the Fund's income or loss on their income tax returns. [If applicable] However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax for those limited partners that are foreign entities or foreign individuals. [If applicable] Further, certain non-U.S. dividend income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction. The Fund files an income tax return in the U.S. federal jurisdiction and may file income tax returns in various U.S. states [if applicable] and foreign jurisdictions.

The Fund is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authorities.

[Use if Fund is an offshore entity.]

Under the laws of the [domicile], the Fund is generally not subject to income taxes. However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax. [If applicable] Further, certain non-U.S. dividend income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction.

The Fund is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authorities.

[Regardless of domestic or offshore, add a separate footnote disclosing the following]

At December 31, 20XX, the Fund recorded a liability for unrecognized tax benefits of \$XXX,XXX related to its tax positions. [Select one of the following three sections which best applies to the Fund's assessment of possible changes in unrecognized tax benefits over the next 12 months.]

## Appendix D

### Liability for Unrecognized Tax Benefits

[If there is an unrecognized tax liability it should be also presented as a separate line on the statement of assets and liabilities.]

1. The Fund has determined that it is reasonably possible that the total amount of the unrecognized tax benefits will increase [decrease] by approximately [include an amount or a range of the reasonably possible change in unrecognized tax benefits] within the next 12 months as a result of [describe the nature of events that can cause a significant change in unrecognized tax benefits, including but not limited to, settlements, expiration of statutes of limitations, changes in tax law and new authoritative rulings].

OR

2. The Fund has determined that it is reasonably possible that the total amount of the unrecognized tax benefits will increase [decrease] within the next 12 months as a result of [describe the nature of events that can cause a significant change in unrecognized tax benefits, including but not limited to, settlements, expiration of statutes of limitations, changes in tax law and new authoritative rulings]. Until formal resolutions are reached between the Fund and tax authorities, the determination of a possible ultimate settlement with

respect to the impact on unrecognized tax benefits is not readily determinable.

OR

3. The Fund does not expect that its assessment regarding unrecognized tax benefits will materially change over the next 12 months. However, the Fund's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, the nexus of income among various tax jurisdictions, compliance with U.S. federal, U.S. state and foreign tax laws and changes in the administrative practices and precedents of the relevant taxing authorities.

The Fund recognizes interest and penalties related to unrecognized tax benefits in interest expense and other expenses, respectively. During the year ended December 31, 20XX, the Fund recognized \$XX,XXX and \$XXX,XXX, respectively, related to interest and penalties. At December 31, 20XX, the Fund accrued \$XX,XXX and \$XX,XXX, respectively, for the payment of interest and penalties.



## Appendix E

### Alternative Condensed Schedule of Investments

[Consider this alternative presentation for Funds with investment types that have material amounts in more than one fair value hierarchy.]

| Investments in securities, at fair value                 |  | Number<br>of Shares | Level 1       | Level 2   | Level 3 | Total<br>Fair Value | Percentage of<br>Partners' Capital |
|--|--|---------------------|---------------|-----------|---------|---------------------|------------------------------------|
| <b>Common stocks</b>                                     |  |                     |               |           |         |                     |                                    |
| <b>United States</b>                                     |  |                     |               |           |         |                     |                                    |
| <b>Banking</b>   |  |                     |               |           |         |                     |                                    |
| Exchange traded Banking Company 1                        |  | 368,452             | \$ 25,487,000 | \$ —      | \$ —    | \$ 25,487,000       | 8.0 %                              |
| Other  |  |                     | 18,921,000    | —         | —       | 18,921,000          | 5.9                                |
| <b>Manufacturing</b>                                     |  |                     |               |           |         |                     |                                    |
| Exchange traded Manufacturing Company 1                  |  | 1,024,513           | 25,332,000    | 3,225,000 | —       | 28,557,000          | 9.0                                |
| Other  |  |                     | 41,334,000    | —         | —       | 41,334,000          | 13.0                               |
| Consumer discretionary                                   |  |                     | 78,601,000    | —         | —       | 78,601,000          | 24.6                               |
| Health care  |  |                     | 64,975,000    | —         | —       | 64,975,000          | 20.4                               |
| Real estate  |  |                     | 33,012,000    | —         | —       | 33,012,000          | 10.3                               |
| Total United States (cost \$249,805,000)                 |  |                     | 287,662,000   | 3,225,000 | —       | 290,887,000         | 91.2                               |
| <b>United Kingdom</b>                                    |  |                     |               |           |         |                     |                                    |
| <b>Manufacturing</b>                                     |  |                     |               |           |         |                     |                                    |
| Exchange traded Manufacturing Company 2                  |  | 395,756             | 20,798,000    | —         | —       | 20,798,000          | 6.5                                |
| Telecommunications                                       |  |                     | 20,326,000    | 791,000   | —       | 21,117,000          | 6.6                                |
| Total United Kingdom (cost \$36,458,000)                 |  |                     | 41,124,000    | 791,000   | —       | 41,915,000          | 13.1                               |
| Total common stocks (cost \$286,263,000)                 |  |                     | 328,786,000   | 4,016,000 | —       | 332,802,000         | 104.3                              |
| <b>Preferred stocks</b>                                  |  |                     |               |           |         |                     |                                    |
| <b>United States</b>                                     |  |                     |               |           |         |                     |                                    |
| <b>Banking</b>   |  |                     |               |           |         |                     |                                    |
| Exchange traded Banking Company 1, 5%, non-participating |  | 178,998             | 16,300,900    | —         | —       | 16,300,900          | 5.1                                |
| Other  |  |                     | 32,745,000    | —         | —       | 32,745,000          | 10.3                               |
| Information technology                                   |  |                     | 24,818,000    | —         | —       | 24,818,000          | 7.8                                |
| Total preferred stocks (cost \$66,105,000)               |  |                     | 73,863,900    | —         | —       | 73,863,900          | 23.2                               |

See accompanying notes to financial statements.

# Appendix E

## Alternative Condensed Schedule of Investments

| Investments in securities, at fair value (continued)       | Principal Amount | Level 1    | Level 2    | Level 3    | Total Fair Value | Percentage of Partners' Capital |
|--|------------------|------------|------------|------------|------------------|---------------------------------|
| <b>Exchange-traded funds</b>                               |                  |            |            |            |                  |                                 |
| <b>United States</b>                                       |                  |            |            |            |                  |                                 |
| Real estate (cost \$10,785,000)                            | \$               | 25,941,000 | \$         | —          | \$ 25,941,000    | 8.1 %                           |
| <b>Private preferred stocks</b>                            |                  |            |            |            |                  |                                 |
| <b>Canada</b>  |                  |            |            |            |                  |                                 |
| Information technology (cost \$7,085,000)                  | —                | —          | —          | 15,462,100 | 15,462,100       | 4.8                             |
| <b>Corporate bonds</b>                                     |                  |            |            |            |                  |                                 |
| <b>United States</b>                                       |                  |            |            |            |                  |                                 |
| <b>Banking</b>   |                  |            |            |            |                  |                                 |
| Banking Company 1, 6.75% 7/15/20XX                         | \$ 17,000,000    | —          | 9,645,000  | 6,831,000  | 16,476,000       | 5.2                             |
| Telecommunications   | —                | —          | 25,632,000 | —          | 25,632,000       | 8.0                             |
| Total United States (cost \$46,654,000)                    | —                | —          | 35,277,000 | 6,831,000  | 42,108,000       | 13.2                            |
| <b>United Kingdom</b>                                      |                  |            |            |            |                  |                                 |
| Manufacturing (cost \$14,985,200)                          | —                | —          | 14,648,000 | —          | 14,648,000       | 4.6                             |
| Total corporate bonds (cost \$61,639,200)                  | —                | —          | 49,925,000 | 6,831,000  | 56,756,000       | 17.8                            |
| <b>Government bonds</b>                                    |                  |            |            |            |                  |                                 |
| <b>United States</b>                                       |                  |            |            |            |                  |                                 |
| U.S. Treasury Bills, 3.85% 4/1/20XX<br>(cost \$16,000,000) | 16,000,000       | 16,360,000 | —          | —          | 16,360,000       | 5.1                             |

See accompanying notes to financial statements.

## Appendix E

### Alternative Condensed Schedule of Investments

|  | Number<br>of Shares | Level 1 | Level 2       | Level 3       | Total<br>Fair Value | Percentage of<br>Partners' Capital |
|--|---------------------|---------|---------------|---------------|---------------------|------------------------------------|
| Investments in securities, at fair value (continued)                   |                     |         |               |               |                     |                                    |
| Municipal bonds  |                     |         |               |               |                     |                                    |
| United States  |                     |         |               |               |                     |                                    |
| Construction   |                     |         |               |               |                     |                                    |
| Essex County, New Jersey, 6.25%<br>4/1/20XX                            | \$ 14,500,000       | \$ —    | \$ 15,998,000 | \$ —          | \$ 15,998,000       | 5.0 %                              |
| Water  |                     | —       | 4,750,000     | —             | 4,750,000           | 1.5                                |
| Highway  |                     | —       | 2,022,000     | —             | 2,022,000           | 0.6                                |
| Total municipal bonds (cost \$20,231,000)                              |                     | —       | 22,770,000    | —             | 22,770,000          | 7.1                                |
| Asset-backed securities  |                     |         |               |               |                     |                                    |
| United States  |                     |         |               |               |                     |                                    |
| Senior debt  |                     |         |               |               |                     |                                    |
| High Yield CLO   |                     | —       | —             | 9,320,000     | 9,320,000           | 2.9                                |
| Market Value CDO   |                     | —       | —             | 6,550,000     | 6,550,000           | 2.1                                |
| Total senior debt (cost \$14,658,000)                                  |                     | —       | —             | 15,870,000    | 15,870,000          | 5.0                                |
| Mezzanine debt   |                     |         |               |               |                     |                                    |
| High Yield CLO (cost \$15,755,000)                                     |                     | —       | 8,312,000     | —             | 8,312,000           | 2.6                                |
| Total asset-backed securities<br>(cost \$30,413,000)                   |                     | —       | 8,312,000     | 15,870,000    | 24,182,000          | 7.6                                |
| Total investments in securities, at fair value<br>(cost \$498,521,000) | \$ 444,950,900      | \$ —    | \$ 85,023,000 | \$ 38,163,100 | \$ 568,137,000      | 178.1 %                            |

See accompanying notes to financial statements.

## Appendix E

### Alternative Condensed Schedule of Investments

[Consider the alternative presentation for Funds that have many positions with multiple countries of origin.]

|  | Number<br>of Shares | Percentage of<br>Partners' Capital | Fair<br>Value  |
|--|---------------------|------------------------------------|----------------|
| <b>Investments in securities, at fair value</b>                        |                     |                                    |                |
| <b>Common stocks</b>   |                     |                                    |                |
| Banking  |                     |                                    |                |
| Exchange Traded Banking Company 1                                      | 368,452             | 8.0 %                              | \$ 25,487,000  |
| Other  |                     | 5.9                                | 18,921,000     |
| Manufacturing  |                     |                                    |                |
| Exchange Traded Manufacturing Company 1                                | 1,024,513           | 9.0                                | 28,557,000     |
| Exchange Traded Manufacturing Company 2                                | 395,756             | 6.5                                | 20,798,000     |
| Other  |                     | 13.0                               | 41,334,000     |
| Consumer discretionary   |                     | 24.6                               | 78,601,000     |
| Health care  |                     | 20.4                               | 64,975,000     |
| Real estate  |                     | 10.3                               | 33,012,000     |
| Telecommunications   |                     | 6.6                                | 21,117,000     |
| Total common stocks (cost \$286,263,000)                               |                     | 104.3                              | 332,802,000    |
| <b>Preferred stocks</b>  |                     |                                    |                |
| Banking  |                     |                                    |                |
| Exchange Traded Banking Company 1                                      |                     |                                    |                |
| Class A, 5%, non-participating   | 178,998             | 5.1                                | 16,300,900     |
| Other  |                     | 10.3                               | 32,745,000     |
| Information technology   |                     | 7.8                                | 24,818,000     |
| Total preferred stocks (cost \$66,105,000)                             |                     | 23.2                               | 73,863,900     |
| Exchange traded funds  |                     |                                    |                |
| Real estate (cost \$10,785,000)  |                     | 8.1                                | 25,941,000     |
| Private preferred stocks   |                     |                                    |                |
| Information technology (cost \$7,085,000)                              |                     | 4.8                                | 15,462,100     |
| Total investments in securities, at fair value<br>(cost \$370,238,000) |                     | 140.4 %                            | \$ 448,069,000 |

The geographical categorization by country of issuer of the value of the investments in securities as follows:

|                                    |         |                |
|------------------------------------|---------|----------------|
| United States (cost \$326,695,000) | 122.5 % | \$ 390,691,900 |
| United Kingdom (cost \$36,458,000) | 13.1    | 41,915,000     |
| Canada (cost \$7,085,000)          | 4.8     | 15,462,100     |
| Total (cost \$370,238,000)         | 140.4 % | \$ 448,069,000 |

[Include summary of geographical categorization after each investment group (investments in securities, derivatives-assets/liabilities, securities sold short, etc)] See accompanying notes to financial statements.

## Appendix F

### Credit Default Swaps – Protection Sold

#### 1. Derivative contracts

##### Swap contracts

##### Credit default swaps

[Additional disclosures to consider when a Fund engages in writing credit protection through credit default swaps:]

Alternatively, when the Fund sells a credit default swap (“Protection sold”), it receives premium payments in exchange for assuming the credit risk of the specified reference entity. Generally, the counterparty pays or receives a premium up front and continues to pay periodic interest payments while the Fund agrees to make a payment to compensate the counterparty for losses upon the occurrence of a specified credit event.

Although contract-specific, credit events generally include bankruptcy, failure to pay, restructuring,

obligation acceleration, obligation default or repudiation/moratorium. Upon the occurrence of a defined credit event, the difference between the value of the reference obligation and the swap’s notional amount is recorded as realized gain (for protection purchased) or loss (for protection sold) in the statement of operations.

In the event that certain specified credit events occur, the maximum potential amount of future undiscounted payments that the Fund would be required to pay under its credit default swaps sold would be approximately \$XX,XXX,000. However, if the Fund was required to make payments under its credit default swaps sold, it would be entitled to certain assets owned by the entities that collateralize the reference obligations.

At December 31, 20XX, the open credit default swaps sold by the Fund were referenced to corporate debt and asset-backed securities, and are summarized as follows:

| (in thousands)                                    | Single name credit default swaps |                         | Credit default swap indexes |                         | Total |
|---|----------------------------------|-------------------------|-----------------------------|-------------------------|-------|
|   | Corporate debt                   | Asset-backed securities | Corporate debt              | Asset-backed securities |       |
| Fair value  | \$ —                             | \$ —                    | \$ —                        | \$ —                    | \$ —  |
| Maximum potential of future undiscounted payments | —                                | —                       | —                           | —                       | —     |
| Recourse provisions with third parties            | —                                | —                       | —                           | —                       | —     |
| Collateral held by the Fund or by third parties   | —                                | —                       | —                           | —                       | —     |

## Appendix F

### Credit Default Swaps – Protection Sold

#### 1. Derivative contracts (continued)

[There are two alternative presentation methods below to disclose the performance risk of the credit default swaps sold. The first table sorts the contracts sold by the external credit ratings of the reference entities underlying the credit derivatives. The second table

sorts the contracts by the prevailing credit spreads of the aforementioned reference entities.]

[Presentation 1] The notional amounts of the credit default swaps sold, classified by the expiration terms and the external credit ratings of the reference obligations underlying the credit default swaps sold at December 31, 20XX, are summarized as follows:

| <i>(in thousands)</i>      | Less than<br>1 Year | 1-3 Years | 3-5 Years | Over 5 Years | Total |
|----------------------------|---------------------|-----------|-----------|--------------|-------|
| Single name corporate debt |                     |           |           |              |       |
| Investment grade (a)       | \$ —                | \$ —      | \$ —      | \$ —         | \$ —  |
| Non-investment grade (b)   | —                   | —         | —         | —            | —     |
| Asset-backed securities    |                     |           |           |              |       |
| Investment grade           | —                   | —         | —         | —            | —     |
| Non-investment grade       | —                   | —         | —         | —            | —     |
|                            | \$ —                | \$ —      | \$ —      | \$ —         | \$ —  |

(a) The Fund considers ratings of BBB- or higher as meeting the definition of investment grade.

(b) Includes non-rated credit derivative instruments.

[Presentation 2] The notional amounts of the credit default swaps sold, classified by the expiration terms and the external credit spreads<sup>(a)</sup> of the reference obligations underlying the credit default swaps sold at December 31, 20XX, are summarized as follows:

| <i>(in thousands)</i>      | Less than<br>1 Year | 1-3 Years | 3-5 Years | Over 5 Years | Total |
|----------------------------|---------------------|-----------|-----------|--------------|-------|
| Single name corporate debt |                     |           |           |              |       |
| 0- 250                     | \$ —                | \$ —      | \$ —      | \$ —         | \$ —  |
| 251 - 500                  | —                   | —         | —         | —            | —     |
| 501 - 1,000                | —                   | —         | —         | —            | —     |
| 1,001 - 1,500              | —                   | —         | —         | —            | —     |
| 1,501 - 2,000              | —                   | —         | —         | —            | —     |
|                            | \$ —                | \$ —      | \$ —      | \$ —         | \$ —  |
| Asset-backed securities    |                     |           |           |              |       |
| 0- 250                     | \$ —                | \$ —      | \$ —      | \$ —         | \$ —  |
| 251 - 500                  | —                   | —         | —         | —            | —     |
| 501 - 1,000                | —                   | —         | —         | —            | —     |
| 1,001 - 1,500              | —                   | —         | —         | —            | —     |
| 1,501 - 2,000              | —                   | —         | —         | —            | —     |
|                            | \$ —                | \$ —      | \$ —      | \$ —         | \$ —  |

(a) Credit spreads on the underlying contracts obtained from counterparties, together with the period of expiration, are indicators of payment or performance risk. The likelihood of payment or performance risk is generally greater as the credit spread on the underlying and the period of expiration increases.

## Appendix G

### Offsetting Assets and Liabilities – alternative disclosures

#### Offsetting assets and liabilities

[Offsetting tables below are suggested for Funds with multiple counterparties.]

The following tables provide disclosure regarding the potential effect of offsetting of recognized assets presented in the statement of assets and liabilities:

| Description  | Gross Amounts of<br>Recognized Assets | Gross Amounts<br>Offset in the<br>Statement of<br>Assets and<br>Liabilities | Net Amounts<br>of Recognized<br>Assets Presented<br>in the Statement<br>of Assets and<br>Liabilities |
|--|---------------------------------------|---|--|
| Interest rate swaps                                | \$ 18,514,000                         | \$ —  | \$ 18,514,000  |
| Total return swaps                                 | 20,116,000                            | —   | 20,116,000   |
| Securities purchased under<br>agreements to resell | 6,851,000                             | —   | 6,851,000  |
| <b>Total</b>                                       | <b>\$ 45,481,000</b>                  | <b>\$ —</b>   | <b>\$ 45,481,000</b>   |

|                | Net Amounts of<br>Assets Presented<br>in the Statement<br>of Assets and<br>Liabilities | Gross Amounts Not Offset<br>in the Statement of<br>Assets and Liabilities |                        |                     |
|----------------|--|---|------------------------|---------------------|
|                |  | Financial<br>Instruments  | Collateral<br>Received | Net<br>Amount       |
| Counterparty A | \$ 15,353,000  | \$ (15,353,000)   | \$ —                   | \$ —                |
| Counterparty B | 25,013,000   | (20,013,000)  | —                      | 5,000,000           |
| Other          | 5,115,000  | —   | (5,115,000)            | —                   |
| <b>Total</b>   | <b>\$ 45,481,000</b>   | <b>\$ (35,366,000)</b>  | <b>\$ (5,115,000)</b>  | <b>\$ 5,000,000</b> |

## Appendix G

### Offsetting Assets and Liabilities – alternative disclosures

#### Offsetting assets and liabilities (continued)

The following tables provide disclosure regarding the potential effect of offsetting of recognized liabilities presented in the statement of assets and liabilities:

| Description  | Gross Amounts of Recognized Liabilities | Gross Amounts Offset in the Statement of Assets and Liabilities | Net Amounts of Recognized Liabilities Presented in the Statement of Assets and Liabilities |
|--|---|---|--|
| Credit default swaps                                       | \$ 11,390,000                           | \$ —  | \$ 11,390,000  |
| Total reutrn swaps   | 8,102,000                               | —   | 8,102,000  |
| Interest rate swaps  | 13,765,000                              | —   | 13,765,000   |
| Contracts for differences                                  | 8,279,000                               | —   | 8,279,000  |
| Forward contracts  | 9,390,000                               | —   | 9,390,000  |
| Futures contracts  | 18,328,000                              | —   | 18,328,000   |
| Payable for securities sold under agreements to repurchase | 6,851,000                               | —   | 6,851,000  |
| <b>Total</b>   | <b>\$ 76,105,000</b>                    | <b>\$ —</b>   | <b>\$ 76,105,000</b>   |

|                | Net Amounts of Recognized Liabilities Presented in the Statement of Assets and Liabilities | Gross Amounts Not Offset in the Statement of Assets and Liabilities |                       |                     |
|----------------|--|---|-----------------------|---------------------|
|                |  | Financial Instruments   | Collateral Pledged    | Net Amount          |
| Counterparty A | \$ 36,479,000  | \$ (36,479,000)   | \$ —                  | \$ —                |
| Counterparty B | 35,654,000   | (35,654,000)  | —                     | —                   |
| Other          | 3,972,000  | —   | (1,546,000)           | 2,426,000           |
| <b>Total</b>   | <b>\$ 76,105,000</b>   | <b>\$ (72,133,000)</b>  | <b>\$ (1,546,000)</b> | <b>\$ 2,426,000</b> |

[If Applicable:] The gross amounts of derivative assets and liabilities presented in the preceding tables differ from the amounts of derivative assets and liabilities reported in the statement of assets and liabilities as the result of option contracts and warrants in the amounts of \$XX,XXX,000 and \$XX,XXX,000 respectively, which are not subject to enforceable master netting arrangements.

[Use the following language if the Fund's derivatives consist only of equity options NOT traded on margin, eliminating the need to display offsetting tables:]

As of December 31, 20XX, the Fund's financial instruments and derivative instruments are not subject to a master netting arrangement.



## Appendix H

### Liquidation Basis of Accounting

#### 1. Liquidation Basis of Accounting

ASU No. 2013-07, Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting clarifies when an entity should apply the liquidation basis of accounting. Adoption is required when the General Partner determines that liquidation is imminent. This

section contains example financial statements prepared under the liquidation basis of accounting. Refer to Domestic Fund, L.P. and Offshore, Ltd. for example financial statements prepared under the going concern basis of accounting for the period prior to liquidation becoming imminent.

#### Statement of Net Assets in Liquidation

##### Assets

|   |               |
|---|---------------|
| Investments in securities, at liquidation value (cost \$41,740,000) | \$ 33,514,000 |
| Derivative contracts, at liquidation value (cost \$23,595,000)      | 25,302,000    |
| Receivable for investment securities sold                           | 3,988,000     |
| Cash and cash equivalents   | 11,475,000    |
| Dividends and interest receivable                                   | 862,000       |
| Total assets  | 75,141,000    |

##### Liabilities

|  |                      |
|--|----------------------|
| Securities sold short, at liquidation value (proceeds \$8,433,000) | 7,808,000            |
| Derivative contracts, at liquidation value                         | 17,202,000           |
| Dividends and interest payable                                     | 365,000              |
| Accrued estimated liquidation costs                                | 209,000              |
| Total liabilities  | 25,584,000           |
| <b>Net assets in liquidation</b>                                   | <b>\$ 49,557,000</b> |

# Appendix H

## Liquidation Basis of Accounting

### 1. Liquidation Basis of Accounting (continued)

#### Condensed Schedule of Investments in Liquidation

|  | Number of Shares | Percentage of<br>Net Assets in<br>Liquidation | Liquidation Value    |
|--|------------------|---|----------------------|
| <b>Investments in securities, at liquidation value</b>                                 |                  |   |                      |
| Common stocks  |                  |   |                      |
| United States  |                  |   |                      |
| Banking  |                  |   |                      |
| Exchange traded Banking Company 1  |                  | 34.3 %  | \$ 17,021,000        |
| Manufacturing  |                  |   |                      |
| Exchange traded Manufacturing Company 1  |                  | 19.1  | 9,485,000            |
| Other  |                  | 8.0   | 3,975,000            |
| Real estate  |                  | 6.1   | 3,033,000            |
| <b>Total — investment in securities, at liquidation value (cost \$41,740,000)</b>      |                  | <b>67.5 %</b>                                 | <b>\$ 33,514,000</b> |
| <b>Derivative contracts (assets), at liquidation value</b>                             |                  |   |                      |
| Warrants purchased   |                  |   |                      |
| United States  |                  |   |                      |
| Financial  |                  | 51.1 %  | \$ 25,302,000        |
| <b>Total — derivative contracts (assets), at liquidation value (cost \$23,595,000)</b> |                  | <b>51.1 %</b>                                 | <b>\$ 25,302,000</b> |
| <b>Securities sold short, at liquidation value</b>                                     |                  |   |                      |
| Common stocks  |                  |   |                      |
| United States  |                  |   |                      |
| Banking  |                  |   |                      |
| Exchange traded Banking Company 2  | 109,856          | 9.5 %   | \$ 4,689,000         |
| Manufacturing  |                  | 2.3   | 1,144,000            |
| Real estate  |                  | 4.0   | 1,975,000            |
| <b>Total — securities sold short, at liquidation value (proceeds \$8,433,000)</b>      |                  | <b>15.8 %</b>                                 | <b>\$ 7,808,000</b>  |
| <b>Derivative contracts (liabilities), at liquidation value</b>                        |                  |   |                      |
| Total return swaps   |                  |   |                      |
| United States  |                  |   |                      |
| Manufacturing  |                  | 34.7 %  | \$ 17,202,000        |
| <b>Total — derivative contracts (liabilities), at liquidation value</b>                |                  | <b>34.7 %</b>                                 | <b>\$ 17,202,000</b> |

## Appendix H

### Liquidation Basis of Accounting

#### 1. Liquidation Basis of Accounting (continued)

##### Statement of Changes in Net Assets in Liquidation

|   |                      |
|---|----------------------|
| [Partners' capital] [Net assets], at [Month, Date, Year] <sup>(1)</sup>       | \$ 106,950,000       |
| Cumulative effect adjustment for change in basis of accounting <sup>(2)</sup> | (34,560,000)         |
| Net assets in liquidation, beginning of period                                | 72,390,000           |
| Net realized gain from investments and derivatives                            | 95,611,000           |
| Net change in unrealized gains and losses on investments and derivatives      | (64,225,000)         |
| Net decrease in estimated liquidation value of other assets                   | (13,000)             |
| Net increase in estimated interest and dividend income                        | 84,000               |
| Net increase in estimated interest and dividend expense                       | (240,000)            |
| Net decrease in estimated management fees                                     | 91,000               |
| Net decrease in estimated disposal costs                                      | 221,000              |
| Net decrease in estimated liquidation costs                                   | 19,000               |
| Distributions to [partners] [shareholders]                                    | (54,381,000)         |
| <b>Net decrease in net assets in liquidation</b>                              | <b>(22,833,000)</b>  |
| <b>Net assets in liquidation, end of period</b>                               | <b>\$ 49,557,000</b> |

[If applicable:] The following is a condensed presentation of changes in net assets in liquidation between the General Partner and the limited partner classes for the period [Month, Date, Year] to December 31, 20XX:

|  | General Partner     | Limited Partners     | Total                |
|--|---------------------|----------------------|----------------------|
| <b>Net assets in liquidation, beginning of period</b>                          | \$ 10,341,000       | \$ 62,049,000        | \$ 72,390,000        |
| Net increase in net assets in liquidation, excluding distributions to partners | 761,000             | 30,787,000           | 31,548,000           |
| Incentive allocation to General Partner  | 905,000             | (905,000)            | —                    |
| Distribution to partners   | (7,457,000)         | (46,924,000)         | (54,381,000)         |
| <b>Net assets in liquidation, end of period</b>                                | <b>\$ 4,550,000</b> | <b>\$ 45,007,000</b> | <b>\$ 49,557,000</b> |

(1) Represents the ending net assets of the Fund prior to adoption of the liquidation basis of accounting and is applicable for the initial period of liquidation if a cumulative-effect adjustment is presented.

(2) A cumulative-effect adjustment is recommended to be included in the statement of changes in net assets in liquidation for either of the following circumstances if the effects from the accounting changes are material to the financial statements:

1. Financial statements for the going concern stub period accompanies the liquidation basis financial statements for the current fiscal period.

## Appendix H

### Liquidation Basis of Accounting

#### 1. Liquidation Basis of Accounting (continued)

ASC 205-30-50-1 requires that an entity preparing financial statements under the liquidation basis of accounting shall make all disclosures required by other FASB Accounting Standards Codification Topics that are relevant to understand the statement of net assets in liquidation and the statement of changes in net assets in liquidation. The financial statement disclosures should also convey information about the estimated amount of cash or other consideration the entity expects to collect and the estimated amount the entity is obligated to pay during the course of liquidation. The appropriate disclosures to meet these objectives should be tailored to the entity's individual circumstances and may vary from entity to entity. Refer to Domestic Fund, L.P. for examples of other disclosures which may be used to meet these objectives.

##### Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Fund is an investment company and follows the accounting and reporting guidance in Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 946, including liquidation basis adjustments required by ASC Topic 205.

[The following disclosures should be tailored to the Fund's specific circumstances and should include a description of the facts and circumstances surrounding the plan of liquidation and the manner by which the Fund plans to dispose of its assets and settle its liabilities:]

[Include a description of the facts and circumstances surrounding the adoption of liquidation basis of accounting, such as the example described in the following:] Due to amount of redemption requests received by the Fund, the [General Partner] [Investment Manager] [Board of Directors] decided to cease the operation of the Fund, return the capital balances of the Fund's outside investors and to convert its operations to a family office. On [Month, Date, Year], the [General Partner] [Investment Manager] [Board of Directors] approved a plan of liquidation to liquidate the Fund

in an orderly manner. As a result, liquidation became imminent and the Fund adopted the liquidation basis of accounting, whereby assets are measured at the estimated amount of cash or other consideration that the Fund expects to collect in settling or disposing of those assets and liabilities are measured at their estimated settlement amounts, including costs that the Fund expects to incur through the end of its liquidation ("liquidation value"). These estimated amounts are undiscounted and are recorded to the extent the Fund has a reasonable basis for estimation.

Under the plan of liquidation, the Fund plans to 1) sell its remaining investments, 2) collect receivables as they become due, 3) use available cash to settle the Fund's obligations and 4) pay out distributions to the [partners] [shareholders] of the Fund. The [General Partner] [Investment Manager] [Board of Directors] anticipates that the liquidation of the Fund will be completed on or about [Include the estimated period by when the Fund expects to complete its liquidation, or a range of estimated periods.] and has determined that the likelihood is remote that the Fund will return from liquidation.

For certain investments, securities sold short and derivatives, liquidation value may approximate their fair values. In addition, the Fund may use other valuation techniques which include assumptions of forced or distressed sales, or when assumptions of exit price conditions are not consistent with market participant assumptions. [If applicable, refer to Domestic Fund, L.P. for examples of fair value accounting policy language to include when fair value approximates liquidation values.]

Liabilities are generally recognized in accordance with the measurement and recognition provisions applicable for going concern entities. In addition, liabilities include estimated costs to dispose of assets or other items that the Fund expects to sell during the course of liquidation.

## Appendix H

### Liquidation Basis of Accounting

#### 1. Liquidation Basis of Accounting (continued)

[If the adoption of liquidation basis of accounting is material, the following section may be included if not included on the statement of changes in net assets in liquidation:] Upon the adoption of the liquidation basis of accounting, the Fund recorded the following cumulative-effect adjustments to net assets in liquidation as of the date of adoption.

|   |                        |
|---|------------------------|
| Adjustments of investments and derivatives to liquidation value       | \$ (31,251,000)        |
| Adjustments of other assets to liquidation value                      | (175,000)              |
| Accrual of estimated interest and dividend income                     | 1,456,000              |
| Accrual of estimated interest and dividend expense                    | (1,303,000)            |
| Accrual of estimated management fees                                  | (846,000)              |
| Accrual of estimated disposal costs                                   | (2,296,000)            |
| Accrual of estimated liquidation costs                                | (145,00)               |
| <b>Cumulative effect adjustment for change in basis of accounting</b> | <b>\$ (34,560,000)</b> |

[If the adoption of liquidation basis of accounting is not material, the following sentence may be included.]

The adoption of the liquidation basis of accounting did not have a material effect on the carrying values of the Fund's assets and liabilities as of the date of adoption.

[If applicable] The Fund's management determined that presentation of financial highlights is not relevant and useful in understanding the liquidation basis financial statements. As a result, the Fund elected to exclude the presentation of financial highlights for the period [Enter beginning date of liquidation financial statements.] to December 31, 20XX.

#### Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities, including the estimated liquidation values of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets in liquidation during the reporting period. Actual results could differ from those estimates.

#### Valuation of other investments

At December 31, 20XX, the Fund had investments in securities of \$XX,XXX,000 which were measured using other valuation inputs and techniques when fair value did not approximate the liquidation value of such assets. [Include a description of other valuation techniques and inputs used to measure assets when fair value does not approximate the amounts expected to be collected for disposing of investments. Examples of valuation techniques and inputs may include discounts to fair value measurements, a description of methods and significant assumptions used to develop such discounts and the estimated period over which investments are expected of be realized.]

## Appendix H

### Liquidation Basis of Accounting

#### 1. Liquidation Basis of Accounting (continued)

[When fair value is used to approximate the liquidation values of investments, fair value disclosures in accordance with ASC Topic 820 should be included, Refer to Domestic Fund, L.P. for examples of fair value disclosures.]

##### Estimated liquidation income and costs

[This note should describe the type and amounts of costs and income accrued in the statement of net assets in liquidation and the period over which those costs are expected to be paid or income earned. The following are examples of disclosures of estimated costs and income, however the disclosures should be tailored to the specific facts and circumstances of the Fund:]

At December 31, 20XX, the Fund accrued estimated interest and dividend income of \$XXX,000. The Fund's estimates of interest income were based on expected coupon payments on interest-bearing securities and an expected duration for holding the securities through [Specify the period over which costs are expected to be incurred or income expected to be earned]. The Fund accrued dividend income from equity securities on the ex-dividend date.

At December 31, 20XX, the Fund accrued estimated disposal costs of \$XXX,000, which include brokerage commissions and other costs expected to be incurred to dispose of assets during liquidation. The Fund estimated its disposal costs based on a range of X%-X% of the reported amounts for investments in securities and securities sold short as of December 31, 20XX.

At December 31, 20XX, the Fund accrued estimated liquidation costs expected to be incurred through [Specify the period over which costs are expected to be incurred.] as follows:

|  |           |                |
|--|-----------|----------------|
| Administrative fees                        | \$        | 71,000         |
| Professional fees                          |           | 54,000         |
| Other liquidation expenses                 |           | 84,000         |
| <b>Accrued estimated liquidation costs</b> | <b>\$</b> | <b>209,000</b> |

The estimated liquidation costs were based on prior historical information, expected future events, specified contractual obligations and the estimated time to complete the plan of liquidation. Other costs of liquidation will be recognized when a reasonable basis of estimation becomes determinable.

[If applicable – include a description of any subsequent adjustments to previous accruals of estimated income or costs expected to be incurred in liquidation resulting from changes in the methods and assumptions used for previous estimates.]

##### Partners' capital/Capital share transactions

[Refer to either Domestic Fund, L.P. or Offshore Fund, Ltd. for examples of disclosures of the pertinent rights and privileges of the Fund's capital structure. The disclosures should be tailored to reflect the provisions in the Fund's legal documents.]

[If applicable:] The Fund has elected to suspend redemptions as of [Month, Date, Year]. Distributions made subsequent to this date are based on proceeds received from the sale of investments and allocated to [partners] [shareholders] according to their respective interests in the Fund.

## Appendix I

### **Crypto Fund, LP:** Statement of Assets and Liabilities

**December 31, 20xx**

|  |                      |
|--|----------------------|
| <b>Assets</b>  |                      |
| Investments in digital assets, at fair value (cost \$15,500,000) | \$ 21,500,000        |
| Cash   | 73,500               |
| Other assets   | 1,500                |
| <b>Total Assets</b>  | <b>\$ 21,575,000</b> |
| <b>Liabilities</b>   |                      |
| Management fees payable  | \$ 45,000            |
| Contributions received in advance                                | 100,000              |
| Capital withdrawals payable                                      | 15,000               |
| <b>Total Liabilities</b>   | <b>160,000</b>       |
| <b>Partners' Capital</b>   | <b>21,415,000</b>    |
|  | <b>\$ 21,575,000</b> |

See accompanying notes to financial statements.

## Appendix I

### Crypto Fund, LP: Condensed Schedule of Investments

December 31, 20xx

|  | Units          | Fair Value    | Percentage of<br>Partners' Capital |
|--|----------------|---------------|------------------------------------|
| Investments in digital assets, at fair value       |                |               |                                    |
| <i>United States</i>                               |                |               |                                    |
| Bitcoin  | 2,011.0565     | \$ 16,017,500 | 74.80 %                            |
| Ethereum   | 12,121.4476    | 1,687,750     | 7.88                               |
| Ripple   | 5,243,859.8123 | 1,107,250     | 5.17                               |
| Other  |                | 2,687,500     | 12.55                              |
|  |                |               |                                    |
| Total investments in digital assets, at fair value |                |               |                                    |
| (cost \$15,500,000)                                |                | \$ 21,500,000 | 100.40 %                           |

See accompanying notes to financial statements.



## Appendix I

### Crypto Fund, LP: Statement of Operations

For the year ended December 31, 20xx

|   |              |
|---|--------------|
| <b>Income</b>   |              |
| Interest income   | \$ 3,500     |
| Other income  | 750          |
| Total income  | 4,250        |
| <b>Expenses</b>   |              |
| Management fees   | 500,000      |
| Transaction and other fees  | 14,250       |
| Total expenses  | 514,250      |
| <b>Net investment loss</b>  | (510,000)    |
| <b>Net realized and change in unrealized gain (loss) on investments</b>     |              |
| Net realized gain from digital assets                                       | 3,275,000    |
| Net change in unrealized appreciation or (depreciation) from digital assets | 2,235,000    |
| Net realized and change in unrealized gain (loss) on investments            | 5,510,000    |
| <b>Net income</b>   | \$ 5,000,000 |

See accompanying notes to financial statements.

## Appendix I

### Crypto Fund, LP: Statement of Changes in Partners' Capital

For the year ended December 31, 20xx

|  | Limited Partners     | General Partner     | Total                |
|--|----------------------|---------------------|----------------------|
| Partners' capital, beginning of the year | \$ 9,000,000         | \$ 1,000,000        | \$ 10,000,000        |
| Contributions                            | 6,000,000            | 700,000             | 6,700,000            |
| Withdrawals                              | 226,500              | 58,500              | 285,000              |
| Allocation of net income (loss)          | 4,500,000            | 500,000             | 5,000,000            |
| Incentive allocation                     | (450,000)            | 450,000             | —                    |
| Partners' capital, end of the year       | <u>\$ 18,823,500</u> | <u>\$ 2,591,500</u> | <u>\$ 21,415,000</u> |

See accompanying notes to financial statements.

# Appendix I

## Crypto Fund, LP: Notes to Financial Statements

### 1. Organization

#### Nature of Operations

Crypto Fund, LP (the “Fund”) is a Delaware partnership that commenced operations on January xx, 20xx. The Fund is managed by General Partner LLC (the “General Partner”) and Investment Manager LLC (the “Investment Manager”).

The Fund’s principal investment objective is to invest in a portfolio of broad-based cryptocurrencies [ensure to disclose full investment strategy].

### 2. Significant Accounting Policies

#### Basis of Presentation

The financial statements are expressed in U.S. dollars and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Fund is an investment company and follows the specialized accounting and reporting guidance in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC” or “Codification”) Topic 946, Financial Services - Investment Companies.

U.S. GAAP contains no authoritative guidance related to the accounting for digital assets. As a result, transactions of digital assets have been accounted for analogizing to existing accounting standards that management believes are appropriate to the circumstances. There can be no certainty as to

when the FASB or other standards setter will issue accounting standards for digital assets, if at all.

[If applicable:] Pursuant to the Statement of Cash Flows Topic of the Codification, the Fund qualifies for an exemption from the requirement to provide a statement of cash flows and has elected not to provide a statement of cash flows.

#### Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash

Cash represents cash deposits held at financial institutions and digital asset exchanges and custodians. Cash in a bank deposit account, at times, may exceed U.S. federally insured limits. The Fund has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on such bank deposits.

## Appendix I

### Crypto Fund, LP: Notes to Financial Statements

#### Investments and Valuation

The Fund's investments in digital assets are stated at fair value. Digital assets are generally valued using prices as reported on reputable and liquid exchanges and may involve utilizing an average of bid and ask quotes using closing prices provided by such exchanges as of the date and time of determination (described below). Factors such as the recent stability of the exchange, current liquidity of the exchange, and recent price activity of an exchange will be considered as to the determination of which exchanges to utilize. (Tailor to specific policy) The time used is 16:00 ET which corresponds to 20:00 UTC during Daylight Savings Time and 21:00 UTC during non-Daylight Savings Time. The General Partner's Valuation Policy provides a listing of preferred exchanges. While some digital assets are valued based on prices reported in the public markets, other digital assets may be more thinly-traded or subject to irregular trading activity. Determinations on the value of certain digital assets, and how to value such assets as to which limited prices or quotations are available, are based on the General Partner's recommendations or instructions.

Digital asset transactions are recorded on the trade date. Realized gains and losses from digital asset transactions are determined using the specific identification method. Any change in net unrealized gain or loss is reported in the statement of operations. Commissions and other trading fees are reflected as an adjustment to cost or proceeds at the time of the transaction.

The Fund generally records receipt of a new digital asset created due to a hard fork at the time the hard fork is effective. The Fund's methodology for determining effectiveness of the fork is when two or more recognized exchanges quote prices for the forked coin. Some exchanges and custodians do not

honor hard forks or may honor hard forks in the future. In such cases, the Fund will record receipt of the new digital asset at the time two or more recognized exchanges begin quoting prices for the asset.

Although the Fund records the asset in its books and records at the time the fork is effective, as described above, the Fund's Custodian (defined below) may take an extended period of time to make the forked asset available for transfer, and it may never make the forked asset available for transfer, which could lead to either the Fund holding the asset longer than it would otherwise hold the asset (if it was freely transferrable), or a complete write-down in the value of the forked asset. The Fund does not allocate any of the original digital asset's cost to the new digital asset and recognizes unrealized gains equal to the fair value of the new digital asset received.

The Fund regularly receives "airdrops" of new digital assets. The use of airdrops is generally to promote the launch and use of new digital assets by providing a small amount of such new digital assets to the private wallets or exchange accounts that support the new digital asset and that hold existing related digital assets. Unlike hard forks, airdropped digital assets can have substantially different blockchain technology that has no relation to any existing digital asset, and many airdrops may be without value. The Fund records receipt of airdropped digital assets when received if there is value to the Fund in doing so. Digital assets received from airdrops have no cost basis and the Fund recognizes unrealized gains equal to the fair value of the new digital asset received.

#### Income Taxes

The Fund is classified as a partnership for U.S. federal income tax purposes. The Fund does not record a provision for U.S. federal, U.S. state or local income taxes because the partners report their share of the Fund's income or loss on their income tax returns. The Fund files an income tax return in the U.S. federal jurisdiction and may file income tax returns in various U.S. states and foreign jurisdictions.

The Fund is required to determine whether its tax positions are more likely than not to be sustained on examination by the applicable taxing authority, based on the technical merits of the position. Tax positions not deemed to meet a more likely than not threshold would be recorded as a tax expense in the current year. As of December 31, 20xx, the Fund has determined that no provision for income taxes is required and no liability for unrecognized tax benefits has been recorded. The Fund does not expect that its assessment related to unrecognized tax benefits will materially change over the next 12 months. However, the Fund's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, the nexus of income among various tax jurisdictions; compliance with U.S. federal, U.S. state, and tax laws of jurisdictions in which the Fund operates in; and changes in the administrative practices and precedents of the relevant authorities.

#### Capital Withdrawals Payable

Withdrawals are recognized as liabilities when the amount requested in the withdrawal notice becomes fixed, which generally occurs on the last day of the fiscal [month/quarter]. As a result, withdrawals paid after the end of the year, based on partners' capital balances at year-end, are included in capital withdrawals payable.

### 3. Fair Value Measurements

The Fund carries its investments at fair value in accordance with FASB ASC Topic 820, Fair Value

Measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. Fair value investments are not adjusted for transaction costs.

In determining fair value, the Fund uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs are to be used when available. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. These inputs may include (a) quoted prices for similar assets in active markets, (b) quoted prices for identical or similar assets in markets that are not active, (c) inputs other than quoted prices that are observable for the asset, or (d) inputs derived principally from or corroborated by observable market data by correlation or other means.

**Level 3** – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction.

## Appendix I

### Crypto Fund, LP: Notes to Financial Statements

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement. The following summarizes the Fund's assets measured for at fair value as of December 31, 20XX.

|  | Level 1 | Level 2       | Level 3 | Total         |
|--|---------|---------------|---------|---------------|
| <b>Assets</b>                                |         |               |         |               |
| Investments in digital assets, at fair value | \$ —    | \$ 21,500,000 | \$ —    | \$ 21,500,000 |

#### 4. Risk Factors

##### Digital Assets

Digital assets are loosely regulated and there is no central marketplace for currency exchange. Supply is determined by a computer code, not by a central bank, and prices have been extremely volatile. Digital asset exchanges have been closed due to fraud, failure or security breaches. Any of the Fund's assets that reside on an exchange that shuts down may be lost. At December 31, 20xx, digital assets of approximately \$xxx,000 reside on exchanges.

Several factors may affect the price of digital assets, including, but not limited to supply and demand, investors' expectations with respect to the rate of inflation, interest rates, currency exchange rates or future regulatory measures (if any) that restrict the trading of digital assets or the use of digital assets as a form of payment. There is no assurance that digital assets will maintain their long-term value in terms of purchasing power in the future, or that acceptance of digital asset payments by mainstream retail merchants and commercial businesses will continue to grow.

##### Digital Asset Regulation

As digital assets have grown in popularity and market size, various countries and jurisdictions have begun to develop regulations governing the digital assets

industry. To the extent that future regulatory actions or policies limit the ability to exchange digital assets or utilize them for payments, the demand for digital assets will be reduced. Furthermore, regulatory actions may limit the ability of end-users to convert digital assets into fiat currency (e.g., U.S. dollars) or use digital assets to pay for goods and services. Such regulatory actions or policies would result in a reduction of demand, and in turn, a decline in the underlying digital asset unit prices.

The effect of any future regulatory change on the Fund or digital assets in general is impossible to predict, but such change could be substantial and adverse to the Fund and the value of the Fund's investments in digital assets.

##### Custody of Digital Assets

Custody Company, LLC (the "Custodian") serves as the Fund's custodian for digital assets for which qualified custody is available. The Custodian is subject to change in the sole discretion of the General Partner. At December 31, 20xx, digital assets of approximately \$xx,000,000 are held by the Custodian.

#### **Digital Asset Trading is Volatile and Speculative**

Digital assets represent a speculative investment and involve a high degree of risk. Prices of digital assets have fluctuated widely for a variety of reasons including uncertainties in government regulation and may continue to experience significant price fluctuations. If digital asset markets continue to be subject to sharp fluctuations, partners may experience losses as the value of the Fund's investments decline. Even if partners are able to hold their partnership interest in the Fund for the long-term, their interests may never generate a profit, since digital asset markets have historically experienced extended periods of flat or declining prices, in addition to sharp fluctuations.

#### **Control of Private Keys**

Digital assets are controllable only by the possessor of a unique private cryptographic key controlling the address in which the digital asset is held. The theft, loss or destruction of a private key required to access a digital asset is irreversible, and such private keys would not be capable of being restored by the Fund. The loss of private keys relating to digital wallets used to store the Fund's digital assets could result in the loss of the digital assets and an investor could incur substantial, or even total, loss of capital. At December 31, 20xx, digital assets of approximately \$xxx,000 are held in private wallets.

#### **Over-the-Counter Transactions**

Some of the markets in which the Fund may execute its transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity

problem, thus causing the Fund to suffer a loss. Such "counterparty risk" is accentuated for digital assets where the Fund has concentrated its transactions with a single or small group of counterparties. The Fund is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Fund has no internal credit function that evaluates the creditworthiness of its counterparties. The ability of the Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparty's financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund.

#### **Transactions in Cryptocurrencies May Be Irreversible**

Transactions in digital assets may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable. If there is an error and a transaction occurs with the wrong account, to the extent that the Fund is unable to seek a corrective transaction with such third-party or is incapable of identifying the third-party which has received the digital assets through error or theft, the Fund will be unable to revert or otherwise recover incorrectly transferred digital assets. To the extent that the Fund is unable to seek redress for such error or theft, such loss could result in the total loss of a partner's investment in the Fund.

## Appendix I

### **Crypto Fund, LP:** Notes to Financial Statements

#### **No FDIC or SIPC Protection**

The Fund is not a banking institution or otherwise a member of the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC"). Accordingly, deposits or assets held by the Fund are not subject to the protections enjoyed by depositors with FDIC or SIPC member institutions. The Fund's cryptocurrency custodians do however carry bespoke insurance policies related to the cryptocurrencies over which they provide custody.

The Fund must adapt to technological change in order to secure and safeguard client accounts. While management believes they have developed an appropriate proprietary security system reasonably designed to safeguard the Fund's digital assets from theft, loss, destruction or other issues relating to hackers and technological attack, such assessment is based upon known technology and threats. To the extent that the Fund is unable to identify and mitigate or stop new security threats, the Fund's digital assets may be subject to theft, loss, destruction or other attack, which could have a negative impact on the performance of the Fund or result in loss of the Fund's digital assets.

#### **Financial Reporting**

As of the date of these financial statements, there is currently no specific authoritative accounting literature under U.S. GAAP which addresses the accounting for digital assets, including digital currencies. Certain non-authoritative sources have concluded that digital currencies should be accounted for as intangible assets, where the digital currency asset should be recorded at the lower of

its original cost or fair value, whereby any recorded write-downs could not be recovered in the future. The Fund's management has concluded that its digital currency assets should be valued at fair value, which is consistent with current practices of investment companies. In the event that specific authoritative accounting guidance were to be issued after the release of these financial statements and such guidance was inconsistent with management's current accounting for its digital assets and a restatement would be determined to be required, any resulting restatement could have a significant impact on the Fund's financial position, results of operations, and cash flows. The timing of any such authoritative guidance, if issued at all, is not determinable as of the date of these financial statements.

#### **Risks Associated With a Cryptocurrency Majority Control**

Since cryptocurrencies are virtual and transactions in such currencies reside on distributed networks, governance of the underlying distributed network could be adversely altered should any individual or group obtain 51% control of the distributed network. Such control could have a significant adverse effect on either the ownership or value of the cryptocurrency.



#### Transaction Authentication

As of the date of these financial statements, the transfer of digital currency assets from one party to another typically relies on an authentication process by an outside party known as a miner. In exchange for compensation, the miner will authenticate the transfer of the currency through the solving of a complex algorithm known as a proof of work, or will vouch for the transfer through other means, such as a proof of stake. Effective transfers of and therefore realization of cryptocurrency, digital assets and tokens are dependent on interactions from these miners or forgers. In the event that there are a shortage of miners to perform this function, that shortage may have an adverse effect on either the fair value or realization of the cryptocurrency assets.

#### COVID-19

The future impact of the COVID-19 outbreak on the financial performance and operations of the Fund will depend on future developments, including the duration and spread of the virus and related advisories and restrictions. These developments and the impact of COVID-19 on blockchain markets and the overall economy, as well as on the financial performance and operations of the Fund, are highly uncertain and cannot be predicted.

#### 5. Administrator

Fund Services, LLC (the “Administrator”) serves as the Fund’s administrator and performs certain administrative and accounting services on behalf of the Fund.

#### 6. Partners’ Capital

Profits and losses of the Fund are allocated to partners according to their respective interests in the Fund. Subject to certain limitations, generally XX% of the net profits allocated to the limited partners is reallocated to the General Partner. The General Partner, in its sole discretion, may waive all or part of the incentive reallocation for any limited partner.

The minimum initial investment in the Fund is \$X,000,000. Capital contributions may be made by limited partners as of the first business day of any month at the General Partner’s sole discretion. Upon giving at least XX days’ prior written notice, and subject to a XX month lock-up period, a limited partner may redeem all or a portion of its outstanding capital balance as of the last business day of each calendar quarter. (if applicable) The early redemption fee represents the amount charged to limited partners withdrawing capital prior to expiration of their agreed upon lock-up period.

Advance capital contributions represent amounts owed to limited partners for cash received prior to the effective date of such contributions.

Capital withdrawals payable represent amounts due to partners based on withdrawals effective through December 31, 20XX.

## Appendix I

### **Crypto Fund, LP:** Notes to Financial Statements

#### **In-Kind Contributions**

The General Partner may, at its sole discretion, accept digital assets (“In-Kind Investments”) in lieu of, or in addition to, cash as payment for investment in the Fund. Such In-Kind Investments are valued using the same digital asset prices as per the Fund’s valuation policy at any given valuation date as of 16:00 ET on the date of the contribution. For the year ended December 31, 20xx, the Fund accepted In- Kind Investments from the limited partners of \$xx,xxx,xxx.

#### **7. Related Party Transactions**

The Fund pays the General Partner a management fee, calculated and payable quarterly in advance, equal to X.xx% of the Fund’s net asset value determined as of the beginning of the calendar quarter.

Due to related parties represents amounts payable to the General Partner for expenses paid on behalf of the Fund.

Certain limited partners are affiliated with the General Partner. The aggregate value of the affiliated limited

partners’ share of partners’ capital at December 31, 20xx is approximately \$xx,xxx,xxx.

Certain limited partners have special management fee arrangements, performance agreements or redemption rights.

#### **8. Indemnifications**

In the normal course of business, the Fund enters into contracts and agreements that contain a variety of representations and warranties and which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. The Fund expects the risk of any future obligation under these indemnifications to be remote.

## Appendix I

### Crypto Fund, LP: Notes to Financial Statements

#### 9. Financial Highlights

The following presents the financial highlights for the year ended December 31, 20xx.

|   |         |
|---|---------|
| <b>Total return</b>                                 |         |
| Total return before reallocation to General Partner | 29.1 %  |
| Reallocation to General Partner                     | (9.20)  |
| Total return after reallocation to General Partner  | 19.9 %  |
| <b>Ratios to average limited partners' capital</b>  |         |
| Expenses  | 3.3 %   |
| Reallocation to General Partner                     | 3.2     |
| Expenses and reallocation to General Partner        | 6.5 %   |
| Net investment income (loss)                        | (3.3) % |

The total return and the ratios to average limited partners' capital are calculated for the limited partner class as a whole. An individual limited partner's return and ratios may vary based on the timing of capital transactions. The ratios have been annualized (applicable for less than 1-year presentation). Total return has not been annualized.

The General Partner has evaluated subsequent events through April XX, 202X, the date the financial statements were available to be issued, and has determined that there are no other subsequent events that require disclosure.

#### 10. Subsequent Events

During the period January 1, 20XX to April XX, 20XX, contributions of \$x,xxx,xxx were made to the Fund.

# About the Contributors

**Thomas Angell, CPA** — Tom is the practice leader of Withum's Financial Services Group based out of the Firm's New York office. With over 30 years of experience specializing in private equity and venture capital funds, he services a diverse client base including credit funds, hedge funds, fund of funds, investment advisors and regulated funds. Assisting emerging managers and well-established funds both onshore and offshore.



Widely viewed as a thought leader in the financial services industry, Tom is frequently requested to speak at industry conferences, and has authored and been quoted in leading industry publications. Tom is a certified public accountant in New York and New Jersey.

E: [tangell@withum.com](mailto:tangell@withum.com) P: 212-829-3239

**Joseph M. Cassano Jr, CPA** — Joseph is a partner and Team Leader of Hedge Funds and Digital Assets. Based out of the Firm's New York office, with over 14 years of experience, Joe provides accounting, tax and consulting services to clients in the alternative investments sector. He is currently focused as a business advisor to a variety of alternative investment vehicles including hedge funds, fund-of-funds, and private equity funds.



In addition, Joseph serves as a key contributor to the Firm's Financial Services Best Practices Group, and contributes to several industry publications. Joseph is a certified public accountant in New York and New Jersey.

E: [jcassano@withum.com](mailto:jcassano@withum.com) P: 646-604-4194

**Michael Oates, CPA** — Michael is the leader of the firm's financial services tax practice. With over 30 years of experience, Michael specializes in research and planning, from initial organizational structure to maximum tax efficiency. He also serves as a trusted operational-matter tax advisor throughout the business and economic cycles to investment advisors. Michael is a certified public accountant in New York and New Jersey.



E: [moates@withum.com](mailto:moates@withum.com) P: 212-808-0238

**Stephen R. Yardumian, CPA, CGMA**—Steve is a partner based in Withum's Boston office and



specializes in providing financial reporting, tax and accounting services to clients in the financial services industry. He has experience working with a variety of clients, including domestic and offshore investment funds, fund of funds, investment advisors and related management entities. In addition, Steve serves as a key contributor to the Firms Financial Services Best Practices. He

is a certified public accountant in Massachusetts.

E: [syardumian@withum.com](mailto:syardumian@withum.com) P: 617-849-6168

**Matthew DiBrienza, CPA**—Matthew has 22 years of experience in the alternative investment



industry, providing professional services to hedge funds, commodity pools, private equity funds and funds-of-funds. Matt has served as an audit partner for a variety of investment partnership structures, including domestic and offshore funds, master-feeder structures, commodity pools and funds of funds. He is a certified public accountant in New York and New Jersey.

E: [mdibrienza@withum.com](mailto:mdibrienza@withum.com) P: 973-828-1235

**Guy Miller, CPA**—Guy specializes in alternative investment management, focusing on



providing audit and assurance services to financial services clients, with a particular emphasis on hedge, private equity and venture capital funds. He works diligently with clients, advising on alternate investment practices, transactions, operations, regulatory compliance, management reporting and auditing. Guy is a certified public accountant in New York and New Jersey.

E: [gmiller@withum.com](mailto:gmilller@withum.com) P: 973-532-8851

**Colleen Fay, CPA, MSTa**—Colleen has over 15 years of experience in accounting and the alternative investment industry. Her expertise is in tax compliance and consulting for hedge funds, private equity funds, venture capital funds, funds of funds, general partners and management companies. Colleen is also actively involved in the firm’s internal best practices and continuing professional education program.



E: [colleen.fay@withum.com](mailto:colleen.fay@withum.com) P: 973-867-7497

**Amanda McKenna, CPA**—Amanda is a Financial Services Tax Principal in Withum’s Whippany, NJ office. She has 15 years of accounting and tax experience in the alternative investment industry. She focuses on providing tax services for private equity, venture capital funds and hedge funds.



E: [amckenna@withum.com](mailto:amckenna@withum.com) P: 973-867-7493

## About Withum

Founded in 1974, Withum ranks in the top 25 largest public accounting and consulting firms in the U.S, providing world-class accounting, audit, tax and business advisory services to mid-market companies across the country and around the globe. With headquarters in Princeton, NJ, the firm has additional offices located in major financial centers, including Boston, MA; New York City, NY; Philadelphia, PA; Washington, DC.; Orlando, FL; San Francisco, CA; and Orange County, CA. Withum is an independent member of HLB, the global advisory and accounting network, with international reach to over 150 countries worldwide. The Firm’s Financial Services Industry Group serves clients reflecting the diversity of the industry, including hedge fund managers, venture capital firms, private equity firms, mortgage bankers, SPACS, broker-dealers and regulated investment companies. The Firm understands the challenges of operating in a complicated, highly regulated environment, and how to successfully comply with SEC and other rules which often require the expertise of independent auditors and consultants. Visit [www.withum.com](http://www.withum.com) for more information.



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1411 Broadway, 9th Floor  
New York, NY 10018

[www.withum.com](http://www.withum.com)