EisnerAmper

Illustrative Financial Statements

Alternative Investment Funds

December 31, 2017

These materials contain sample financial statements for domestic and offshore investment companies including master feeder funds and funds of funds. They highlight variables to consider for an entity's structure (partnership, LLC, Ltd, etc.) and provide suggestions on where to find information needed for disclosure. These materials are not a substitute for authoritative pronouncements. As considered necessary, refer to authoritative pronouncements. Additional examples and clarification may be found in the AICPA Audit & Accounting Guide: Investment Companies.

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[FUND NAME]

[(a Cayman Islands exempted company)]

FINANCIAL STATEMENTS

DECEMBER 31, XXXX

WITH INDEPENDENT AUDITORS' REPORT

[FUND NAME]
[(a Cayman Islands exempted company)]

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INDEPENDENT AUDITORS' REPORT

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[(a Cayman Islands exempted company)]

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[(expressed in United States dollars)]

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[FUND NAME]
[(a Cayman Islands exempted company)]

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[(a Cayman Islands exempted company)]

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[(a Cayman Islands exempted company)]

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NOTE A - ORGANIZATION

[Fund Name] (the "[Master] Fund"), was organized under the laws of the [state of State Name or Cayman Islands and is regulated under the Mutual Funds Law of the Cayman Islands]. The [Master] Fund's principal investment objective is [state investment objective and strategy from fund document]. The [Master] Fund commenced operations [Date]. [Entity Name] (the [“General Partner” “Managing Member” "Investment Manager"]), is responsible for managing the [Master] Fund's investment activities. [If applicable: The Fund invests its investable assets in the [name of Master Fund (the “Master Fund”). The Fund’s investment objective is the same as the Master fund.]

[The Master Fund serves as a "master fund" in a master-feeder structure. It has two investors ("feeders"), [U.S. Feeder name] (the "U.S. Feeder"), a partnership [limited liability company] organized under the laws of the [State Name], and [Offshore Feeder name] (the "Cayman Feeder"), an exempted company incorporated under the laws of the Cayman Islands, (collectively the "Feeder Funds").]

The [General Partner, Managing Member, Investment Manager] is responsible for managing the administrative matters of the [Master] Fund [and the Feeder Funds].[The [General Partner, Managing Member, Investment Manager] is registered with the United States Securities and Exchange Commission under the Investment Advisers Act of 1940.]

[The financial statements of the Master Fund are included separately in this report and should be read in conjunction with the Fund’s financial statements. The percentage of the Master Fund owned by the Fund at December 31, XXXX was X.XX%.]

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The [Master] Fund is an investment company that follows the specialized accounting and reporting guidance of FASB Accounting Standards Codification Topic 946 “Financial Services – Investment Companies.”

[2] Investment valuation:

The [Master] Fund carries its investments at fair value. Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. A fair value hierarchy provides for prioritizing inputs to valuation techniques used to measure fair value into three levels:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the [Master] Fund.

Level 3 Unobservable inputs. Unobservable inputs reflect the assumptions that the [General Partner, Managing Member, Investment Manager] develops based on available information about what market participants would use in valuing the asset or liability.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. The [General Partner, Managing Member, Investment Manager] uses judgment in determining fair value of assets and liabilities and Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

[Use the fund document to obtain information related to valuation techniques. The fund document generally provides a description of the valuation methodology for each investment classification, e.g., common stock, corporate bonds, options, swaps. Each investment classification should have a separate paragraph in this note; be sure to address the valuation policy for each classification of investment. Refer to the Appendix for additional examples of valuation approaches and techniques by investment type. If a significant change in the valuation technique has occurred since the prior year, disclose that a change has occurred and the reason for the change.]

Investments are classified within Level 3 of the fair value hierarchy because they trade infrequently (or not at all) and therefore have little or no readily available pricing. [List investment classifications for Level 3 investments from the schedule of investments] are classified within Level 3 of the fair value hierarchy. [Use the existing pricing methodology or fund document to describe the valuation approaches and techniques and inputs for each Level 3 investment classification.]

When a pricing model is used to value Level 3 investments, inputs to the model are adjusted when changes to inputs and assumptions are corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows.

[Use the following as appropriate when an investment company has financial instruments. Include above with the related fair value hierarchy level.
Fair values for exchange traded derivatives, principally futures and certain options, are based on quoted market prices. Fair values for over-the-counter derivative financial instruments, principally forwards, options, and swaps, are based on internal pricing models as no quoted market prices exist for such instruments. Factors taken into consideration in estimating fair value of over the counter ("OTC") derivatives include forward yield curves, credit spreads, market liquidity, concentrations, and funding and administrative costs incurred over the life of the instruments.]

[Use the following as appropriate when an investment company has investments in funds of funds and they are valued using the "practical expedient." Include above with the related fair value hierarchy level.
The Fund's investments in investment companies represent interests in private investment companies that do not trade in an active market and represent investments that may require a lock up or future capital contributions based on existing commitments. The [General Partner, Managing Member Investment Manager] has elected to value the investment companies using the net asset value ("NAV") of each investment company as reported by the investment company without adjustment, unless it is probable that the investment will be sold at a value significantly different than the reported NAV. If the reported NAV of an investment company is not calculated in a manner consistent with the measurement accounting principles for investment companies generally accepted in the United States, then the [General Partner, Managing Member, Investment Manager] adjusts the reported NAV to reflect the impact of those measurement principles.]

For positions that are not traded in active markets or are subject to transfer restrictions, valuation inputs include the impact of such illiquidity and/or non-transferability. Such adjustments are generally based on available market information. In the absence of such evidence, management's best estimate is used.

[As applicable, disclose policy for determining when transfers of investments between levels of the fair value hierarchy are deemed to have occurred]

The values assigned to investments and any unrealized gains or losses reported are based on available information and do not necessarily represent amounts that might be realized if a ready market existed and such difference could be material. Furthermore the ultimate realization of such amounts depends on future events and circumstances and therefore valuation estimates may differ from the value realized upon disposition of individual positions.

[3] Investment transactions:

Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses on securities transactions are recognized based on the [state method, e.g., first-in, first-out, specific identification, *for funds of funds*: proportional, cost recovery] method. Changes in unrealized gains and losses are included in the results of operations.

[4] Investment income and expense:

Interest income and expense are recorded on the accrual basis. Dividend income and dividends on securities sold short are recorded on the ex-dividend date.

[Discounts and premiums on fixed income securities are accreted and amortized using the effective yield method over their expected life.]

[Withholding taxes on foreign dividends and capital gains have been provided for, where applicable, in accordance with the [Master] Fund's understanding of the applicable country's tax rules and rates.]

[For feeder funds: The Fund records its proportionate share of the Master Fund's income, expenses and realized and unrealized gains and losses. In addition, the Fund assumes its own expenses.]

[5] Due from [to] broker:

Due from [to] broker includes cash and net amounts receivable [payable] for securities transactions that have not settled. Unrealized appreciation [depreciation] on [identify applicable financial instruments, e.g., futures] and foreign currency translation are also amounts due from [to] broker. Investments and other amounts due from broker serve as collateral for the amounts due to the broker.

[At December 31, XXXX, foreign currency balances valued at $XXXX with a cost of $XXXX were included in due from [to] broker. Disclose any restricted or collateral balances]

[6] Cash and cash equivalents:

Cash equivalents include money market funds and highly liquid investments with a maturity of ninety days or less when purchased.

[Disclose any restricted or collateral balances]

[7] Receivable from reverse repurchase agreements and payable under repurchase agreements:

When the [Master] fund purchases a financial asset and enters into an agreement to resell the same asset at a fixed price at a specified future date (reverse repurchase agreement), the transaction is treated as a receivable and recognized in the statement of financial position as receivable from reverse repurchase agreements. Securities purchased under agreements to resell at a specified future date are not recognized in the statement of financial position unless they are subsequently sold to third parties (in which case, the obligation to return the securities is recorded as a short sale within trading liabilities and measured at fair value with any gains or losses included in net gain or loss on financial assets and liabilities at fair value through profit or loss*)*. The corresponding cash paid is derecognized and a corresponding receivable is recorded in the statement of financial position reflecting the [Master] Fund's right to receive it (cash collateral on securities borrowed and reverse repurchase agreements). The difference between the purchase and resale prices is treated as interest revenue and is accrued over the life of the agreement using the effective interest method.

When the [Master] fund sells a financial asset and enters into an agreement to repurchase the same asset at a fixed price at a specified future date (repurchase agreement), the transaction is treated as a payable and recognized in the statement of financial position as payable under repurchase agreements. Securities sold under agreements to repurchase are not derecognized from the statement of financial position since the [Master] Fund retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognized in the statement of financial position with a corresponding obligation to return it (cash collateral on securities loaned and repurchase agreements*)*, reflecting its economic substance as a loan to the [Master] Fund. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest method. When the counterparty has the right to sell or repledge the securities, the [Master] Fund reclassifies those securities in its statement of financial position to financial assets at fair value through profit or loss pledged as collateral.

[If applicable, the following accounting policy disclosures for securities loaned and securities borrowed should be included in this note and the note title should be modified to include securities loaned and securities borrowed:

Securities loaned to counterparties are not derecognized from the statement of financial position as the [Master] Fund retains substantially all the risks and rewards of ownership. Cash received as collateral is recognized in the statement of financial position with a corresponding obligation to return it (cash collateral on securities loaned and repurchase agreements*)*. When the counterparty has the right to sell or repledge the securities, the [Master] Fund reclassifies those securities in its statement of financial position to financial assets at fair value through profit or loss pledged as collateral.

Securities borrowed are not recognized in the statement of financial position, unless they are subsequently sold to third parties (in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in net gain or loss on financial assets and liabilities at fair value through profit or loss). Cash delivered as collateral is derecognized and a corresponding receivable is recorded in the statement of financial position reflecting the [Master] Fund's right to receive it (cash collateral on securities borrowed and reverse repurchase agreements).]

[8] Foreign currency translation:

Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the period-end exchange rates. Purchases and sales of investments and income and expenses that are denominated in foreign currencies are translated into United States dollar amounts at the prevailing rates of exchange on the transaction date. Adjustments arising from foreign currency transactions are reflected in the statement of operations.

[The [Master] Fund does not isolate that portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Such fluctuations are included with the net realized or unrealized gain or loss on investments [and foreign currency] in the statement of operations.]

[9] Income taxes:

The [Master] Fund is not required to pay income taxes on income or gains. Each [partner's, shareholder's, member's] applicable share of the [Master] Fund's income or gains is reported on the partner's [member's] income tax returns in accordance with the laws of the applicable jurisdictions. [The [Master] Fund obtained an undertaking from the Cayman Islands authorities which provides, for a period of [insert number of years from undertaking] years from the date such undertaking was issued, an exemption from any taxes thereafter enacted. The [Master] Fund has elected to be classified as a partnership for U.S income tax purposes.]

The [General Partner, Managing Member, Investment Manager] is responsible for determining whether a tax position taken by the [Master] Fund is more likely than not to be sustained on the merits. The [Master] Fund has no material unrecognized tax benefits. [The only taxes incurred by the [Master] Fund are withholding taxes of countries other than [Fund country of domicile] that are applicable to certain investment income.]

[The following disclosures are for consideration:
Tax laws are complex and subject to different interpretations by the taxpayer and taxing authorities. Significant judgment is required when evaluating tax positions and related uncertainties. Future events such as changes in tax legislation could require a provision for income taxes and any such changes could significantly affect amounts reported in the statement of operations.

Additional considerations:

- If the entity has unrecognized tax benefits, additional disclosures, such as related interest and penalties and tax years that remain subject to examination, are required.
- Offshore entities may be subject to local income taxes.
- Partnerships with business operations in New York City are subject to the New York City Unincorporated Business Tax.
- There may be other situations where an entity level tax is imposed.
- *In the event that the entity does not file a tax return in a jurisdiction in which it is required to file (e.g., a state that requires filing of a tax return due to the residence of a partner), the note may have to be modified.*]

[10] Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates, assumptions and judgments that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C – RECENT ACCOUNTING PRONOUNCEMENTS

[Include as applicable – may strike if standard was adopted in a prior year]

In May, 2015, the FASB issued Accounting Standards Update No. 2015-07 ("ASU 2015-07"), "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)." ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value per share as a practical expedient. For non-public business entities, ASU 2015-07 is effective for fiscal years beginning after December 15, 2016.. The [Master] Fund adopted ASU 2015-07 as of and for the year ended December 31, 20XX. Accordingly, investments for which fair value is measured using net asset value per share as a practical expedient have not been categorized within the fair value hierarchy.

[FUND NAME]
[(a Cayman Islands exempted company)]

Notes to Financial Statements
December 31, XXXX
[(expressed in United States dollars)]

NOTE D – FAIR VALUE OF INVESTMENTS

The following are the [Master] Fund's investments owned and sold short [if any] by level within the fair value hierarchy at [balance sheet date]:

[Insert Fair Value summary]

The following provides information on valuation approaches and techniques and nature of significant unobservable inputs used to determine the value of Level 3 assets and liabilities. The inputs are not indicative of the unobservable inputs that may have been used for an individual asset or liability.

[The information contained in the following table is provided as an example. Actual disclosures, including the range of inputs and weighted average inputs, must be tailored to a client's specific Level 3 investments and valuation process.]

[Classifications below should follow classifications used for Level 3 assets and liabilities in the Fair Value Summary]	**Fair Value December 31, XXXX ($ in thousands)**	**Valuation Approach**	**Valuation Techniques**	**Unobservable Inputs**	[Specify range from high to low and weighted average as described below] **Range of Inputs (Weighted Average)**
Assets					
State and municipal obligations		Income approach	Discounted cash flow	Yield or discount rate	X.X% to X.X% (X.X%)
				Expected recovery	
				Duration (years)	X.X% to X.X% (X.X%)
					0.X to X.X (X.X%)
Corporate debt		Income approach	Discounted cash flow	Yield or discount rate	X.X% to X.X% (X.X%)
				Expected recovery	
				Duration (years)	X.X% to X.X% (X.X%)
					0.X to X.X (X.X)
		Market approach	Broker quotes	N/A	X.XX to XX.XX (X.XX)
			Recent transaction price	N/A	
				Discount/Premium	X.X to X.X% (X.X%)
				Yield	X.X% to X.X% (X.X%)
				Term to maturity	0.X to X.X (X.X)
				Credit quality	[TBD]
		Income approach	Present value of expected recovery/liquidation	Yield or discount rate	X.X% to X.X% (X.X%)
				Expected recovery	
				Duration (years)	X.X% to X.X% (X.X%)
				Probability	0.X to X.X (X.X)
					X.X% to X.X% (X.X%)
Bank debt		Income approach	Discounted cash flow	Yield or discount rate	X.X% to X.X% (X.X%)
				Expected recovery	
				Duration (years)	X.X% to X.X% (X.X%)
					0.X to X.X (X.X)
			Broker quotes	N/A	X.XX to XX.XX (X.XX)

[Classifications below should follow classifications used for Level 3 assets and liabilities in the Fair Value Summary]	**Fair Value December 31, XXXX ($ in thousands)**	**Valuation Approach**	**Valuation Techniques**	**Unobservable Inputs**	[Specify range from high to low and weighted average as described below] **Range of Inputs (Weighted Average)**
		Market approach	Recent transaction price	N/A Discount/Premium Yield Term to maturity Credit quality	 X.X to X.X% (X.X%) X.X% to X.X% (X.X%) 0.X to X.X (X.X) [TBD]
Convertible debentures		Market approach	Relative value analysis using comparable multiples	Comparable multiple (times)	X.X to XX.X (X.X)
			Relative value analysis using discounted cash flows	Yield or discount rate Expected recovery Duration (years)	X.X% to X.X% (X.X%) X.X% to X.X% (X.X%) 0.X to X.X (X.X)
Commercial mortgage/Asset/Residential mortgage backed securities		Income approach	Discounted cash flow	Yield or discount rate Expected recovery Duration (years)	X.X% to X.X% (X.X%) X.X% to X.X% (X.X%) 0.X to X.X (X.X)
		Market approach	Broker quotes	N/A	X.XX to XX.XX (X.XX)
Collateralized debt obligations		Income approach	Discounted cash flow	Yield or discount rate Expected recovery Duration (years)	X.X% to X.X% (X.X%) X.X% to X.X% (X.X%) 0.X to X.X (X.X)
		Market approach	Broker quotes	N/A	X.XX to XX.XX (X.XX)
Corporate equities		Income approach	Discounted cash flow	Weighted average cost of capital or discount rate Expected recovery Duration (years) Perpetuity growth rate EBITDA multiple Discount/premium Marketability discount Control premium	X.X% to X.X% (X.X%) X.X% to X.X% (X.X%) 0.X to X.X (X.X) X.X to X.X% (X.X%) X.X to XX.X (X.X) X.X to X.X% (X.X%) X.X to X.X% (X.X%) X.X to X.X% (X.X%)
		Market approach	Comparable public company analysis	Earnings multiple (times)	X.X to XX.X (X.X)

[FUND NAME]
[(a Cayman Islands exempted company)]

Notes to Financial Statements
December 31, XXXX
[(expressed in United States dollars)]

[Classifications below should follow classifications used for Level 3 assets and liabilities in the Fair Value Summary]	**Fair Value December 31, XXXX ($ in thousands)**	**Valuation Approach**	**Valuation Techniques**	**Unobservable Inputs**	[Specify range from high to low and weighted average as described below] **Range of Inputs (Weighted Average)**
				EBITDA/Earnings/Revenue/Book value/Cash flow multiple (times)	X.X to XX.X (X.X)
				Discount/Premium	X.X to X.X% (X.X%)
				Marketability/Liquidity discount	X.X to X.X% (X.X%)
				Control premium	X.X to X.X% (X.X%)
				Capitalization rate	
		Market approach	Comparable transaction analysis	EBITDA/Earnings/Revenue/Book value/Cash flow multiple (times)	X.X to XX.X (X.X)
				Discount/Premium	X.X to X.X% (X.X%)
		Income approach	Liquidation recovery analysis	Expected recovery	X.XX to XX.XX (X.XX)
			Recent financing round	N/A [if unadjusted]	
Warrants		Income approach	Discounted cash flow	Weighted average cost of capital or discount rate	X.X% to X.X% (X.X%)
				Expected recovery	X.X% to X.X% (X.X%)
				Duration (years)	0.X to X.X (X.X)
				EBITDA/earnings growth rate	X.X% to X.X% (X.X%)
		Market approach	EBITDA/earnings terminal multiple (times)		X.X to XX.X (X.X)
				Discount/premium	X.X to X.X% (X.X%)
		Market approach	Black-Scholes pricing model	Risk free rate	X.X to X.X% (X.X%)
				Volatility	X.XX to XX.XX (X.XX)
Derivative contracts					
Interest rate		Market approach	Model	Credit correlation (times)	X.X to XX.X (X.X)
Credit		Market approach	Model	Credit spreads (bps)	X.X to X.X (X.X)
				Expected recovery	X.X% to X.X% (X.X%)
				Correlation	0.X% to X.X% (X.X%)
		Market approach	Correlation model	Credit correlation	X.X to X.X% (X.X%)

[Classifications below should follow classifications used for Level 3 assets and liabilities in the Fair Value Summary]	**Fair Value December 31, XXXX ($ in thousands)**	**Valuation Approach**	**Valuation Techniques**	**Unobservable Inputs**	[Specify range from high to low and weighted average as described below] **Range of Inputs (Weighted Average)**
Foreign exchange		Market approach	Model	Interest rate volatility	X.X to X.X% (X.X%)
Equity		Market approach	Model	At the money volatility	X.X to X.X% (X.X%)
				Equity correlation	X.X to X.X% (X.X%)
				Foreign exchange correlation	X.X to X.X% (X.X%)
				Interest rate correlation	X.X to X.X% (X.X%)
Commodity		Market approach	Model	Forward price	$XX to $XX ($XX)
				Volatility	X.X to X.X% (X.X%)
				Correlation	X.X to X.X% (X.X%)
Real estate equity		Income approach	Discounted cash flow	Weighted average cost of capital or discount rate	X.X% to X.X% (X.X%)
				Expected recovery	X.X% to X.X% (X.X%)
				Duration (years)	0.X to X.X (X.X)
				Earnings growth rate	X.X% to X.X% (X.X%)
		Market approach	Income capitalization	Capitalization rate	X.X to X.X% (X.X%)
				Revenue growth rate	
				Discount/Premium	X.X to X.X% (X.X%)
					X.X to X.X% (X.X%)
		Market approach	Sales comparable	Price per acre/square foot	X.XX to X.XX (X.XX)
Real estate loans		Income approach	Discounted cash flow	Weighted average cost of capital or discount rate	X.X% to X.X% (X.X%)
				Expected recovery	X.X% to X.X% (X.X%)
				Duration (years)	0.X to X.X (X.X)
		Market approach	Comparable market analysis	Yield	X.X% to X.X% (X.X%)
				Term to maturity	0.X to X.X (X.X)
				Credit quality	[TBD]
Mortgage loans		Income approach	Discounted cash flow	Weighted average cost of capital or discount rate	X.X% to X.X% (X.X%)
				Expected recovery	X.X% to X.X% (X.X%)
				Duration (years)	0.X to X.X (X.X)

[Classifications below should follow classifications used for Level 3 assets and liabilities in the Fair Value Summary]	**Fair Value December 31, XXXX ($ in thousands)**	**Valuation Approach**	**Valuation Techniques**	**Unobservable Inputs**	[Specify range from high to low and weighted average as described below] **Range of Inputs (Weighted Average)**
Liabilities					
[See above for examples]					

[Describe valuation approaches and techniques as needed]

[The following provides example disclosures related Level 3 valuation policy and procedures and control procedures. The information could be included in the accounting policy footnote if considered more appropriate.]

The [General Partner, Managing Member, Investment Manager] is responsible for valuation policies and procedures and determining the fair value of investments. The [General Partner, Managing Member, Investment Manager] has procedures in place to determine the fair value of the [Master] Fund's Level 3 investments. Such procedures are designed to ensure that the applicable valuation approach and technique is appropriate and that values included in these financial statements are based on observable inputs when possible or that unobservable valuation inputs are reasonable.

The [General Partner, Managing Member, Investment Manager] has a valuation committee to [administer, implement, oversee] the valuation process. The valuation committee consists of [indicate members, for example, senior members of the Investment Manager, chief risk officer, chief financial officer, etc.] The valuation process includes [consultation with internal valuation professionals, third party valuation specialists, the administrator, and investment professionals]. The valuation committee reviews decisions and recommendations made by internal valuation professionals. The valuation committee reviews changes in fair value measurements and may, as considered appropriate, update fair value guidelines to reflect available information. Valuations evaluated by comparison to actual sales prices upon disposition. Pricing vendor information and market data are also regularly reviewed. The valuation committee has authority over valuations and meets [monthly, quarterly] to conclude on the valuation of all investments.

Valuation techniques, including models, used for valuing Level 3 investments may include extrapolation and use observable inputs. The selection of applicable comparable inputs involves significant judgment, including qualitative and quantitative analysis of comparability. To the extent possible, executed transactions, observable market data such as broker dealer quotes and third party pricing vendors are used for determining the fair value of Level 3 investments. Third party pricing and model inputs are evaluated by corroborating such prices to executed transactions and gaining an understanding of the methodology and assumptions used to generate a valuation.

The following summarizes changes in fair value of the [Master] Fund's Level 3 assets and liabilities [if any] for the year ended [balance sheet date].

[Insert Fair Value Level 3 summary]

[As applicable disclose reason(s) for any transfers to or from Level 3 of the fair value hierarchy]

NOTE E - FINANCIAL INSTRUMENTS

[Use the following selectively as appropriate]

Derivative financial instruments are used for trading purposes [including risk management]. [If financial instruments or derivatives are used for other purposes, provide an explanation of the trading strategies.]

Derivatives used for risk management include swaps, forwards, futures, and purchased options. Unrealized gains or losses on these derivative contracts are recognized currently in the statement of operations [use proper statement name] as [indicate financial statement line item name].

The [Master] Fund records derivative contracts at fair value. [As appropriate, describe derivative risk management policies including the Fund's strategies for managing its exposure to derivative contracts.]

Premiums and unrealized gains and losses for written and purchased option contracts, as well as unrealized gains and losses on interest rate swaps, are recognized gross in the statement of financial condition [use proper statement name]. The unrealized gains for delayed-delivery, to-be-announced (TBA), and when-issued securities generally are recorded in the statement of financial condition [use proper statement name] net of unrealized losses by counterparty where master netting agreements are in place.

The fair values and notional amounts of derivative financial instruments at December 31, XXXX are as follows:

[Insert Fair Value and Notional Amounts table]

Realized and unrealized gains and losses on derivatives contracts during the year ended December 31, XXXX by the [Master] Fund are recorded in the following locations in the Statement of Operations:

[Insert Derivative Fair Value and Notional Amounts table]

[The following disclosure is required for funds that hold instruments with credit risk related contingent features (frequently NAV triggers included in standard ISDA agreements):

The [Master] Fund's derivative agreements (the "ISDA Agreements") contain provisions that require the [Master] Fund to maintain a predetermined level of net assets, and/or provide limits regarding a decline of the [Master] Fund's net asset values over 1-month, 3-month, and 12-month periods [or provide specific provisions from the applicable agreement]. If the [Master] Fund were to violate such provisions, the counterparties to the derivative contracts could request immediate payment or demand collateralization on derivative contracts in net liability positions. Additionally, counterparties may terminate these agreements and the related derivative contracts if the [Master] Fund does not meet the covenants or provisions. As of December 31, XXXX, the aggregate fair value of all derivative contracts that are in a net liability position is $XXX, for which the [Master] Fund has posted collateral of $XXX in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on December 31, XXXX, the [Master] Fund would be required to post an additional $XXX of collateral to its counterparties.]

In connection with its [identify applicable financial instruments: examples include swaps, repurchase and resale agreements], the [Master] Fund generally enters into master netting and/or similar arrangements with its counterparties. These agreements provide the [Master] Fund with the right, in the event of default by the counterparty (such as bankruptcy or failure to pay or perform), to net a counterparty's rights and obligations under the agreement and to liquidate and setoff collateral against any net amount owed by the counterparty. For purposes of the [balance sheet name], the [Master] Fund [presents gross] [offsets] financial instrument assets and liabilities and cash collateral held with the same counterparty where it has a legally enforceable master netting agreement. The following presents information about financial instruments and related collateral amounts subject to enforceable master netting and/or similar arrangements:

[Insert Offsetting assets-liabilities table]

[Disclosures are required (ASC 815-10-50-4K) for written (sold) credit derivatives held at the balance sheet date. The sample disclosure provided below is intended for an entity that holds written credit default swaps at the balance sheet date

As of December 31, XXXX, the [Master] Fund is the seller (providing protection) of credit default swaps on a total notional amount of $XXXX. The notional amount on the swaps is not recorded in the financial statements. As of December 31 XXXX, the open credit default swaps sold by the [Master] Fund are summarized as follows:]

[Insert Open Credit Default Swaps Sold table]

[The disclosure below addresses the requirement to disclose the current status of payment/performance risk on written credit default swaps under ASC 815. It classifies the underlying reference obligations by credit spread. Alternate methodologies used include credit ratings (e.g., AAA, AA, etc), investment grade vs. non-investment grade, or other groupings used by the entity.]

The notional amounts of credit default swaps sold at December 31, XXXX classified by credit spreads [or other classification as appropriate] of the underlying reference obligations and expiration dates is presented below:

[Insert Notional Credit Default Swaps table]

[Include the following language if the disclosure requirements of ASC 825-10-50 (fair value of financial instruments) are applicable]

Certain of the [Master] Fund's financial instruments, such as [list instruments] are carried at cost. The carrying amounts of these instruments approximate fair value due to their short term nature.

NOTE F - CAPITAL

[For partnerships and limited liability companies: The [General Partner, Managing Member, Investment Manager] is authorized to admit limited partners [members] to the [Master] Fund, or accept additional capital contributions from existing limited partners [members] [from fund document describe when contributions can be made].

A limited partner may withdraw all or a portion of his capital account [from fund document describe when and how withdrawals can be made including any notice period]. [Describe any lock up period or gate provisions].

[If a portion of the fund to be withdrawn can be retained by the fund describe the retention and payment terms].

Net profits and net losses of the [Master] Fund are allocated to the partners [members] in accordance with the ratio of their capital account balances.]

[For limited liability offshore funds: The authorized capital of the [Master] Fund is U.S. $[X] divided into [X] [share description from fund document] shares (the "Shares") with a par value of U.S. $[X] each. [If the fund has share classes, using the fund document describe the terms of the classes here] [If the fund may issue other classes with other terms at the discretion of the investment manager, using the fund document describe the terms of the classes here]

If the fund is permitted to issues shares in series, using the fund document describe the provisions for issuing the series here and include any provisions for share roll up. If the fund may issue additional series at the discretion of the investment manager, using the fund document describe the terms of the series here]

[Be aware that the fund may provide for fee participation arrangements whereby an investor has participating shares at the master level—using the fund document these should be described here]

Share transactions for the year ended December 31, XXXX were as follows:

[Insert offshore share capital table]

[If not disclosed on the statement of changes in equity, include the following:

The value of subscriptions and redemptions for the year ended December 31, XXXX were as follows:

Insert offshore share value capital table]

[The [Master] Fund may, to the extent permitted by the rules of the U.S. Financial Industry Regulatory Authority, as may be amended from time to time (the "FINRA Rules"), purchase equity securities that are part of an initial public offering (sometimes referred to as "New Issues"). Under the FINRA Rules, certain persons defined as “Restricted Persons” may not be eligible to participate in New Issues. Gains or losses attributable to transactions in New Issues, including realized gains and losses and unrealized appreciation and depreciation, are allocated among the participating partners [members, shareholders.]

NOTE G - RELATED PARTY TRANSACTIONS

[1] Management fee:

The [General Partner, Managing Member, Investment Manager] receives a management fee (the “Management Fee”) [using the fund document describe management fee terms]. For the year ended December 31, XXXX, the Management Fee was $XXX.

[2] Incentive allocation [use proper name from fund document]:

At the end of each year, or upon the complete withdrawal of a limited partner [member, shareholder], the [General Partner, Managing Member, Investment Manager] is entitled to a [using the fund document describe the incentive allocation terms including any loss carry forward provisions or deferred incentive arrangements].

[3] [Deferred management and incentive fees If the Fund has deferred fees, provide the following]

Using the fund document describe deferred management and incentive fee terms.

Disclosure example: The Adviser may elect to defer receipt of all or a portion of the management or incentive fees earned for a particular fiscal year and such amounts are indexed to the Fund’s return. In the event of liquidation of the Fund, any deferred amount as adjusted for appreciation or depreciation resulting from indexing the deferred fee to the Fund’s return, has a priority claim over the interests of the equity holders of the Fund.

The following is a summary of deferred incentive fees [use proper name from fund document] for the year ended December 31, XXXX:

[Insert Deferred Incentive Fee Reconciliation]

[If applicable: The [General Partner, Managing Member, Investment Manager] in its absolute discretion, may elect to reduce, waive, rebate or calculate differently the Management Fee or Incentive Allocation with respect to any limited partner [member, shareholder].

Capital [Net assets] of limited partners [members, shareholders] related to the [General Partner, Managing Member, Investment Manager] was $X,XXX at December 31, XXXX.

NOTE H - FINANCIAL INSTRUMENTS AND RISK

[The following are intended as sample financial instrument and derivative risk disclosures. They should be considered only if applicable to a fund's activities or active investment strategy and used or modified as appropriate. Application of ASC 815-10-50 (SFAS 161), Disclosure About Derivative Instruments and Hedging Activities should be considered. Applicable disclosures may include qualitative disclosures (including objectives and strategies for using derivative instruments) about an entity's associated risk exposures, quantitative disclosures about far value amounts of derivative instruments and the gains and losses from derivative instruments and disclosures of credit-risk-related contingent features in derivative agreements. Refer to the fund documents for additional applicable financial instruments and risk disclosures and information needed to ensure that the disclosures are accurate and complete.]

[The following is a sample description of general risks]

In the normal course of its business, the [Master] Fund trades various financial instruments and enters into various financial transactions where the risk of potential loss due to [market risk, currency risk, interest rate risk, credit risk] and other risks can equal or exceed the related amounts recorded. The success of any investment activity is influenced by general economic conditions that may affect the level and volatility of equity prices, credit spreads, interest rates and the extent and timing of investor participation in the markets for both equity and interest rate sensitive investments. Unexpected volatility or illiquidity in the markets in which the [Master] Fund directly or indirectly holds positions could impair its ability to carry out its business and could cause losses to be incurred.

Market risk represents the potential loss that can be caused by increases or decreases in the fair value of investments resulting from market fluctuations.

Currency risk is the risk that the fair value of an investment will fluctuate because of changes in foreign exchange rates. Investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Interest rate risk is the risk that the fair value of future cash flows of fixed income or rate sensitive investments will increase or decrease because of changes in interest rates. Generally the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the fair value of fixed income securities tends to decrease. Conversely, as interest rates fall, the fair value of fixed income securities tends to increase. This risk is generally greater for long-term securities than for short-term securities.

Credit risk represents the potential loss that would occur if counterparties fail to perform pursuant to the terms of their obligations. In addition to its investments, the [Master] Fund is subject to credit risk to the extent a custodian or broker with whom it conducts business is unable to fulfill contractual obligations.

Liquidity risk is the risk that the [Master] Fund will not be able to raise funds to fulfill its commitments, including inability to sell investments quickly or at close to fair value.

[The following is a sample description of short selling risks]

Short selling, or the sale of securities not owned by the [Master] Fund, expose the [Master] Fund to the risk of loss in an amount greater than the initial proceeds, and such losses can increase rapidly and in the case of equities, without effective limit. There is the risk that the securities borrowed by the [Master] Fund in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the [Master] Fund might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

[The following is a sample description of borrowing risks]

Borrowings are usually from securities brokers and dealers and are typically secured by the [Master] Fund's securities and other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the [Master] Fund's obligations and if the [Master] Fund is unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the [Master] Fund's obligations to the broker-dealer. Liquidation in that manner could have adverse consequences. In addition, the amount of the [Master] Fund's borrowings and the interest rates on those borrowings, which will fluctuate, could have a significant effect on the [Master] Fund's profitability.

While the use of certain forms of leverage including margin borrowing, reverse repurchase agreements, structured products or derivative instruments can substantially improve the return on invested capital, such use may also increase the adverse impact to which the portfolio of the [Master] Fund may be subject.

[The following is a sample of general financial instruments risks]

The [Master] Fund enters into various transactions involving derivatives and other off-balance sheet financial instruments. These financial instruments include futures, forward and foreign exchange contracts, exchange-traded and over-the-counter options, delayed deliveries, mortgage-backed TBAs, securities purchased and sold on a when-issued basis (when-issued securities), and interest rate swaps. These derivative financial instruments are used to conduct trading activities and manage market risks and are, therefore, subject to varying degrees of market and credit risk.

Derivative financial instruments may be used to manage market risk and to take an active long or short position in the market. Should interest rates or credit spreads move unexpectedly, anticipated benefits may not be achieved and a loss realized. Furthermore the use of derivative financial instruments involves the risk of imperfect correlation in movements in the price of the instruments, interest rates and the underlying assets.

The [Master] Fund engages in derivative transactions such as swaps, collars, caps, floors and forwards both for hedging purposes and as an alternative to direct investments in the underlying securities. The risks associated with derivative transactions are potentially greater than those associated with the direct purchase or sale of the underlying securities because of the additional complexity and potential for leverage. In addition, derivatives may create credit risk, as well as legal, operations, reputational and other risks beyond those associated with the direct purchase or sale of the underlying securities to which their values are related.

[The following is a sample description of off balance sheet risks]

The [Master] Fund has certain other transactions which, in accordance with industry practice, are not recorded on the statement of financial condition [use proper statement name]. At December 31, XXXX, the [Master] Fund had commitments to enter into future resale and repurchase agreements. At December 31, XXXX, the [Master] Fund had also borrowed securities and pledged securities against those borrowed securities.

[The following is a sample description of derivative financial instruments used for other than trading risks]

The [Master] Fund enters into derivative contracts to economically hedge exposures or to modify the characteristics of financial instruments or transactions. Open derivative contracts, which are linked to assets or liabilities that are sold or otherwise disposed of, are terminated at the time of disposition. Unrealized gains or losses on such derivative contracts are recognized in the statement of operations [use proper statement name] currently as trading revenues.

[The following is a sample description of currency and commodity risks]

Currencies, securities and commodity interests and the issuers of securities and commodity interests are affected by, among other things: changing supply and demand, interest rates, merger activities, governmental laws, regulations and enforcement activities, trade, fiscal and monetary programs and policies, and national and international political and economic developments. The effect of such factors on exchange rates, interest rates, the prices of securities and commodity interests in general, or a particular currency, security or commodity interest, is difficult to predict. In addition, there is unpredictability as to change in general economic conditions, which may affect the profitability of the [Master] Fund's investment strategy.

The [Master] Fund invests a portion of its assets in securities of non-U.S. issuers and in other financial instruments denominated in various currencies. In addition, in order to hedge foreign currency exchange rate risks which may arise from the purchase of such securities or other reasons incidental to the [Master] Fund's business, the [Master] Fund may invest in foreign currencies and foreign currency-related products. These types of investments entail risks in addition to those involved in investments in securities of domestic issuers. Investing in non-U.S. securities may represent a greater degree of risk than investing in U.S. securities. Non-U.S. securities also may be less liquid and more volatile than U.S. securities and may involve higher transaction and custodial costs. In addition, hedging foreign currency exchange rate risk entails additional risk since there may be an imperfect correlation between the [Master] Fund's portfolio holdings of securities denominated in a particular currency and the [Master] Fund's portfolio holdings of currencies and foreign currency related products purchased by the [Master] Fund to hedge any exchange rate risk.

[The following is a sample description of counterparty risks]

Many of the markets in which the [Master] Fund effects 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 [Master] 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 or because of a credit or liquidity problem, thus causing the [Master] Fund to suffer a loss. In addition, in the case of a default, the [Master] Fund could become subject to adverse market movements while replacement transactions are executed. Such counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the [Master] Fund has concentrated its transactions with a single or small group of counterparties. The [Master] Fund is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty Neither the [Master] Fund nor the Investment Manager has an internal credit function which evaluates the creditworthiness of its counterparties. The ability of the [Master] Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the [Master] Fund.

[The following is a sample description of options risks]

The [Master] Fund purchases and sells options on securities, currencies and commodities on national and international exchanges and over-the-counter markets. Options may be cash settled, settled by physical delivery or by entering into a closing transaction. In entering into a closing purchase transaction, the [Master] Fund may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written. In addition, the correlation between option prices and the prices of underlying securities may be imperfect and the market for any particular option may be illiquid at a particular time.

The writer of a call option which is covered (e.g., the writer has a long position in the underlying instrument) assumes the risk of a decline in the market price of the underlying instrument below the value of the underlying instrument less the premium received, and gives up the opportunity for gain on the underlying instrument above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying instrument, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying instrument.

The seller ("writer") of a put option which is covered (e.g., the writer has a short position in the underlying instrument) assumes the risk of an increase in the market price of the underlying instrument above the sales price (in establishing the short position) of the underlying instrument, plus the premium received, and gives up the opportunity for gain on the underlying instrument below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying instrument, the loss on the put will be offset in whole or in part by any gain on the underlying instrument.

[The following is a sample description of futures risks]

The [Master] Fund invests in futures. Substantially all trading in futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain financial instruments, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures trading involve trading in contracts for future delivery of standardized, rather than specific, lots of particular assets.

Futures prices are highly volatile. Price movements for the futures contracts which the [Master] Fund may trade are influenced by, among other things, changing supply and demand relationships, government, trade, fiscal, and economic events, and changes in interest rates. Governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly.

The open positions must be "marked to market" daily, requiring additional margin deposits if the position reflects a loss that reduces the [Master] Fund's equity below the level required to be maintained and permitting release of a portion of the deposit if the position reflects a gain that results in excess margin equity.

[The following is a sample description of forward contract risks]

Forward contracts and options thereon, including TBAs and when-issued securities, provide for the delayed delivery of the underlying instrument and, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. As a writer of options, the [Master] Fund receives a premium in exchange for giving the counterparty the right to buy or sell the security at a future date at a contracted price. Interest rate swaps involve the exchange of payments based on fixed or floating rates applied to notional amounts. The contractual or notional amounts related to these financial instruments reflect the volume and activity and do not reflect the amounts at risk. The credit risk for forward contracts, TBAs, options, swaps, and when-issued securities is limited to the unrealized fair valuation gains recorded in the statement of financial condition [use proper statement name]. Market risk is substantially dependent upon the value of the underlying financial instruments and is affected by market forces such as volatility and changes in interest and foreign exchange rates.

[The following is a sample description of credit default contract risks]

The buyer of a credit default contract is obligated to pay the seller a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation or entity. Generally, a credit event means bankruptcy, failure to pay, cross default/acceleration, obligation acceleration, repudiation/moratorium, restructuring, or rating decline. The [Master] may be either the buyer or seller in a transaction. If the [Master] Fund is a buyer and no credit event occurs, the [Master] Fund will have made fixed payments and received nothing. However, if a credit event occurs, the [Master] Fund, as a buyer, typically will receive full notional value for a reference obligation that may have little or no value. As a seller, the [Master] Fund receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligation which may have little or no value.

In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. Swap contracts are not traded on exchanges and are not otherwise regulated, and as a consequence investors in such contracts do not benefit from regulatory protections. The selling of credit default swaps involves greater risks than if the [Master] Fund had invested in the reference obligation directly. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value. The buyer of credit default swaps will incur a loss if the seller fails to perform on its obligation should a credit event occur. In certain circumstances, the buyer can receive the notional value of a credit default swap only by delivering a physical security to the seller, and is at risk if deliverable security is unavailable or illiquid.

[The following is a sample description of equity swap risks]

In an equity swap, cash flows are exchanged based on a commitment by one party to pay interest in exchange for a market-linked return based on a notional amount. The market-linked return may include, among other things, the total return of a security or index. These agreements involve elements of credit and market risk. Risks include the possibility that no liquid market exists for these obligations, the counterparty may default on its obligation, or unfavorable changes may exist in the security or index underlying the swap.

[The following is a sample description of high yield bond risks]

The [Master] Fund may invest in "high yield" bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

[The following is a sample description of fund of fund risks]

Under certain circumstances, withdrawals from an investment fund may be limited or suspended (in whole or in part) as deemed necessary by the [General partner, Managing Member, Investment Manager]. Substantial requests for withdrawals from an investment company could cause the investment company to liquidate positions sooner than would otherwise be desirable which could adversely affect the performance of the investment company. In addition, regardless of the period of time in which withdrawals occur, the resulting reduction in an investment company's net assets could make it more difficult for an investment company to diversify its holdings and achieve its investment objectives.

[The following is a sample description of prime broker or clearing and depository risks]

The clearing and depository operations for the [Master] Fund's investment transactions are provided by one broker. At December 31, XXXX, all of the investments owned reflected in the statement of assets and liabilities [net assets] are held by this broker. Investments owned and investments sold short may be subject to margin requirements. In the event of a financial institution's insolvency, recovery of assets may be limited.

[The following is a sample contract for difference risks]

Contracts for differences ("CFD") are agreements to exchange the difference in value of a specific security or index between the time at which a contract is opened and the time at which it is closed. There is no restriction on the entry or exit price of a CFD, and other than the termination date, no time limit is placed on when the exchange occurs. CFDs reflect movement and pricing of the underlying security or index and allow the [Master] Fund to access movement in the underlying security or index's price through deposit of margin. CFD agreements involve elements of credit and market risk. Risks include the possibility that no liquid market exists for a CFD obligation, a counterparty may default on its obligation or unfavorable price changes may occur in the underlying security or index.

NOTE I - GUARANTEES

The [Master] Fund has obligations under certain guarantee arrangements. Guarantees are defined as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. Guarantees include contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

In the ordinary course of business, the [Master] Fund enters into contracts that contain a variety of indemnifications. The [Master] Fund's maximum exposure under these arrangements is unknown. However, the [Master] Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

The maximum potential payout for certain derivative contracts, such as written interest rate caps and written foreign currency options, cannot be estimated as increases in interest or foreign exchange rates in the future could possibly be unlimited. Therefore, in order to provide information regarding the maximum potential amount of future payments that the [Master] Fund could be required to make under certain derivative contracts, the notional amount of the contracts has been disclosed.

The following sets forth the maximum payout/notional amounts associated with the [Master] Fund's guarantees as of December 31, XXXX:

[Insert Maximum Payout/Notional table]

[The following are intended as sample financial instrument and derivative collateral disclosures. They should be considered only if applicable to an investment company's activities or active investment strategy and used or modified as appropriate.]

NOTE J – COLLATERAL [Applicable to repurchase and resale agreements and/or securities borrowed or loaned]

The [Master] Fund pledges its financial instruments owned to collateralize repurchase agreements and other securities financings. Pledged securities that can be sold or repledged by the secured party are identified in the statement of financial condition [use proper statement name]. [Insert description of risks related to repurchase agreements, securities lending transactions and repo-to-maturity transactions that are accounted for as secured borrowings and the related collateral and how those risks are managed.]

The table below presents the gross carrying value of repurchase agreements and securities loaned by class of collateral pledged:

[Insert Repurchase agreements - collateral table]

Under the [Master] Fund's collateralized financing agreements, the [Master] Fund either receives or provides collateral. In many cases, the [Master] Fund is permitted to sell or repledge securities held as collateral. At December 31, XXXX, the fair value of securities received as collateral where the [Master] Fund is permitted to sell or repledge the securities was $XX and the fair value of the portion that had been sold or repledged was $XX.

The [Master] Fund additionally receives securities as collateral in connection with certain securities for securities transactions in which the [Master] Fund is the lender. In instances where the [Master] Fund is permitted to sell or repledge these securities, the [Master] Fund reports the fair value of the collateral received and the related obligation to return the collateral in the statement of financial condition [use proper statement name]. At December 31, XXXX, $XXXX, was reported as *Securities received as collateral* [use proper line item name] and an *Obligation to return securities received as collateral* [use proper line item name] in the statement of financial condition [use proper statement name]. Collateral received in connection with these transactions that was subsequently repledged was approximately $XX at December 31, XXXX.

NOTE K - ADMINISTRATOR AND TRANSFER AGENT

[Name of company] (the "Administrator") is the administrator for the [Master] Fund. [Name of company (the "Registrar and Transfer Agent"), is the registrar and transfer agent for the [Master] Fund. For its services, the Administrator receives a fee [generally describe fee terms from the contract].

NOTE L - DIRECTORS [Applies to Cayman funds only]

The [Master] Fund has two Directors whom are independent of the Investment Manager. For their services, the Directors received an aggregate fee of $XXXX for the year ended December 31, XXXX.

NOTE M - FINANCIAL HIGHLIGHTS

The following summarizes [per share data,] total return and ratios of net investment income and expenses to average partnership capital [net assets] for the year ended December 31, XXXX:

[Insert offshore per share data table]

[Insert financial highlights table]

The total return and ratios are calculated for the applicable [partners, members, shareholders] taken as a whole. Individual [partner, member, shareholder] returns and ratios may vary from these returns and ratios based on fee arrangements, timing of contributions and withdrawals [subscriptions and redemptions] [and participation in New Issues].

[If internal rate of return is required, other disclosure requirements apply (see chapter 7 of the AICPA Investment Company Audit Guide.]

NOTE N – SUBSEQUENT EVENTS

From December 31, XXXX through [subsequent date] there were contributions and withdrawals [subscriptions and redemptions] of $XXXX and $XXXX, respectively.

The [General Partner, Managing Member, Investment Manager] has evaluated events through [Date], the date that these financial statements were available to be issued.

Appendix A: Example financial statements

[FUND NAME]

Statement of Assets, Liabilities and [Partnership Capital] [Members' Equity]
December 31, XXXX

ASSETS	
Investments, at fair value (cost $XX,XXX,XXX)	**$**
Cash	
Due from broker	
Other	
	$ 0
LIABILITIES AND PARTNERSHIP CAPITAL [MEMBERS' EQUITY]	
Liabilities:	
Securities sold short, at fair value (proceeds $XX,XXX,XXX)	**$**
Accrued expenses	
Management fee payable	
Payable to partners [members]	
[Deferred incentive fee payable]	
	0
Partnership capital [Members' equity]:	
General Partner [Managing Member]	
Limited partners [Other members]	
	0
	$ 0

See notes to financial statements

[FUND NAME]
(a Cayman Islands exempted company)

Statement of Net Assets
December 31, XXXX
(expressed in United States dollars)

ASSETS	
Investments, at fair value (cost $XX,XXX,XXX)	**$**
Cash	
Due from broker	
Other	
	0
LIABILITIES	
Securities sold short, at fair value (proceeds $XX,XXX,XXX)	
Accrued expenses	
Management fee payable	
Payable to shareholders	
[Deferred incentive fee payable]	
	0
NET ASSETS	**$ 0**

See notes to financial statements

[FUND NAME]
[(a Cayman Islands exempted company)]

[Condensed] Schedule of Investments
December 31, XXXX
[(expressed in United States dollars)]

	Shares or Face Amount	Fair Value	Fair Value as a Percentage of Partnership Capital [Members' Equity Net Assets]
[Balance sheet line item name]:			
[Investment classification:]			
[Geographic location:]			
[Industry]	$	$	
[Company name]			
Others			
[Total geographic location]			
Total [balance sheet line item name]		$	

[Note that derivatives are to be presented gross, not net of collateral or master netting agreements]

See notes to financial statements

[FUND NAME]
[(a Cayman Islands exempted company)]

Statement of Operations
Year Ended December 31, XXXX
[(expressed in United States dollars)]

Investment income:		
Interest	**$**	
Dividends [, net of withholding tax of $XXX]		
		0
Expense:		
Management fee		
Incentive fee [Only for offshore funds]		
Interest		
Dividends		
Professional fees and other		
[Change in net appreciation on deferred incentive fee]		
		0
Net investment income [loss]		**0**
Realized and unrealized gains [(losses)] from investments:		
Net realized gain [loss] on investments		
Net change in unrealized appreciation [depreciation] of investments		
Net gain [loss] on derivative contracts		
Net realized and unrealized gains [losses] from investments		**0**
Net income [loss] [Net increase [decrease] in net assets resulting from operations]	**$**	**0**

See notes to financial statements

[FUND NAME]
[(a Cayman Islands exempted company)]

Statement of Operations [feeder fund]
Year Ended December 31, XXXX
[(expressed in United States dollars)]

Fund expenses:	
Management fee	**$**
Incentive fee [Only for offshore funds]	
Professional fees and other	
Total fund expenses	**0**
Net investment income [loss] allocated from XYZ Master Fund:	
Interest income	
Dividend income [, net of withholding tax of $XXX]	
Interest expense	
Dividend expense	
Management fee	
Incentive fee	
Professional fees	
[Change in net appreciation on deferred incentive fee]	
Net investment income [loss] allocated from XYZ Master Fund	**0**
Net investment income [loss]	**0**
Realized and unrealized gains [(losses)] from investments allocated from XYZ Master Fund:	
Net realized gain [loss] on investments	
Net change in unrealized appreciation [depreciation] of investments	
Net gain [loss] on derivative contracts	
Net realized and unrealized gains [losses] from investments [allocated from XYZ Master Fund]	**0**
Net income [loss] [Net increase [decrease] in net assets resulting from operations]	**$ 0**

See notes to financial statements

[FUND NAME]

Statement of Changes in Partnership Capital [Members' Equity]
Year Ended December 31, XXXX

	[Managing Member] General Partner	[Other Members] Limited Partners	Total
Balance - January 1, XXXX	$	$	$ 0
Contributions			0
Withdrawals			0
Net income [loss]			0
Incentive reallocation to General Partner [Managing Member]			0
Balance - December 31, XXXX	$ 0	$ 0	$ 0

See notes to financial statements

[FUND NAME]
[(a Cayman Islands exempted company)]

Statement of Changes in Net Assets
Year Ended December 31, XXXX
[(expressed in United States dollars)]

Increase [Decrease] in net assets resulting from operations:		
Net investment income [loss]	**$**	**0**
Net realized gain [loss] on investments [allocated from XYZ Master Fund]		**0**
Net change in unrealized appreciation [depreciation] of investments [allocated from XYZ Master Fund]		**0**
Net gain [loss] on derivative contracts		**0**
Net increase [decrease] in net assets resulting from operations		**0**
Capital transactions:		
Subscriptions [Disclose amounts by class for each class]		
[Class Name]		
[Class Name]		
		0
Redemptions [Disclose amounts by class for each class]		
[Class Name]		
[Class Name]		
		0
Net increase [decrease] in net assets from capital transactions		**0**
Increase [Decrease] in net assets		**0**
Net assets - January 1, XXXX		**0**
Net assets - December 31, XXXX	**$**	**0**

See notes to financial statements

[FUND NAME]
[(a Cayman Islands exempted company)]

Statement of Cash Flows
Year Ended December 31, XXXX
[(expressed in United States dollars)]

Cash flows from operating activities:		
Net income [loss] [Net increase [decrease] in net assets resulting from operations]	**$**	**0**
Adjustments to reconcile net income [loss] [Net increase [decrease] in net assets resulting from operations]		
to net cash provided by [used in] operating activities:		
Accretion of discount [Amortization of premium] on fixed income investments		
Net realized gain [loss] on investments		**0**
Net change in unrealized appreciation [depreciation] of investments		**0**
Net gain [loss] on derivative contracts		**0**
[Net income [loss] allocated from XYZ Master Fund]		**0**
Purchases of investments		
Proceeds from sales of investments		
Proceeds from securities sold short		
Purchase of securities sold short		
Changes in:		
Due from broker		
Other assets		
Accrued expenses		
Management fee payable		
Payable to shareholders		
Net cash provided by [used in] operating activities		**0**
Cash flows from financing activities:		
Capital contributions [Shareholder subscriptions]		**0**
Capital withdrawals [Shareholder redemptions]		**0**
Net cash provided by [used in] financing activities		**0**
Net increase [decrease] in cash		**0**
Cash - January 1, XXXX		
Cash - December 31, XXXX	**$**	**0**
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest		

See notes to financial statements

Appendix B: Example tables for various footnotes

[Fair Value Summary for use in fair value note]--**See classification guidance below**

	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
Assets				
[A classification]	$	$	$	$ 0
[B classification]				0
[C classification]				0
[D classification]				0
	$ 0	$ 0	$ 0	$ 0
Securities purchased under agreements to resell	$	$	$	$
Liabilities				
[A classification]	$	$	$	$ 0
[B classification]				0
[C classification]				0
[D classification]				0
	$ 0	$ 0	$ 0	$ 0
Securities sold under agreements to repurchase	$	$	$	$

Classification Guidance

For equity and debt securities, entities shall disaggregate the assets and liabilities included in the table above by "class," see ASC 820-10-50-2A.
In determining classes, an entity should consider the nature and risks of the security and the following qualitative factors:

a. (Shared) activity or business sector
b. Vintage
c. Geographic concentration
d. Credit quality
e. Economic characteristic.

More specifically, ASC 820-10-50-2A indicates that, if applicable, classes shall be disaggregated as follows:

a. Equity securities, segregated by any one of the following:
    1. Industry type
    2. Entity size
b. Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies
c. Debt securities issued by states of the United States and political subdivisions of the states
d. Debt securities issued by foreign governments
e. Corporate debt securities
f. Residential mortgage-backed securities
g. Commercial mortgage-backed securities
h. Collateralized debt obligations
i. Other debt obligations.

[Fair Value Level 3 Summary for use in fair value note]

	[Level 3] A classification	[Level 3] B classification	[Level 3] C classification	Total
Balance - January 1, XXXX	$	$	$	$ 0
Realized gains (losses)				0
Unrealized gains (losses)				0
Purchases [including PIK interest]				0
Sales				0
Transfers in				0
Transfers out				0
Balance - December 31, XXXX	$ 0	$ 0	$ 0	$ 0
Change in unrealized gains (losses) for investments still held at December 31, XXXX	$	$	$	$

[Fund of fund disclosures for use in fair value note]

	Fair Value	Fair Value as a Percentage of Partnership Capital [Members' Equity Net Assets]	Unfunded commitments	Redemption frequency	Redemption notice period	Liquidity restrictions
Investment strategy						
Equity long/short	$		$			
Event driven						
Global opportunities						
Multistrategy						
Real estate						
Private equity						
	$ 0	0	$ 0			

Notes

Each investment strategy should disclose amounts by geographic location of the underlying investment company investment

Examples of redemption frequency (if currently eligible)

- Monthly
- Quarterly
- Annually

Examples of redemption notice period

- 30-60 days
- 30-45 days

[Derivative Fair Value and Notional Amounts for use in financial instruments note]

	[Indicate financial statement line item name] Location	Fair Value Assets	Fair Value Liabilities	Notional Amount[1] Assets	Notional Amount[1] Liabilities
Interest rate contracts		$	$	$	$
Foreign exchange contracts					
Credit contracts					
Equity contracts					
Other contracts					
Total derivatives		0	0	$ 0	$ 0
Cash collateral					
Netting					
Total carrying value		$ 0	$ 0		

[1]An indication of the nature and volume of activity during the year is required. Notional amounts are only one example of such disclosure. Consider the specific circumstances and refer to ASC 815-10-50-1A and 1B for guidance.

[Derivative Realized and Unrealized Gains and Losses for use in financial instruments note]

	[Indicate financial statement line item name] Location	Realized Gain (Loss)	[Indicate financial statement line item name] Location	Unrealized Gain (Loss)
Interest rate contracts		$		$
Foreign exchange contracts				
Credit contracts				
Equity contracts				
Other contracts				
		$ 0		$ 0

[Offsetting of assets and liabilities table for use in financial instruments note]

	Gross amounts recognized	Gross amounts offset in the [balance sheet name]	Net amounts presented in the [balance sheet name]	Amounts not offset in the [balance sheet name]		
				Financial instruments	Cash collateral	Net amount
Assets						
Derivatives	$	$	$ 0	$	$	$ 0
Securities purchased under agreements to resell [and similar arrangements]			0			0
Other financial instruments			0			0
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Liabilities						
Derivatives	$	$	$ 0	$	$	$ 0
Securities sold under agreements to repurchase [and similar arrangements]			0			0
Other financial instruments			0			0
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

Note

As an alternative, certain information may be presented by counterparty (the counterparty name is not required to be disclosed) as follows:

	Gross amounts recognized	Gross amounts offset in the [balance sheet name]	Net amounts presented in the [balance sheet name]
Assets			
Derivatives	$	$	$ 0
Securities purchased under agreements to resell [and similar arrangements]			0
Other financial instruments			0
	$ 0	$ 0	$ 0
Liabilities			
Derivatives	$	$	$ 0
Securities sold under agreements to repurchase [and similar arrangements]			0
Other financial instruments			0
	$ 0	$ 0	$ 0

	Net amounts presented in the [balance sheet name]	Amounts not offset in the [balance sheet name]		
		Financial instruments	Cash collateral	Net amount
Assets				
Counterparty A	$	$	$	$
Counterparty B				
Counterparty C				
Counterparty D				
	$ 0	$ 0	$ 0	$ 0
Liabilities				
Counterparty A	$	$	$	$
Counterparty B				
Counterparty C				
Counterparty D				
	$ 0	$ 0	$ 0	$ 0

[Required disclosures related to repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings for use in collateral note]

Repurchase Agreements, Securities Lending Transactions, and Repurchase-to-Maturity Transactions Accounted for as Secured Borrowings

	Overnight and continuous	Up to 30 days	30 - 90 days	Greater than 90 days	Total
Repurchase agreements and repurchase-to-maturity transactions					
U.S. Treasury and agency securities	$	$	$	$	$ 0
State and municipal securities					0
Asset-backed securities					0
Equity securities					0
Non-U.S. sovereign debt					0
Loans					0
Other					0
Total	0	0	0	0	0
Securities lending transactions					
U.S. Treasury and agency securities					0
State and municipal securities					0
Equity securities					0
Non-U.S. sovereign debt					0
Loans					0
Other					0
Total	0	0	0	0	0
Total borrowings	$ 0	$ 0	$ 0	$ 0	$ 0

Gross amount of recognized liabilities for repurchase agreements and securities lending in footnote X	$
Amounts related to agreements not included in offsetting disclosure in footnote X	$

[Open Credit Default Swaps Sold for use in financial instruments note]

	Single name Corporate	CDS Index Asset Backed Securities	Total
Fair value	$	$	$ 0
Maximum amount of future payments			0
Recourse provisions with third parties to recover amounts paid (including credit default swaps)			0
Collateral by the [Master] Fund or third parties			0
	$ 0	$ 0	$ 0

[Notional Credit Default Swaps for use in financial instruments note]

Credit spread on underlying (basis points)*	Less than one year	One to three years	Three to five years	Greater than five years	Total
Single name CDS - corporate debt					
0-250	$	$	$	$	$ 0
251-500					0
501-1000					0
1000-2500					0
CDS index - asset backed securities					
0-250					0
251-500					0
501-1000					0
1000-2500					0
	$ 0	$ 0	$ 0	$ 0	$ 0

* Credit spread on the underlying, together with the period of expiration, are indicators of payment/performance risk. The likelihood of payment or performance risk is generally greater as the credit spread on the underlying and period of expiration increase.

[Offshore Share Capital Table for use in capital note]

	Shares Outstanding January 1, XXXX	Adjustments for Conversions and Transfers	Shares Subscribed	Shares redeemed	Shares Outstanding December 31, XXXX	Net Asset Value Per Share
Class [X]:						
Series [1]					0.000	$
Series [2]					0.000	$
Series [3]					0.000	$
Class [Y]:						
Series [1]					0.000	$
Series [2]					0.000	$
Series [3]					0.000	$
Class [Z]:						
Series [1]					0.000	$
Series [2]					0.000	$
Series [3]					0.000	$

[The above table should be tailored to the capital structure of the investment company, specifically considering the class and series. Components of class and/or series capital transactions (if applicable) need to be disclosed.]

[Offshore Share Value Capital Table for use in capital note]

	Subscriptions	Redemptions
Class [X]		
Class [Y]		
Class [Z]		
	0	0

[Deferred Incentive Fee Reconciliation for use in related party transactions note]

Balance - January 1, XXXX	$
Appreciation [Depreciation] for the year	
Incentive fees deferred for the year	
Deferred incentive fees paid during the year	
Balance - December 31, XXXX	$ 0

[Maximum Payout/Notional for use in guarantees note]

Type of Guarantee	Years to Maturity Less than one year	One to three years	Three to five years	Greater than five years	Total	Carrying amount	Collateral/ recourse
Indemnification	$	$	$	$	$ 0	$	$
Letter of credit					0		
Other					0		

[Collateral for use in collateral note]

Financial instruments owned	
United States government and agency securities	$
Corporate and other debt	
Residential mortgages and other asset backed securities	
Corporate equities	
[Other financial instruments by type]	
	$ 0

[Offshore Per Share Data for use in financial highlights note]

	Class [X] Series [1]	Class [Y] Series [1]	Class [Z] Series [1]
Per share operating performance:			
Net asset value - beginning of year or initial subscription during year	$	$	$
Income from investment operations:			
Net investment income			
Net realized and unrealized gain on investments			
[Incentive fee]			
Total income from investment operations	0.00	0.00	0.00
Net asset value - December 31, XXXX	$ 0.00	$ 0.00	$ 0.00

[Financial Highlights for use in financial highlights note]

	Class[X] Series [1]	Class[Y] Series [1]	Class [Z] Series [1]
Percentages and supplemental data:			
Total return before [incentive fee]			
[Incentive fee]			
Total return after [incentive fee]	0.00%	0.00%	0.00%
Ratio to average net assets:			
Net investment income (exclusive of [incentive fee])			
Expenses			
[Incentive fee]			
[Change in net appreciation on deferred incentive fee]			
Total expenses and [incentive fee]	0.00%	0.00%	0.00%

Appendix C: Examples of valuation techniques by investment type

The following are examples of valuation disclosures for selected investments. Remember to refer to the General Partner, Managing Member, Investment Manager's valuation policies and procedures and the applicable fund documents to ensure accuracy. Also the valuation policies must be consistent with other disclosures in the financial statements and related notes.

Common and preferred equity securities Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. 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. Certain foreign securities may be valued using a pricing service that considers the correlation of trading patterns of the foreign security to the intraday trading in U.S. markets for investments such as American depositary receipts, financial futures, exchange traded funds, and movement of certain securities indices based on a statistical analysis of the historical relationship; such securities are categorized in Level 2 of the fair value hierarchy. Preferred stock and other equity securities traded in inactive markets or valued by reference to similar instruments are also categorized in Level 2 of the fair value hierarchy.

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 differences between cash and derivative instruments. Corporate bonds are generally categorized in Level 2 or Level 3 of the fair value hierarchy.

Asset-backed securities The fair value of asset-backed securities is estimated based on models that consider estimated cash flows, benchmark yields, and estimated tranche-specific spreads to the benchmark yield based on the unique attributes of each tranche. To the extent that inputs are observable and timely, the values is categorized in Level 2 of the fair value hierarchy; otherwise, they are categorized in Level 3 of the fair value hierarchy.

U.S. government securities U.S. government securities are valued using a model that incorporates market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations. U.S. government securities are categorized in Level 2 of the fair value hierarchy, depending on the inputs used and market activity levels for specific securities.

U.S. agency securities U.S. agency securities comprise two main categories consisting of agency-issued debt and mortgage pass-throughs. Agency- issued debt securities are generally valued in a manner similar to U.S. government securities. Pass-throughs include to-be-announced (TBA) securities and mortgage pass-through certificates. TBA securities and mortgage pass-throughs are generally valued using dealer quotations. Depending on market activity levels and whether quotations or other data are used, these securities are categorized in level 2 of the fair value hierarchy.

Restricted equity and debt securities Restricted securities for which quotations are not readily available are valued at fair value, as determined by the [General Partner, Managing Member, Investment Manager]. Restricted securities issued by publicly traded companies are valued at a discount to similar publicly traded securities. Restricted securities issued by nonpublic entities are valued by reference to comparable public entities or fundamental data relating to the issuer, or both. Depending on the relative significance of valuation inputs, these instruments may be classified in Level [2 or 3] of the fair value hierarchy.

Derivative instruments Listed derivative instruments that are actively traded are valued based on quoted prices from the exchange and categorized in Level 1 of the fair value hierarchy. Over-the-counter (OTC) derivative contracts include forward, swap, and option contracts related to interest rates, foreign currencies, credit standing of reference entities, equity prices, or commodity prices and warrants on exchange-traded securities. Depending on the instrument and terms of the transaction, the fair value of the OTC derivative products may be modeled taking into account the counterparties' creditworthiness and using a series of techniques, including simulation models. Many pricing models do not entail material subjectivity because the methodologies employed do not necessitate significant judgments, and the pricing inputs are observed from actively quoted markets, as is the case of interest rate swap and option contracts. OTC derivative products valued by the company using pricing models fall into this category and are categorized within Level 2 of the fair value hierarchy.

Appendix D: Disclosures related to application of the liquidation basis of accounting

General: "(liquidation basis)" should be added after the entity name or the financial statement names throughout the document (including the title page, table of contents, financial statements, headers and footnotes).

NOTE A – ORGANIZATION *(Language below should be added to note A)*

As a result of [state reason, e.g., withdrawal requests representing the balance of limited partnership interests in the [Master] Fund, the [General Partner, Managing Member, Investment Manager] has decided to terminate operations and commence liquidation of the [Master] Fund, effective [Date]. The [Master] Fund expects to complete its liquidation by [Date]. Accordingly, the [Master] Fund has elected the liquidation basis of accounting effective [Date].

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation: *(Revised footnote)*

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The [Master] Fund is an investment company that follows the specialized accounting and reporting guidance set forth in Accounting Standards Codification Topic 946 "Financial Services – Investment Companies."

The [Master] Fund changed its basis of accounting from the going-concern basis to the liquidation basis effective [Date]. Accordingly, the accompanying [identify financial statements and periods] have been prepared using the liquidation basis of accounting and the accompanying [identify financial statements and periods] have been prepared using the going-concern basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The liquidation basis of accounting presents the [Master] Fund's assets and liabilities based on expected cash to be collected upon settlement.

[*Alternate possible wording if change in basis resulted in no material presentation differences:* The [Master] Fund changed its basis of accounting from the going-concern basis to the liquidation basis effective [Date]. The change in basis of accounting from the going-concern basis to a liquidation basis did not result in any meaningful differences between the results of operations or carrying values of assets or liabilities before or after the change in basis of accounting. Accordingly, the accompanying liquidation basis financial statements are presented for the period from [Date of beginning of period] through [Date of end of period] without distinction between the portion of the period prior to the change in basis of accounting and the portion of the period following the change in basis of accounting.]

Estimated [assets and/or liabilities] which consist of [disclose type and amount of costs and income accrued in the statement of net assets or financial position in liquidation, for example, "Interest receivable of $XXX, accrued professional fees of $XXX and accrued other expenses of $XXX have been accrued through the expected liquidation date."]

[2] Investment valuation: *(If fair value approximates the expected liquidation proceeds of the fund's investments, consider replacement of the first paragraph with the following)*

The [Master] Fund carries its investments at fair value as it approximates the expected proceeds to be received upon disposition of these assets under the liquidation basis of accounting. Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. A fair value hierarchy provides for prioritizing inputs to valuation techniques used to measure fair value into three levels: