



# HEDGE FUND

Illustrative Financial Statements

---

December 31, 2019





**Hedge Fund**  
**Illustrative Financial Statements**  
**December 31, 20XX**



## INDEX

	<u>Page</u>
Company B Domestic Fund, LP	
Statement of Assets and Liabilities	4
Condensed Schedule of Investments	5
Statement of Operations	11
Statement of Changes in Partners' Capital	12
Statement of Cash Flows	13
Notes to Financial Statements	14
Company B Offshore Fund, Ltd.	
Statement of Assets and Liabilities	44
Statement of Operations	45
Statement of Changes in Net Assets	46
Statement of Cash Flows	47
Notes to Financial Statements	48
Company B Master Fund, LP	
Statement of Assets and Liabilities	55
Statement of Operations	56
Statement of Changes in Partners' Capital	57
Notes to Financial Statements	58
Company B Domestic Feeder, LP	
Statement of Assets and Liabilities	63
Statement of Operations	64
Statement of Changes in Partners' Capital	65
Statement of Cash Flows	66
Notes to Financial Statements	67



## INDEX

	<u>Page</u>
Company B Offshore Feeder, Ltd.	
Statement of Assets and Liabilities	71
Statement of Operations	72
Statement of Changes in Net Assets	73
Statement of Cash Flows	74
Notes to Financial Statements	75
Appendices	
Appendix A: Liquidation Basis of Accounting	80
Appendix B: Reimbursed Expenses	89
Appendix C: Early Adoption of ASU 2018-13	89
Appendix D: Investment in Private Investment Companies	91

References to the relevant literature are included in the left-hand margin.  
The following abbreviations are used for technical references:

ASC	FASB Accounting Standards Codification
ATQA	AICPA Technical Questions and Answers
AAG-INV	AICPA Audit and Accounting Guide, Investment Companies

### **Editor's Note**

ASU No. 2018-13-Fair Value Measurement (Topic 820), *Disclosure Framework -- Changes to the Disclosure Requirements for Fair Value Measurement*.

In general, the amendments in ASU 2018-13 are effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019.

An entity is permitted to early adopt the removed or modified disclosures upon the issuance of ASU 2018-13 and may delay adoption of the additional disclosures, which are required for public companies only, until their effective date.



**Company B Domestic Fund, LP**



**Company B Domestic Fund, LP**

**ASC 946-205-45-1**

**Statement of Assets and Liabilities  
December 31, 20XX**

Assets

AAG-Inv 7.48 and 7.49, ASC 946-320- 35-1	Investments in securities, at fair value (cost \$378,706,000)	\$ 481,797,000
	Investments in private investment companies, at fair value (cost \$277,871,000)	371,692,000
ASC-815-10-25-1	Derivative contracts, at fair value (cost \$30,943,000)	42,466,000
	Repurchase agreements, at fair value (cost \$23,000,000)	23,000,000
ASC 946-305-45-1	Cash and cash equivalents	82,828,000
ASC 946-305-45-2	Cash denominated in foreign currencies (cost \$ 51,734,000)	52,000,000
	Due from brokers	82,681,000
ASC 946-310-45-1	Receivables for pending investment transactions	81,000,000
	Redemptions receivable	3,525,000
ASC 946-310-45-1	Interest and dividends receivable	217,000
	Other assets	<u>72,000</u>
ASC 946-210-45-16	Total assets	<u><u>\$ 1,221,278,000</u></u>

Liabilities

	Securities sold short, at fair value (proceeds \$70,229,000)	\$ 77,626,000
	Advance capital contributions	50,000
ASC 946-405-45-1	Payables for pending investment transactions	1,003,000
ASC 480-10-45-1	Capital withdrawals payable	53,496,000
	Due to brokers	78,000
	Interest and dividends payable	188,000
ASC 850-10-50-1	Due to related parties	361,000
	Accrued expenses and other payables	<u>3,652,000</u>
ASC 946-210-45-16	Total liabilities	136,454,000
ASC 946-20-50-16	Partners' capital	<u>1,084,824,000</u>
	Total	<u><u>\$ 1,221,278,000</u></u>

See Notes to Financial Statements.



Company B Domestic Fund, LP

ASC 946-205-45-1

Condensed Schedule of Investments  
December 31, 20XX

	<u>Principal amount or shares</u>	<u>Percent of partners' capital</u>	<u>Fair value</u>
Investments in securities			
ASC-946-210-50-6 Common stocks			
United States			
Aerospace and defense		0.3 %	\$ 2,951,000
Banks			
Public Bank Company	5,454,362	5.0	54,254,000
Capital markets		1.0	10,657,000
Chemicals		0.5	4,910,000
Communications equipment		0.1	892,000
Consumer finance		0.3	2,689,000
Electrical equipment		0.1	1,543,000
Equity real estate investment		2.7	29,010,000
Financial		2.4	26,196,000
Food and staple		0.3	3,384,000
Healthcare		0.2	1,594,000
Hotels, restaurants and leisure		0.6	6,103,000
Household durables and products		0.6	6,724,000
Industrial conglomerates		0.2	2,637,000
Insurance		0.1	1,291,000
Internet and direct marketing		4.4	47,502,000
Internet software and services		3.4	36,314,000
Investment companies		0.3	3,047,000
IT services		1.3	13,608,000
Life science tools		0.1	988,000
Machinery		0.2	2,445,000
Media		3.9	42,203,000
Pharmaceuticals		0.1	1,382,000
Semiconductors		0.1	1,429,000
Software		2.2	24,102,000
Specialty retail		0.2	2,165,000
Technology hardware		0.2	1,587,000
Trading companies		1.6	17,205,000
Other		0.2	1,879,000
		<u>32.3</u>	<u>350,691,000</u>
Total United States (cost \$258,706,000)			
Belgium			
Beverages		1.4	14,626,000
Financial		0.1	570,000
		<u>1.4</u>	<u>15,196,000</u>
Total Belgium (cost \$7,676,000)			
Bermuda			
Financial (cost \$7,175,000)		0.7	7,226,000
		<u>0.7</u>	<u>7,226,000</u>
British Virgin Islands			
Other (cost \$388,000)		0.0	371,000
		<u>0.0</u>	<u>371,000</u>



Company B Domestic Fund, LP

ASC 946-205-45-1

Condensed Schedule of Investments  
December 31, 20XX

	<u>Principal amount or shares</u>	<u>Percent of partners' capital</u>	<u>Fair value</u>
Canada			
Capital market		0.3	3,200,000
Other		0.0	355,000
		<u>0.3</u>	<u>3,555,000</u>
Total Canada (cost \$3,408,000)			
China			
Internet software and services (cost \$426,000)		0.1	625,000
Great Britain			
Banks		0.3	3,235,000
Insurance		0.1	962,000
Media		0.3	3,161,000
Other		0.1	1,209,000
		<u>0.8</u>	<u>8,567,000</u>
Total Great Britain (cost \$9,070,000)			
Finland			
Other (cost \$297,000)		0.0	283,000
France			
Other (cost \$149,000)		0.0	159,000
Germany			
Other (cost \$189,000)		0.0	275,000
Hong Kong			
Other (cost \$131,000)		0.0	172,000
Netherlands			
Semiconductors (cost \$2,666,000)		0.3	3,124,000
Norway			
Insurance (cost \$1,506,000)		0.2	1,856,000
Russia			
Other (cost \$558,000)		0.0	517,000
South Africa			
Media (cost \$822,000)		0.2	1,726,000
Spain			
Transportation infrastructure (cost \$869,000)		0.1	933,000
Sweden			
Communications equipment (cost \$10,770,000)		1.0	10,597,000



Company B Domestic Fund, LP

ASC 946-205-45-1

Condensed Schedule of Investments  
December 31, 20XX

	<u>Principal amount or shares</u>	<u>Percent of partners' capital</u>	<u>Fair value</u>
Switzerland			
Capital markets		0.2	1,924,000
Electronic equipment		0.1	1,047,000
Total Switzerland (cost \$1,906,000)		0.3	2,971,000
Total common stocks (cost \$306,712,000)		37.7	408,844,000
Corporate bonds			
United States			
Food and beverage		0.1	553,000
Oil, gas and consumable fuels		0.1	696,000
Other		0.3	3,078,000
Total corporate bonds (cost \$4,348,000)		0.4	4,327,000
Municipal bonds (cost \$373,000)		0.0	325,000
Bank debt			
Automotive parts		0.6	5,915,000
Other		0.2	1,812,000
Total bank debt (cost \$6,775,000)		0.7	7,727,000
Collateralized mortgage obligations (cost \$73,000)		0.0	76,000
Government securities			
United States			
United States Treasury Bills, X.X%, due X/XX/18 (cost \$49,838,000)	\$ 50,000,000	4.6	49,908,000
United States Treasury Notes, X.X%, due XX/XX/24 (cost \$10,587,000)	\$ 10,600,000	1.0	10,590,000
Total Government securities (cost \$60,425,000)		5.6	60,498,000
Total investments in securities (cost \$378,706,000)		44.4 %	\$ 481,797,000



## Company B Domestic Fund, LP

ASC 946-205-45-1

### Condensed Schedule of Investments December 31, 20XX

	Principal amount or shares	Percent of partners' capital	Fair value
Investments in private investment companies, at fair value			
Asian long/short		0.5 %	\$ 5,389,000
Asset backed		2.3	24,426,000
Energy/commodities		3.1	33,563,000
Event/distressed		7.0	75,649,000
Financial		4.0	42,991,000
Fixed income arbitrage		0.6	6,533,000
Healthcare/biotech		2.9	30,883,000
Other non-U.S. long/short		5.8	62,767,000
Quantitative		1.0	10,628,000
U.S. long/short		7.3	78,863,000
Total investments in private investment companies (cost \$277,871,000)		34.3 %	\$ 371,692,000
Derivative contracts (assets)			
Warrants			
United States			
Other		1.3 %	\$ 13,864,000
Total United States (cost \$11,662,000)		1.3	13,864,000
Canada			
Other		0.0	79,000
Total Canada (cost \$0)		0.0	79,000
Total warrants (cost \$11,662,000)		1.3	13,943,000
Equity options, calls			
United States			
Banks		0.3	2,666,000
Equity real estate investment		0.1	753,000
Exchange traded funds - stock indices		0.3	3,541,000
Media		0.1	645,000
Other		0.0	357,000
Total United States (cost \$10,436,000)		0.7	7,962,000
France			
Other		0.0	57,000
Total France (cost \$101,000)		0.0	57,000
Total equity options (cost \$10,537,000)		0.7	8,019,000



## Company B Domestic Fund, LP

ASC 946-205-45-1

### Condensed Schedule of Investments December 31, 20XX

	Principal amount or shares	Percent of partners' capital	Fair value
Foreign exchange options purchased			
FX options (cost \$1,045,000)		-	51,000
Interest rate options purchased (cost \$699,000)		0.1	1,423,000
Interest rate futures (cost \$0)		-	93,000
Equity swaps and contracts for differences			
United States			
Media (cost \$0)		0.0	189,000
Total return swaps			
United States			
Manufacturing			
Company M, expire from 5/31/XX to 12/31/XX		1.1	11,475,000
Swaptions (cost \$800,000)		0.1	824,000
Currency call options written (cost \$4,700,000)		0.5	4,856,000
Currency put options written (cost \$1,500,000)		0.2	1,593,000
Total derivative contracts (assets) at fair value (cost \$30,943,000)		3.9 %	\$ 42,466,000
Repurchase agreements, at fair value (cost \$23,000,000)		1.9 %	\$ 23,000,000
Securities sold short			
Common stocks			
United States			
Banks		0.5 %	\$ 5,346,000
Communications equipment		0.1	1,293,000
Consumer finance		0.1	904,000
Diversified telecommunication		0.3	3,303,000
Exchange traded funds - stock indices		5.0	54,336,000
Health care technology		0.1	922,000
Media		0.1	887,000
Software		0.1	607,000
Thriffs and mortgage finance		0.2	1,588,000
Other		0.2	1,575,000
Total United States (proceeds \$66,816,000)		6.5	70,761,000
Canada			
Other (proceeds \$277,000)		0.0	366,000



## Company B Domestic Fund, LP

ASC 946-205-45-1

### Condensed Schedule of Investments December 31, 20XX

	<u>Principal amount or shares</u>	<u>Percent of partners' capital</u>	<u>Fair value</u>
China			
Internet software and services (proceeds \$2,684,000)		<u>0.5</u>	<u>5,910,000</u>
Germany			
Other (proceeds \$186,000)		<u>0.0</u>	<u>244,000</u>
Great Britain			
Other (proceeds \$204,000)		<u>0.0</u>	<u>273,000</u>
Japan			
Other (proceeds \$62,000)		<u>0.0</u>	<u>72,000</u>
Total common stock sold short (proceeds \$70,229,000)		<u>7.2 %</u>	<u>\$ 77,626,000</u>

See Notes to Financial Statements.



**Company B Domestic Fund, LP**

**ASC 946-205-45-1**

**Statement of Operations  
Year Ended December 31, 20XX**

	Investment income		
ASC 946-830-45-39	Dividends (net of \$218,000 of foreign withholding taxes)	\$	3,118,000
	Interest		<u>3,090,000</u>
	Total investment income		<u>6,208,000</u>
ASC 946-220-45-3	Expenses		
ASC 946-20-45-4	Management fees		8,765,000
	Professional fees and other expenses		3,265,000
	Interest and dividends		2,234,000
	Other		<u>221,000</u>
	Total expenses		<u>14,485,000</u>
ASC 946-225-45-5	Net investment income (loss)		<u>(8,277,000)</u>
ASC 946-220-45-6	Realized and unrealized gain on investments, derivatives, and foreign currency transactions		
ASC 946-830-50-2	Net realized gain (loss) on investments, derivatives, and foreign currency transactions		57,631,000
ASC 946-220-45-6	Net change in unrealized appreciation or depreciation of investments, derivatives, and foreign currency transactions		<u>39,864,000</u>
	Net realized and unrealized gain on investments, derivatives, and foreign currency transactions		<u>97,495,000</u>
ASC 946-220-45-7	Net income (loss) <sup>(1)</sup>	\$	<u><u>89,218,000</u></u>

(1) Paragraph 946-220-45-7 defines the "sum of net investment income or loss and net realized and unrealized gain or loss on investments and foreign currency transactions as the net increase or decrease in net assets resulting from operations" or net income or net loss (based upon industry practice).

See Notes to Financial Statements.



**Company B Domestic Fund, LP**

**ASC 946-205-45-1**

**Statement of Changes in Partners' Capital  
Year Ended December 31, 20XX**

	<u>General Partner</u>	<u>Limited partners</u>	<u>Total</u>
ASC 946-505-50-2 ASC 946-505-50-3			
Partners' capital, beginning of year	\$ 26,127,000	\$ 1,029,553,000	\$ 1,055,680,000
Contributions	300,000	16,000,000	16,300,000
Withdrawals	(6,250,000)	(70,404,000)	(76,654,000)
AAG-INV 4.08			
Early withdrawal fees	39,000	241,000	280,000
Allocation of net income (loss)			
Pro-rata allocation	2,221,000	86,997,000	89,218,000
ASC 946-20-45-4			
Incentive allocation	5,012,000	(5,012,000)	-
ASC 946-505-50-3			
Partners' capital, end of year	<u>\$ 27,449,000</u>	<u>\$ 1,057,375,000</u>	<u>\$ 1,084,824,000</u>

See Notes to Financial Statements.



## Company B Domestic Fund, LP

ASC 946-205-45-1

### Statement of Cash Flows Year Ended December 31, 20XX

	Cash flows from operating activities	
ASC 230-10-45-28	Net income (loss)	\$ 89,218,000
	Adjustments to reconcile net income (loss) to net cash provided by operating activities	
	Net realized gain (loss) on investments, derivatives, and foreign currency transactions	(57,631,000)
	Net change in unrealized appreciation or depreciation of investments, derivative, and foreign currency transactions	(39,864,000)
ASC 230-10-45-7	Purchases of investments	(765,336,000)
	Purchases of derivative transactions	(30,452,000)
	Proceeds from sales of investments	881,241,000
	Proceeds from sales derivative transactions	36,890,000
	Purchases of investments in private investment funds	(10,452,000)
	Proceeds from sales of investments in private investment funds	9,485,000
	Proceeds from securities sold short	155,708,000
	Purchases to cover securities sold short	(201,660,000)
	Changes in operating assets and liabilities	
	Interest and dividends receivable	17,000
	Redemption receivable	2,185,000
	Due from brokers	31,411,000
	Other assets	2,000
	Interest and dividends payable	(178,000)
	Accrued expenses and other payables	(585,000)
	Due to related parties	(625,000)
	Due to brokers	(522,000)
	Net cash provided by operating activities	98,852,000
ASC 230-10-45-14 and 15	Cash flows from financing activities	
ASC 230-10-50-5	Capital contributions, net of change in advance capital contributions	16,580,000
	Capital withdrawals, net of change in capital withdrawals payable	(159,385,000)
	Net cash used in financing activities	(142,805,000)
ASC 230-10-45-24	Net decrease in cash and cash equivalents	(43,953,000)
	Cash and cash equivalents, beginning of year	126,781,000
	Cash and cash equivalents, end of year	\$ 82,828,000
	Supplemental disclosure of cash flow data	
ASC 230-10-50-2	Cash paid during the year for interest	\$ 122,000
	Supplemental disclosure of cash noncash financing activities	
ASC 230-10-50-3	Contribution of securities, at fair value (cost basis of \$15,000)	\$ 25,000
	Distribution of securities, at fair value (cost basis of \$10,000)	\$ 18,000

See Notes to Financial Statements.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### ASC 275-10-50-2 **Note 1 - Organization**

**{This note should be tailored to the Fund's specific nature of operations:}**

Company B Domestic Fund, LP (the "Fund") is a limited partnership created under the laws of the State of Delaware, which commenced operations on **{Month, Date, Year}**. The Fund was organized for the *{state Fund's investment objective}*. The Fund is managed by Company B General Partner, LLC (the "General Partner") and Investment Manager, LLC (the "Investment Manager"). ***{If applicable:}*** The Investment Manager is registered with the U.S. Securities and Exchange Commission as an Investment Adviser.

#### **Note 2 - Summary of significant accounting policies**

ASC 235-10-50-1,  
ASC 235-10-50-3

The significant accounting policies followed by the Fund are:

##### **Basis of presentation**

ASC 946-10-50-1

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 946, Financial Services - Investment Companies ("ASC 946"), the Fund has determined that it is an investment company and has applied the guidance in accordance with ASC 946. **{See Appendix A for sample presentation and disclosures when the Fund is presented on the liquidation basis of accounting.}**

##### **Use of estimates**

ASC 275-10-50-4

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the 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 income and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### **Cash and cash equivalents**

ASC 230-10-50-1  
ASC 825-10-50-20  
and 21

Cash, including cash denominated in foreign currencies, represents cash deposits held at financial institutions. Cash equivalents include short-term, highly liquid investments of sufficient credit quality that are readily convertible to known amounts of cash and have maturities of three months or less when purchased. Cash and cash equivalents are held at major financial institutions and are subject to credit risk to the extent those balances exceed federally insured limits.

##### **Foreign currency translation**

***{If applicable:}*** The values of investments in securities and securities sold short that are denominated in foreign currencies are translated based on the exchange rates that are in effect on the date of valuation. Transactions denominated in foreign currencies, including purchases and sales of investments and investment



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 2 - Summary of significant accounting policies (continued)

income and expenses, are translated into U.S. dollar amounts on the date of those transactions. Adjustments resulting from foreign currency transactions are reflected in the statement of operations.

**{Pursuant to 945-830-45-4-The practice of not separately disclosing the portion of the changes in fair values of investments and realized gains and losses thereon that result from foreign currency rate changes is permitted.}**

#### Investment transactions and investment income

ASC 946-320-25-1, Investment transactions are accounted for on a trade-date basis. Dividends are recorded on the ex-dividend date and interest is recognized on an accrual basis.  
ASC 946-320-40-1, **{If applicable:}** For nonperforming debt interest is not accrued and interest  
ASC 946-320-35-5, **{If applicable:}** For nonperforming debt interest is not accrued and interest  
AAG INV 2.127, receivable is written off when deemed uncollectible. The **{specific**  
ASC 946-320-35-20, **identification} {an average cost}** basis is used to determine realized gains  
ASC 946-830-45-34 and losses. **{If applicable:}** Discounts and premiums to the face amount of debt securities are accreted and amortized using the effective interest rate method over the lives of the respective debt securities. **{If applicable:}** Discounts to the face amount of high-yield debt securities and other debt securities are not accreted to the extent that interest income is not expected to be realized.

#### Fair value - definition and hierarchy

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement that should be determined based on the assumptions market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a fair value hierarchy distinguishes between: (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). Valuation techniques used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide information on an ongoing basis.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 2 - Summary of significant accounting policies (continued)

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active;
- c. Inputs other than quoted prices that are observable for the asset or liability; and
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, which might include the reporting entity's own data. However, market participant assumptions cannot be ignored and, accordingly, the reporting entity's own data used to develop unobservable inputs are adjusted if information is reasonably available without undue cost and effort that indicates that market participants would use different assumptions.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

***{If applicable:}*** Certain of the Fund's investment in private investment companies are measured using net asset value ("NAV") per share as a practical expedient and are therefore not categorized within the fair value hierarchy.

#### Fair value - valuation techniques and inputs

##### Investments in securities and securities sold short

Investments in securities and securities sold short are valued at their last reported sales price if they are traded on a national securities exchange or quoted by the NASDAQ National Market System on their valuation date. If no sales price is available, the investments in securities are valued at the last representative bid price and securities sold short are valued at the last representative ask price.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 2 - Summary of significant accounting policies (continued)

Investments that are not listed on an exchange but are traded over-the-counter ("OTC") are valued at the sale price as of the measurement date provided by pricing vendors. If there is no reliable sale price as of the measurement date, they are valued at the "bid" quotation if held long and the "ask" quotation if held short.

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

ASC 815-10-35-1

#### Derivative contracts

The Fund records derivative contracts at fair value. Gains and losses from derivative contracts are included in net realized gain from investments and derivatives and net change in unrealized appreciation or depreciation on investments and derivatives in the statement of operations. The Fund generally records a realized gain or loss on the expiration, termination or settlement of a derivative contract in the statement of operations.

#### Option contracts

Options that are traded on major exchanges are valued at their last reported sales price as of the valuation date. Depending on the frequency of trading, listed options are generally categorized in Level 1 or 2 of the fair value hierarchy.

#### Futures contracts

**{Definition - A futures contract is a legal agreement to buy or sell a particular commodity or asset at a predetermined price at a specified time in the future.}** Futures contracts that are traded on an exchange are valued at their last reported sales price as of the valuation date. Futures contracts are generally categorized in Level 1 of the fair value hierarchy.

#### Warrants

**{Definition - Warrants are contract that give the holder the right but not the obligation to buy an underlying security at a certain price, quantity and future time.}** Warrants that are traded on an exchange are valued at their last reported sales price as of the valuation date. The fair value of OTC warrants is valued using the Black-Scholes option pricing model, a valuation technique that follows the income approach. This pricing model takes into account the contract terms (including maturity) as well as multiple inputs, including time value, implied volatility, equity prices, interest rates and currency rates.

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



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 2 - Summary of significant accounting policies (continued)

##### Contracts for differences

**{Definition - A contract for differences is a contract between two parties, typically described as "buyer" and "seller", stipulating that the seller will pay to the buyer the difference between the current value of an asset and its value at contract time (if the difference is negative, then the buyer pays instead to the seller)}.** Contracts for differences are traded on the OTC market. The fair value of contracts for differences is derived by taking the difference between the quoted price of the underlying security and the contract price. Contracts for differences are generally categorized in Level 2 of the fair value hierarchy.

##### Forward contracts

**{Definition - A futures contract is a legal agreement to buy or sell a particular commodity or asset at a predetermined price at a specified time in the future}.** The fair value of forward contracts is valued using observable inputs, such as currency exchange rates or commodity prices, applied to notional amounts stated in the applicable contracts. Forward contracts are generally categorized in Level 2 of the fair value hierarchy.

##### Interest rate swaps

**{Definition - Interest rate swaps are contractual agreements whereby one counterparty pays a floating rate of interest on a notional principal amount and receives a fixed rate on the same notional principal for a fixed period of time or vice versa.}** Interest rate swaps are generally traded on the OTC market. The fair value of OTC interest rate swaps is derived using a pricing model that is widely accepted by marketplace participants. The pricing model takes into account the contract terms (including maturity) as well as multiple inputs including, where applicable, interest rates, prepayment speeds and currency rates. Many inputs into the model do not require material subjectivity as they are observable in the OTC market. Interest rate swaps are generally categorized in Level 2 of the fair value hierarchy.

##### Total return swaps

**{Definition - A total return swap is a swap agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates}.** Total return swaps are traded on the OTC market. The fair value of total return swaps is recorded at the swap contract's net equity value. Net equity is calculated by determining the notional fair value of the assets or liabilities underlying the swap contracts, which are typically equity securities, and is consistent with the valuation procedures discussed previously. Total return swaps are generally categorized in Level 2 of the fair value hierarchy.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 2 - Summary of significant accounting policies (continued)

##### Credit default swaps

**{Definition - A credit default swap ("CDS") is a financial swap agreement that the seller of the CDS will compensate the buyer in the event of a debt default (by the debtor) or other credit event. That is, the seller of the CDS insures the buyer against some reference asset defaulting}.** Credit default swaps are generally traded on the OTC market. The fair value of OTC credit default swaps is derived using a pricing model that is widely accepted by marketplace participants. The pricing model takes into account multiple inputs including the contractual spread and other specific contract terms, interest rate yield curves, interest rates, credit curves, recovery rates, and current credit spreads obtained from swap counterparties and other market participants. Many inputs into the model do not require material subjectivity as they are observable in the marketplace or set per the contract. Other than the contract terms, valuation is heavily determined by the difference between the contract spread and the current market spread. The contract spread (or rate) is generally fixed and the market spread is determined by the credit quality of the underlying debt or reference entity. If the underlying debt is liquid and the OTC market for the current spread is active, OTC credit default swaps are categorized in Level 2 of the fair value hierarchy. If the underlying debt is illiquid and the OTC market for the current spread is not active, OTC credit default swaps are categorized in Level 3 of the fair value hierarchy.

##### Swaption contracts

**{Definition - A swaption (swap option) is the option to enter into an interest rate swap or some other type of swap. In exchange for an option premium, the buyer gains the right but not the obligation to enter into a specified swap agreement with the issuer on a specified future date}.** Swaption contracts are traded on the OTC market. The fair value of swaption contracts is derived using a pricing model that is widely accepted by marketplace participants. The pricing model takes into account the contract terms (including maturity) as well as multiple inputs including notional value, interest rates, currency rates and implied volatility. Swaption contracts are generally categorized as Level 2 or 3 of the fair value hierarchy.

##### Government bonds

The fair value of government bonds is generally based on quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest rate yield curves, cross-currency basis index spreads, and sovereign credit spreads similar to the bond in terms of issuer, maturity and seniority. Government bonds are generally categorized in Level 1 or Level 2 of the fair value hierarchy.

##### Municipal bonds

The fair value of municipal bonds is estimated using recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, bond or credit default swap spreads, and volatility. The



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### **Note 2 - Summary of significant accounting policies (continued)**

Fund may use an independent pricing service which uses various techniques which may consider recently executed transactions in securities of the issuers, market price quotations (where observable), bond spreads, or credit default swap spreads. Municipal bonds are generally categorized in Level 2 of the fair value hierarchy.

#### **Corporate bonds**

The fair value of corporate bonds is estimated using recently executed transactions, quotes from brokers or independent pricing services which use various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers market price quotations (where observable), bond spreads or credit default swap spreads. The Fund may use an independent pricing service which uses various techniques which may consider recently executed transactions in securities of the issuers, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models using yield curves, bond or single-name credit default swap spreads, and recovery rates based on collateral values as key inputs. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy. In instances where significant inputs are unobservable, they are categorized in Level 3 of the fair value hierarchy.

#### **Bank debt**

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

#### **Commercial mortgage-backed securities ("CMBS") and asset-backed securities ("ABS")**

CMBS and ABS may be valued based on external price/spread data. When position-specific external price data is not observable, the valuation is either based on prices of comparable securities or cash flow models that consider inputs including default rates, conditional prepayment rates, loss severity, expected yield to maturity, and other inputs specific to each security. The Fund may use an independent pricing service which uses various techniques which may consider recently executed transactions in securities of the issuers, market price quotations (where observable), bond spreads, or credit default swap spreads. CMBS and ABS are categorized in Level 2 of the fair value hierarchy when external pricing data is observable and in Level 3 when external pricing data is unobservable.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 2 - Summary of significant accounting policies (continued)

##### Collateralized loan obligations ("CLOs")

Investments represent direct ownership in various tranches of a CLOs. CLOs are a form of securitization where payments from multiple loans are pooled together and passed on to different classes of owners in various tranches, which are generally referred to as senior, mezzanine and equity tranches. Generally, these securities provide periodic payments to the senior and mezzanine tranches, which consist of interest and principal. Once the contractual obligations regarding the periodic payments are met, all remaining flow-through cash is paid to the equity tranche investors in the form of a dividend. The {Fund values...(please explain policy)} {Fund uses an independent pricing service to value} collateralized loan obligations based on prices of comparable securities or a discounted cash flow model that considers inputs including default rates, conditional prepayment rates, loss severity, expected yield to maturity, and other inputs specific to each security. The Fund may also use broker or dealer quotations to value its CLOs. CLOs are categorized in Level 2 of the fair value hierarchy when inputs are observable and in Level 3 when inputs are unobservable.

##### Investments in private operating companies

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

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

ASC 820-10-50-1(a), 820-10-50-2 (bbb) The Fund uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value. The valuation techniques used by the Fund to determine fair value are consistent with the market or income approaches.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 2 - Summary of significant accounting policies (continued)

**{In addition, describe the methods used by the pricing services to determine the value of the Fund's private operating companies:}** When applying valuation techniques used in the determination of fair value, the Fund assumes a reasonable period of time for estimating cash flows and takes into consideration the financial condition and operating results of the portfolio company, the nature of the investment, restrictions on marketability, market conditions, foreign currency exposures, and other factors. When determining the fair value of investments, the Fund exercises significant judgment and uses the information available as of the measurement date. Due to the inherent uncertainty of valuations, the fair values reflected in the financial statements as of the measurement date may differ materially from values that would have been used had a principal or most advantageous market existed for such investments and/or the values that may ultimately be realized.

Investments in private operating companies are generally included in Level 3 of the fair value hierarchy.

#### **Investments in restricted securities of public companies**

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

ASC 820-10-35-59  
through 62

#### **Investments in private investment companies**

Investments in private investment companies are valued, as a practical expedient, utilizing the net asset valuations provided by the underlying private investment companies, without adjustment, when the net asset valuations of the investments are calculated in a manner consistent with GAAP for investment companies. The Fund applies the practical expedient to its investments in private investment companies on an investment-by-investment basis, and consistently with the Fund's entire position in a particular investment, unless it is probable that the Fund will sell a portion of an investment at an amount different from the net asset valuation. **{If applicable:}** If it is probable that the Fund will sell an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available, the Fund considers other factors in addition to the net asset valuation, such as features of the investment including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions, in its determination of fair value. Investments in private investment companies are not categorized in the fair value hierarchy.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 2 - Summary of significant accounting policies (continued)

##### Securities lending-including repurchase agreements and reverse repurchase agreements

ASC 860-30-25-3,  
ASC 860-30-25-5

##### **Securities lending transactions**

The Fund accounts for the receipt of cash collateral for securities lending transactions as a secured borrowing whereby it records an asset for cash collateral received and a corresponding liability for the obligation to return the collateral to the counterparty. The Fund also accounts for securities received as collateral for securities lending transactions as a secured borrowing if the Fund has the ability to sell or repledge the securities.

##### **Repurchase agreements**

The Fund records repurchase agreements at their contracted sale amounts, which approximate fair value. Repurchase agreements are generally categorized in Level 2 of the fair value hierarchy.

ATQA 6910.22

##### **Reverse repurchase agreements**

The Fund records reverse repurchase agreements at their contracted repurchase amounts payable. Interest on reverse repurchase agreements is included in interest payable in the statement of assets and liabilities.

In addition, interest on both repurchase agreements and reverse repurchase are included in interest receivable and interest payable, respectively.

ASC 820-10-50-2D,  
ASC 820-10-35-18D

##### **Fair value - valuation of net risk exposure**

The Fund has elected to measure the fair value of its net exposure to **{market risks} {and} {credit risks}** on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. This election has been applied when the duration and type of exposure to a particular **{market risk} {and} - {credit risk}** for a group of financial assets and liabilities are substantially the same.

ASC 815-10-50-7

##### **Offsetting of assets and liabilities**

The Fund is required to disclose the impact of offsetting assets and liabilities represented in the statement of assets and liabilities to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on its financial position for recognized assets and liabilities. These recognized assets and liabilities are financial instruments and derivative instruments that are either subject to an enforceable master netting arrangement or similar agreement or meet the following right of setoff criteria: the amounts owed by the Fund to another party are determinable; the Fund has the right to set off the amounts owed with the amounts owed by the other party; the Fund intends to set off; and the Fund's right of setoff is enforceable at law.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 2 - Summary of significant accounting policies (continued)

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

The Fund presents OTC derivatives that are executed with the same counterparty under the same master netting arrangement on a gross basis, even though the right of setoff may exist. The Fund has elected not to offset cash collateral receivables and payables and fair value amounts recognized for derivative positions executed with the same counterparty under the same master netting arrangement.

#### ASC 740-10-50-15(e) **Income taxes**

***{The following example includes required disclosures when a Fund has not incurred a liability for unrecognized tax benefits.}***

The Fund does not record a provision for U.S. federal, U.S. state or local income taxes because the partners report their share of the Fund's income or loss on their income tax returns. *{If applicable:}* However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax for limited partners that are foreign entities or foreign individuals. *{If applicable:}* Further, certain non-U.S. dividend income and interest income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction. The Fund files an income tax return in the U.S. federal jurisdiction and may file income tax returns in various U.S. states *{If applicable:}* and foreign jurisdictions. Generally, the Fund is subject to income tax examinations by *{Federal}* *{list applicable states}* *{Foreign jurisdictions}* for the years after 20XX.

The Fund is required to determine whether its tax positions are "more likely than not" to be sustained on examination by the applicable taxing authority, based on the technical merits of the position. The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained, assuming examination by tax authorities. The tax benefit recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Tax positions not deemed to meet a "more likely than not" threshold would be recorded as a tax expense in the current year.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 2 - Summary of significant accounting policies (continued)

***{The following is an example that may apply to the Fund's assessment of possible changes in unrecognized tax benefits over the next 12 months:}***

ASC 740-10-50-15(d) The Fund has determined that it is reasonably possible that the total amount of the unrecognized tax benefits will *{increase}* *{decrease}* by approximately ***{include an estimate of the range reasonably possible change or a statement that an estimate of the range cannot be made}***.

ASC 740-10-50-15(c) **{If applicable,}** the Fund recognizes interest and penalties related to  
ASC 740-10-50-19 unrecognized tax benefits in interest expense and other expenses, respectively. During the year ended December 31, 20XX, the Fund recognized \$XX,000 and \$XXX,000, respectively, related to interest and penalties. At December 31, 20XX, the Fund accrued \$XX,000 and \$XX,000, respectively, for the payment of interest and penalties.

#### ASC 480-10-50-1 **Capital withdrawals payable**

Withdrawals are recognized as liabilities when the amount requested in the withdrawal notice becomes fixed, which generally occurs on the last day of a fiscal quarter. As a result, withdrawals paid after the end of the year, based on partners' capital balances at year-end, are included in capital withdrawals payable at December 31, 20XX. Withdrawal notices received for which the dollar amount is not fixed remain in partners' capital until the amount is determined.

#### Recently adopted accounting standards

***{The following is an example of a recently adopted accounting standard that a fund may elect to disclose, but is not required to do so.}***

In August 2018, the FASB issued Accounting Standard Update (ASU) 2018-13, Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements for fair value measurements. The Fund adopted ASU 2018-13 on a retrospective basis as of January 1, 20XX. The effect of adopting this guidance resulted in the modification or removal of certain fair value measurement disclosures presented in the Fund's financial statements.

#### Note 3 - Fair value measurements

ASC 820-10-50-1A,  
ASC 820-10-50-2B,  
ASC 820-10-50-8

#### **Fair value hierarchy**

The Fund's assets and liabilities recorded at fair value have been categorized based on a fair value hierarchy as described in the Fund's significant accounting policies in Note 2.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 3 - Fair value measurements (continued)

ASC 820-10-50-2(b) The following table presents information about the Fund's assets measured at fair value as of December 31, 20XX:

(In thousands)	Level 1	Level 2	Level 3	Investments measured at net asset value	Total
Investments in securities, at fair value					
Common stocks					
United States					
Banking	\$ 52,104	\$ -	\$ 2,150	\$ -	\$ 54,254
Food and staple	3,366	-	18	-	3,384
Trading companies	17,186	-	19	-	17,205
Other industries	275,848	-	-	-	275,848
Other countries	58,153	-	-	-	58,153
Corporate bonds					
United States					
Food and beverage	-	-	553	-	553
Oil, gas and consumable fuels	-	-	696	-	696
Other industries	-	3,078	-	-	3,078
Municipal bonds	-	325	-	-	325
Bank debt					
Real estate	-	-	231	-	231
Other industries	-	7,496	-	-	7,496
Collateralized mortgage obligations	-	-	76	-	76
Government securities	60,498	-	-	-	60,498
Total investment in securities, at fair value	<u>\$ 467,155</u>	<u>\$ 10,899</u>	<u>\$ 3,743</u>	<u>\$ -</u>	<u>\$ 481,797</u>
Investments in private investment companies, at fair value					
Asian long/short	\$ -	\$ -	\$ -	\$ 5,389	\$ 5,389
Asset backed	-	-	-	24,426	24,426
Energy/commodities	-	-	-	33,563	33,563
Event/distressed	-	-	-	75,649	75,649
Financial	-	-	-	42,991	42,991
Fixed income arbitrage	-	-	-	6,533	6,533
Healthcare/biotech	-	-	-	30,883	30,883
Other non-US long/short	-	-	-	62,767	62,767
Quantitative	-	-	-	10,628	10,628
US long/short	-	-	-	78,863	78,863
investment companies, at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 371,692</u>	<u>\$ 371,692</u>
Derivative contracts assets, at fair value					
Currency call options	\$ 4,856	\$ -	\$ -	\$ -	\$ 4,856
Equity option calls	8,019	-	-	-	8,019
Equity swaps and contracts for differences	-	189	-	-	189
Foreign exchange options	-	51	-	-	51
Interest rate futures	-	93	-	-	93
Interest rate option contracts	-	1,423	-	-	1,423
Currency put options	1,593	-	-	-	1,593
Swaptions	-	824	-	-	824
Total return swaps	-	11,475	-	-	11,475
Warrants purchased	-	12,145	1,798	-	13,943
ASC 820-10-50-3					
Gross total	14,468	26,200	1,798	-	42,466
Less: Effect of netting provisions	-	-	-	-	-
Total derivative contracts assets, at fair value	<u>\$ 14,468</u>	<u>\$ 26,200</u>	<u>\$ 1,798</u>	<u>\$ -</u>	<u>\$ 42,466</u>
Repurchase agreements, at fair value	<u>\$ -</u>	<u>\$ 23,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,000</u>



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 3 - Fair value measurements (continued)

The following table presents information about the Fund's liabilities measured at fair value as of December 31, 20XX:

(In thousands)	Level 1	Level 2	Level 3	Total
Securities sold short, at fair value				
Common stocks	\$ 77,626	\$ -	\$ -	\$ 77,626
Total securities sold short, at fair value	<u>\$ 77,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,626</u>

ASC 820-10-50-2(c) The following table presents the changes in assets classified in Level 3 of the fair value hierarchy for the year ended December 31, 20XX:

(In thousands)	Common Stocks- Banking	Common Stocks- Retailing	Common Stocks- Trading	Common Stocks- Media	Collateralized Mortgage Obligations	Corporate Bonds - Transportation	Corporate Bonds - Trading	Bank Debt- Real estate	Total
Balance, January 1, 20XX	\$ 2,150	\$ -	\$ -	\$ 2	\$ 117	\$ 62	\$ 14	\$ 245	\$ 2,590
Realized gains (losses)	-	-	-	(2)	2	-	(1)	73	72
Unrealized gains (losses)	-	-	-	-	-	-	-	-	-
Purchases	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	(43)	-	-	(87)	(130)
Transfers into Level 3	-	18	19	-	-	-	-	-	37
Transfers out of Level 3	-	-	-	-	-	-	-	-	-
Balance, December 31, 20XX	<u>\$ 2,150</u>	<u>\$ 18</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 76</u>	<u>\$ 62</u>	<u>\$ 13</u>	<u>\$ 231</u>	<u>\$ 2,569</u>
Change in unrealized gains (losses) during the period for assets still held at December 31, 20XX	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ (84)</u>	<u>\$ 2</u>	<u>\$ (109)</u>	<u>\$ (3)</u>	<u>\$ -</u>	<u>\$ (172)</u>

ASC 820-10-50-2(c) **(if applicable, when a Level 3 rollforward is presented:)** All transfers are recognized by the Fund at the **(beginning)** **(end)** of each reporting period.

ASC 820-10-50-2C Transfers between Levels 2 and 3 generally relate to whether significant unobservable inputs are used for the fair value measurements.

ASC 820-10-50-2 (bbb) **Significant unobservable inputs**

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

(In thousands)	Fair value at December 31, 20XX	Valuation technique	Unobservable inputs	Range of inputs (weighted average)
Common stocks				
Bank	\$ 2,150	Transaction price	N/A	N/A
Food staple retailing	18	Consensus pricing quotes	Bid/ask/vendor	\$X.XX-\$X.XX (\$X.XX)
Trading company	19	Consensus pricing quotes	Bid/ask/vendor	\$X.XX-\$X.XX (\$X.XX)
Corporate bonds				
Transportation	62	Consensus pricing	Bid/ask/vendor	\$X.XX-\$X.XX (\$X.XX)
Trading companies	13	Most recent capitalization	Private Financing	\$X,XXX
Collateralized mortgage obligations	76	Consensus pricing quotes	Bid/ask/vendor	\$X.XX-\$X.XX (\$X.XX)
Bank debt-real estate	231	Most recent capitalization	Corporate Bond, trading companies	\$X,XXX



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 3 - Fair value measurements (continued)

**{If a portion of Level 3 investments were not valued using internally developed unobservable inputs, it is not required to include in the previous table. For example, when consensus pricing is obtained from brokers and pricing services for illiquid positions or when there is little information and therefore determined to be level 3 inputs. They are included in the above example, but if they were not, included in the language to reconcile the difference such as the following if not included in the preceding table:}**

Certain of the Fund's Level 3 investments have been valued using unadjusted inputs that have not been internally developed by the Fund, including third-party transactions and indicative broker quotations. As a result, fair value assets of approximately \$175,000 have been excluded from the preceding table.

ASC 820-10-50-2(f),  
ASC 820-10-55-105

#### **Valuation processes**

The Fund establishes valuation processes and procedures to ensure that the valuation techniques for investments that are categorized within Level 3 of the fair value hierarchy are fair, consistent and verifiable. The Fund or General Partner designates a Valuation Committee (the "Committee") that is responsible for coordinating and consistently implementing valuation policies, guidelines and processes to ensure that the valuation of Level 3 investments are subject to an appropriate level of consistency, oversight and review. The Committee is comprised of various Fund personnel who are separate from the Fund's portfolio management and trading functions and reports to the Fund's Board of Directors. The Committee is responsible for developing the Fund's written valuation processes and procedures, conducting periodic reviews of the valuation policies.

The Committee meets on at least a monthly basis, or more frequently as needed, to discuss the portfolio and the Fund's Level 3 investments. The valuations as determined by the Fund are required to be supported by market data, industry accepted third-party pricing models, or another method the Committee deems to be appropriate.

The Fund periodically tests its valuation of Level 3 investments by performing back testing of the sales of such investments by comparing the amount realized against the most recent fair values reported and, if necessary, uses the findings to recalibrate its valuation procedures.

{On an annual basis, the Committee may use the services of a nationally recognized third-party valuation firm to perform an independent review of the valuation of certain of the Fund's Level 3 investments, and may adjust its valuations based on the recommendations from the valuation firm.}

ASC 820-10-50-2  
(bbb)(1)

#### **Changes in valuation techniques**

**{In situations where there has been a change in either or both a valuation approach and a valuation technique for measurements categorized in Levels 2 and 3 of the fair value hierarchy the reporting entity shall disclose that change and the reason(s) for making it.}** During the year ended



Company B Domestic Fund, LP

Notes to Financial Statements  
December 31, 20XX

**Note 3 - Fair value measurements (continued)**

December 31, 20XX, the Fund changed the valuation technique used to value \$76,000 of collateralized mortgage obligations from the income approach to market approach. The Fund believes the change in valuation technique and its application results in a measurement that is equally or more representative of the fair value in the circumstances because of ....

**Note 4 - Due from/to brokers**

**{Include if not presented separately on the statement of assets and liabilities:}** The following table presents the components of the amounts of the Fund's due from/to brokers at December 31, 20XX as presented in the statement of assets and liabilities:

(In thousands)

Description			
ASC 946-310-45-1	Receivable for pending investment transactions	\$	X,XXX
ASC 946-310-45-1	Collateral posted with counterparties for derivative contracts		X,XXX
ASC 440-10-50-1	Cash pledged as collateral for securities sold short		X,XXX
	Unrestricted cash		X,XXX
	Due from brokers	\$	X,XXX

(In thousands)

Description			
ASC 946-405-45-1	Payable for pending investment transactions	\$	X,XXX
	Collateral received from counterparties for derivative contracts		X,XXX
	Margin borrowings		X,XXX
	Due to brokers	\$	X,XXX

ASC 440-10-50-1 Amounts due from brokers may be restricted if they serve as deposits for securities sold short. In addition, margin borrowings of \$X,XXX,000 are collateralized by certain securities and cash balances held by the Fund. The Fund is charged interest on its margin balances.

In the normal course of business, substantially all of the Fund's securities transactions, money balances and security positions are transacted with the Fund's brokers: {clearing} Broker 1, LLC and {clearing} Broker 2, Ltd. Accounts with the prime broker are cleared by Broker 3, LLC. The Fund is subject to credit risk to the extent a broker with which it conducts business is unable to fulfill contractual obligations on its behalf. The Fund's management monitors the financial condition of those brokers and does not anticipate losses from these counterparties.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 5 - Derivatives

ASC 815-10-50-1A  
ASC 815-10-50-5

In the normal course of business, the Fund uses investments in derivative contracts in connection with its proprietary trading activities. Derivative contracts are used for risk management activities to hedge certain risks or reposition the risk profile of the Fund or to gain exposure to equities or fixed income securities. The Fund's derivative activities and exposure to derivative contracts are classified by the following primary underlying risks: {Include as applicable} interest rate, credit, foreign exchange, commodity price and equity price. In addition to its primary underlying risks, the Fund is also subject to additional counterparty risk due to inability of its counterparties to meet the terms of their contracts. Derivative contracts are subject to additional risks that can result in a loss of all or part of an investment. Derivatives are either exchange-traded or OTC contracts. Exchange-traded derivatives are standard contracts traded on a regulated exchange. OTC contracts are private contracts negotiated with counterparties. These derivatives involve, to varying degrees, elements of credit and market risk more than the amount recorded in the statement of assets and liabilities.

#### Options

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

#### Swaptions

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



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 5 - Derivatives (continued)

##### Futures

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

Futures have minimal counterparty risk because futures contracts are exchange traded and the exchange's clearing house, as the counterparty to all exchange traded futures, guarantees the futures against default.

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

##### Warrants

The Partnership may purchase warrants. A warrant is a derivative instrument that entitles the holder to buy stock of the issuing company through a specified term at a specified price. Warrants are subject to equity price risk and its value will fluctuate with the price of the underlying security ("intrinsic value"). Upon expiration, the warrants are worthless unless the price of the common stock is greater than the exercise price. There are certain risks involved in trading warrants, including the time value of the warrant, which decreases as the warrant approaches the date of expiration. Warrants are also subject to counterparty risk, as there is risk the issuer will not settle the exercised warrant. As a result, there is the potential for the Fund to lose its entire investment in a warrant.

##### Contracts for differences

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



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 5 - Derivatives (continued)

##### Forward contracts

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

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

##### Swap contracts

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

The Fund enters into various swap contracts ("swaps"), including interest rate swaps, total return swaps, and credit default swaps as part of its investment strategies, to hedge against unfavorable changes in the value of investments and to protect against adverse movements in interest rates or credit performance with counterparties. During the term of the swap contract, changes in value are recognized as unrealized gains or losses by marking the contracts at fair value. Additionally, the Fund records a realized gain (loss) when a swap contract is terminated and when periodic payments are received or made at the end of each measurement period. In addition to realized gains (losses) and the change in unrealized gains (losses), periodic interest expense and/or income is also reflected in net realized gain on investments, derivative and foreign currency in the statement of operations.

The payment flows are usually netted against each other, with the difference paid by one party to the other. Swap agreements (typically interest rate swaps, and less commonly credit default swaps) may also be centrally cleared through a clearing house, where initial margins are posted and daily changes in the fair value result in variation margin receivable or payable with the clearing house.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 5 - Derivatives (continued)

##### *Interest rate swaps*

The Fund is exposed to interest rate risk when there is an unfavorable change in the value of investments as a result of adverse movements in the market interest rates. The Fund enters into interest rate swaps to protect against such adverse movements in the interest rates. Interest rate swaps are contracts whereby counterparties exchange different rates of interest on a specified notional amount for a specified period of time. The payment flows are usually netted against each other, with the difference being paid by one party to the other. Entering into interest rate swaps involves varying degrees of risk, including the possibility that there is no liquid market for the contracts, the counterparty to the swap may default on its obligation to perform, and there may be unfavorable changes in fair value.

##### *Total return swaps*

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

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

##### *Credit default swaps*

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

ASC 815-20-50-4K(a)(3)

Credit default swap contracts involve an arrangement between the Fund and a counterparty to make or receive payments in the event of is not clear of default or a credit event of a specified entity. The Fund pays periodic premiums up front and the counterparty agrees to make a payment to compensate the Fund for losses only upon the occurrence of a specified credit event (credit default swaps purchased). Alternatively, when the Fund issues protection written, it receives premium payments from the counterparty in exchange for assuming the credit risk of the specified reference entity (credit default swaps sold).



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 5 - Derivatives (continued)

A protection seller agrees to make a payment to compensate the counterparty for losses only upon the occurrence of a specified credit event. Credit events usually include bankruptcy, failure to pay, restructuring, obligation acceleration, obligation default, or moratorium. If the defined credit event occurs, the difference between the value of the referenced obligation and the swap's notional amount is recorded as a realized gain (for protection purchased) or loss (for protection written) in the statement of operations.

Regardless of whether event occurs, the protection buyer will lose the periodic stream of payments it paid over the term of the contract. However, if a credit event occurs, the protection seller may deliver the full notional value or the current cash value of the referenced entity or the actual bonds to the protection buyer, depending on the terms agreed-upon at the onset of the contract. Credit default swap contracts involve greater risks than if the Fund had invested in the reference obligation directly. In addition to the general market risks, credit default swap contracts are subject to liquidity risk and counterparty credit risk.

#### Credit-risk-related contingent features

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

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

Additionally, counterparties may immediately terminate these agreements and the related derivative contracts if the Fund fails to maintain sufficient asset coverage for its contracts, or its net assets decline by stated percentages or amounts. **{If applicable}** As of December 31, 20XX, the termination values of these derivative contracts were approximately \$XX,000 less than their fair values.

#### **{If Fund is selling credit protection via credit default swaps, add the following paragraph.}**

In the event that certain specified credit events occur, the maximum potential amount of future undiscounted payments that the Fund would be required to pay under its credit default swaps sold would be \$XXX,000 at December 31, 20XX. However, if the Fund was required to make payments under its credit default swaps sold, it would be entitled to certain assets owned by the entities that



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 5 - Derivatives (continued)

collateralize the reference obligations. The Fund cannot reasonably estimate the value of the recourse provisions of such contracts. The assumed value of the assets may diminish materially and such assets may not be recovered under certain circumstances.

#### Volume of derivative activities

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

***{The Fund should calculate and disclose the average or average quarter-end notional amounts and number of contracts when year-end amounts are not indicative of the overall volume throughout the year and/or there are no derivatives held as of year-end but there is material net gain (loss) from derivatives for the year.}***

***{Optional language: The Fund considers the notional amounts at December 31, 20XX to be an accurate representation of the volume of derivative activities during the year ended December 31, 20XX.}***

OR

***{Optional language: The Fund considers the average quarter-end notional volume during the year ending December 31, 20XX to be an accurate representation of the volume of derivative activities during the year ended December 31, 20XX.}***

(In thousands) Primary underlying risk	Long exposure Notional amounts <sup>(1)</sup>	Short exposure Notional amounts <sup>(1)</sup>
Commodity price risk		
Futures contracts	\$ -	\$ 5,634
Credit risk		
Protection written		
Credit default swaps	250,000	-
Equity price risk		
Total return swaps	645,342	645,342
Futures contracts	65,364	-
Options <sup>(2)</sup>	146,342	65,382
Warrants <sup>(2)</sup>	275,641	-
Contracts for differences	55,364	18,461
Foreign exchange risk		
Forward contracts	2,345,364	862,531
Interest rate risk		
Interest rate swaps	76,000	46,000
Swaptions	34,000	-

<sup>(1)</sup> ***[If applicable:]*** Notional amounts are presented net of identical offsetting derivative contracts.

<sup>(2)</sup> Notional amounts presented for options and warrants are based on the fair value of the underlying shares as if the options and warrants were excised at the applicable period end.



Company B Domestic Fund, LP

Notes to Financial Statements  
December 31, 20XX

Note 5 - Derivatives (continued)

Effect of derivatives on the statement of assets and liabilities and statement of operations

ASC 815-10-50-4A, ASC 815-10-50-4B, ASC 815-10-50-4D, ASC 815-10-50-4E The following table identifies the fair value amounts of derivative contracts included in the statement of assets and liabilities, categorized by type of contract, at December 31, 20XX. Balances are presented on a gross basis, before application of the effect of counterparty and collateral netting, if applicable. Total derivative assets and liabilities are adjusted on an aggregate basis to consider the effects of master netting arrangements and the offsetting of cash collateral receivables and payables with the Fund's counterparties. See Note 8 for additional information of the effects of master netting arrangements and the offsetting of cash collateral receivables and payables with the Fund's counterparties.

The following table also identifies the realized and unrealized gain and loss amounts included in the statement of operations, included in either net realized gain on investments, derivatives, and foreign currency transactions or net change in unrealized appreciation or depreciation of investments, derivatives, and foreign currency transactions, categorized by type of contract, for the year ended December 31, 20XX.

(In thousands) Type of contracts	Derivative assets	Derivative liabilities	Realized gain (loss)	Unrealized gain (loss)
Interest rate risk				
Interest rate swaps	\$ -	\$ -	\$ -	\$ -
Swaptions	XXX	-	XX,XXX	XX,XXX
Foreign exchange contracts				
Forward contracts	-	XX,XXX	XX,XXX	XX,XXX
Equity contracts				
Total return swaps	XX,XXX	XX,XXX	-	XX,XXX
Futures contracts	-	-	(XXX)	-
Options	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Warrants	XX,XXX	-	-	XX,XXX
Contracts for differences	-	XX,XXX	XX,XXX	XX,XXX
Commodity contracts				
Futures contracts	-	-	XX,XXX	-
Credit contracts				
Protection written				
Credit default swaps	-	XX,XXX	-	XX,XXX
Gross total	-	-	-	-
Less: Effect of netting provisions	-	-	-	-
Less: Cash collateral applied	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 6 - Securities sold short

ASC 275-10-50-1 The Fund is subject to certain inherent risks arising from the investing activities of selling securities held short. The ultimate cost to acquire these securities may exceed the liability recognized in the statement of assets and liabilities. The Fund is not exposed to this risk to the extent it holds offsetting long positions with a fair value of approximately \$X,XXX,000 at December 31, 20XX.

#### Note 7 - Securities purchased under agreements to resell and securities sold under agreements to repurchase

##### Repurchase agreements

ASC 860-30-50-1A (a) Repurchase agreements involve the purchase of a security from a counterparty, with an obligation of the Fund to resell the security to the counterparty at a contracted price on maturity plus interest. It is the Fund's policy that its custodian, acting on behalf of the Fund, take possession of the underlying collateral securities, the fair value of which, at all times, to be at least xx% of the principal amount of the repurchase agreements, including accrued interest. If the counterparty defaults under repurchase agreements and the fair value of the collateral declines, the realization of the collateral by the Fund may be delayed or limited.

ASC 860-30-50-1A (c) **{if applicable:}** At December 31, 20XX, securities with a fair value of approximately \$6,851,000 were received as collateral for securities purchased under agreements to resell.

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

##### Reverse repurchase agreements

ASC 860-30-50-1A (a)  
ASC 860-30-50-7(c) Reverse repurchase agreements involve the sale of a security to a counterparty, subject to an obligation by the Fund to repurchase the security from the counterparty at a contracted price on maturity. In connection with its reverse repurchase agreements, the Fund is required to pledge collateral to its counterparties, the fair value of which, at all times, is required to be at least xx% of the principal amount of the repurchase agreements, including accrued interest. If the fair value of the collateral declines, the Fund may be required to post additional collateral to the counterparty. To mitigate this risk, the Fund pledges financial instruments as collateral that are (1) issued by entities that the Fund's management believes have sufficient creditworthiness to meet their obligations when they come due and (2) sufficiently liquid to be sold at their carrying amounts in the ordinary course of operations.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 7 - Securities purchased under agreements to resell and securities sold under agreements to repurchase (continued)

ASC 860-30-50-1A  
(b)

**If applicable:** At December 31, 20XX, the Fund pledged the following securities, included in securities in the statement of assets and liabilities as collateral for its reverse repurchase agreements. At December 31, 20XX, securities with a fair value of approximately \$5,902,000, which are included in investments in securities in the statement of assets and liabilities, were pledged to collateralize securities sold under agreements to repurchase.

(In thousands) Type of collateral	Contracted repurchase price	Fair value
Corporate bonds	\$ 7,500	\$ 7,650
Municipal bonds	2,500	2,525
Total	<u>\$ 10,000</u>	<u>\$ 10,175</u>

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

#### Securities lending agreements

ASC 860-30-50-1A  
(a)

The Fund may enter into securities lending transactions principally to broker-dealers. Those transactions are secured by collateral such as cash, securities, or standby letters of credit, the fair value of which, at all times, is required to be at least xx% of the fair value of the securities loaned plus accrued interest and dividends. If the collateral is cash, the Fund normally earns a return by investing that cash typically in short term, high-quality debt instruments. Investments of cash collateral are subject to the Fund's investment restrictions. The Fund will lend certain securities to one or more of its prime brokers in return for a fee, which is included in interest income on the statement of operations. If the collateral is other than cash, the Fund typically receives a fee as compensation for the securities loaned. The Fund also continues to receive dividends and interest on the securities loaned.

#### Note 8 - Offsetting assets and liabilities

ASC 210-20-50-2

The Fund recognizes all derivatives as assets or liabilities at fair value in its statement of assets and liabilities. In connection with its derivative activities, the Fund generally enters into agreements subject to enforceable master netting arrangements that allow the Fund to offset derivative assets and liabilities in the same currency by specific derivative type or, in the event of default by the counterparty, to offset derivative assets and liabilities with the same counterparty. While these derivatives are eligible to be offset in accordance with applicable accounting guidance, the Fund has elected to present derivative assets and liabilities based on gross fair value in its statement of assets and liabilities. The table below sets forth the setoff rights and related arrangements associated with derivatives held by the Fund. The "gross amounts not offset in statement of



Company B Domestic Fund, LP

Notes to Financial Statements  
December 31, 20XX

**Note 8 - Offsetting assets and liabilities (continued)**

assets and liabilities" columns represent derivatives that management has elected not to offset in the statement of assets and liabilities even though they are eligible to be offset in accordance with applicable accounting guidance.

ASC 210-20-50-3  
and 4  
ASC 815-10-50-8

The following table shows the gross financial assets and derivatives, offsetting and net asset amounts:

	Gross amounts of recognized assets presented in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities		Net amount
		Financial instruments	Cash collateral received	
Derivative assets	\$ XXX,XXX	\$ XXX,XXX	\$ -	\$ -
Repurchase agreements	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -

The following table shows the gross financial liabilities and derivatives, offsetting and net liabilities amounts:

	Gross amounts of recognized liabilities presented in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities		Net amount
		Financial instruments	Cash collateral pledged	
Derivative liabilities	\$ XXX,XXX	\$ XXX,XXX	\$ XXX,XXX	\$ -
Total	\$ -	\$ -	\$ -	\$ -

**Note 9 - Commitments and contingencies**

**{The following disclosures are examples of commitments and contingences that relate to an investment company. Appropriate disclosures should be tailored based upon the facts and circumstances of the Fund:}**

ASC 450-20-50-4

**{If applicable:}** The Fund in the normal course of business has been named as a defendant in various matters. The Fund's management, after consultation with legal counsel, believes that the resolution of these matters will not have a material adverse effect on the financial condition, results of operations or cash flows.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 9 - Commitments and contingencies (continued)

ASC 460-10-50-4 ***{If applicable:}*** The Fund has provided general indemnifications to the General Partner, any affiliate of the General Partner, and any person acting on behalf of the General Partner or that affiliate when they act, in good faith, in the best interest of the Fund. An estimate of the maximum potential amount of future payments by the Fund is unable to be developed. Such amount could potentially result from a hypothetical future claim but expects the risk of having to make payments under these general business indemnifications to be remote.

ASC 946-20-50-16 ***{If applicable:}*** The Fund is contractually required to provide its investees subsequent to December 31, 20XX and {the primary reasons for providing financial support}

#### Note 10 - Partners' capital

ASC 505-10-50-3 **{The following disclosures are examples of the pertinent rights and privileges of the Fund's capital structure. These disclosures should be tailored to reflect the provisions in the Fund's legal documents:}**

ASC 946-20-25-8 The minimum initial investment in the Fund is currently \$X,XXX,000. The General Partner, in its sole discretion, may accept investments of a lesser amount.

Advance capital contributions represent amounts received from limited partners for contributions with an effective date after December 31, 20XX.

Limited partners may generally withdraw all or part of their limited partner interest in the Fund at the end of each calendar quarter following at least a 45-day prior written notice to the Fund usually following a XX-month lockup period on initial investments. The Fund charges an early withdrawal fee of X.X % of the withdrawal amount to limited partners withdrawing capital prior to the expiration of the lockup period. ***{If applicable:}*** Early withdrawal fees are allocated on a pro rata basis to the remaining partners.

ASC 505-10-50-3 In accordance with the limited partnership agreement, profits and losses of the Fund are allocated to partners according to their respective interests in the Fund. Subject to certain limitations, generally, XX% of the net profits allocated to the limited partners is reallocated to the General Partner.

***{If applicable:}*** Early withdrawal fees are allocated on a pro rata basis to the remaining partners.

#### Note 11 - Administrative services

XYZ Fund Services Ltd. (the "Administrator") serves as the Fund's administrator and performs certain administrative and accounting services on behalf of the Fund. ***{If applicable:}*** At December 31, 20XX, cash balances in the amount of approximately \$X,XXX,000 are held by an affiliate of the Administrator.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 12 - Related party transactions

- ASC 946-20-50-5 The Fund pays the Investment Manager a management fee, calculated and payable quarterly in advance, equal to X.XX% of the Fund's partners' capital determined as of the beginning of each calendar quarter.
- ASC 850-10-50-1 through 3 The Fund considers the General Partner and the Investment Manager, their principal owners, members of management and members of their immediate families, as well affiliates, to be related parties to the Fund. Amounts due from and due to related parties are generally settled in the normal course of business without formal payment terms.
- ASC 850-10-50-1 through 3 Due to related parties represents amounts payable to the General Partner for expenses paid on behalf of the Fund.
- The General Partner is entitled to receive an annual incentive allocation equal to XX% of the net profits, if any, allocated from each limited partner's capital account for the current period, subject to a loss carryforward provision.
- Certain limited partners are affiliated with the General Partner. The aggregate value of the affiliated limited partners' share of partners' capital at December 31, 20XX is approximately \$XX,XXX,000.
- Certain limited partners have special management fee arrangements, performance arrangements, or redemption rights as provided for in the Agreement. The General Partner, in its sole discretion, may waive all or part of the incentive allocation for any limited partner. The General Partner and its affiliates and/or employees are not subject to the incentive allocation.
- ASC 946-20-50-5 For the year ended December 31, 20XX, the General Partner earned an incentive allocation of \$X,XXX,000.
- {If applicable:}** During 20XX, the Fund entered into purchase and sale transactions totaling \$X,XXX,000 at fair value with an affiliated entity which is also managed by the General Partner. Transactions with related parties resulted in net gains (losses) of \$XX,000 and are included in net gain (loss) on investments in the statement of operations.
- {If applicable:}** Certain members of the General Partner serve as members of the board of directors of certain investments aggregating approximately XX% of total capital in which the Fund holds investment positions.



## Company B Domestic Fund, LP

### Notes to Financial Statements December 31, 20XX

#### Note 13 - Financial highlights

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

ASC 946-205-50-18	Total return		
ASC 946-205-50-22	Total return before incentive allocation to General Partner		8.5 %
	Incentive allocation to General Partner		<u>(0.5)</u>
	Total return after incentive allocation to General Partner		<u>8.0 %</u>
ASC 946-205-50-10 and 12 through 14	Ratios to average limited partners' capital		
	Expenses (including interest and dividends)		1.3 %
	Incentive allocation to General Partner		<u>0.5</u>
	Expenses and incentive allocation to General Partner		<u>1.8 %</u>
	Net investment income (loss)		<u>(0.8) %</u>

ASC 946-205-50-4 Financial highlights are calculated for each limited partner class taken as a whole.

ASC 946-205-50-15 An individual limited partner's return and ratios may vary based on participation  
ASC 946-205-50-13 in new issues, private investments, different incentive allocation and/or management fee arrangements, and the timing of capital transactions. The net investment loss ratios do not reflect the effects of the incentive allocation to the General Partner.

ASC 946-205-50-16 ***{If applicable, for private investment companies:}*** The expense and net investment income (loss) ratios do not reflect the income and expenses incurred by the underlying private investment companies.

ASC 946-205-50-10 ***{For periods less than one year:}*** The ratios, excluding nonrecurring expenses  
ASC 946-205-50-13 and the incentive allocation to the General Partner, have been annualized. Total return has not been annualized.

#### Note 14 - Subsequent events

ASC 855-10-50-1 and 2 These financial statements were approved by management and available for issuance on *{Month, Date, Year}*. Subsequent events have been evaluated through this date.

During the period from January 1, 20XX through *{Month, Date, Year}*, the Fund received \$XX,XXX,000, of which \$X,XXX,000 was included in advance capital contributions as of December 31, 20XX. In addition, the Fund had capital withdrawals of \$XX,XXX,000, of which \$X,XXX,000 was included capital withdrawal payable.



**Company B Offshore Fund, Ltd.**



Company B Offshore Fund, Ltd.

ASC 946-205-45-1

Statement of Assets and Liabilities  
December 31, 20XX

<u>Assets</u>		
AAG-Inv 7.48 and 7.49, ASC 946-320- 35-1	Investment in securities, at fair value (cost \$55,451,000)	\$ 59,507,000
	Investment in private investment companies, at fair value (cost \$1,983,000)	4,536,000
ASC 946-305-45-1	Cash and cash equivalents	505,000
	Due from brokers	1,200,000
ASC 946-310-45-1	Receivables for pending investment transactions	189,000
	Advance subscriptions to private investment companies	248,000
ASC 946-310-45-1	Dividends and interest receivable	50,000
	Redemptions receivable from private investment companies	42,000
	Other	216,000
		<hr/>
AAG-Inv 7.25a	Total assets	66,493,000
		<hr/>
<u>Liabilities</u>		
ASC 946-320-35-1	Securities sold short, at fair value (proceeds \$12,165,000)	12,489,000
	Due to brokers	31,000
ASC 946-405-45-1	Payables for pending investment transactions	95,000
ASC 850-10-50-1	Due to related parties	5,000
	Redemptions payable	2,801,000
	Advance subscriptions	2,300,000
	Performance fee payable	102,000
	Accrued expenses and other liabilities	72,000
		<hr/>
AAG-Inv 7.25b	Total liabilities	17,895,000
		<hr/>
ASC 946-20-50-14	Net assets	<u>\$ 48,598,000</u>

**Editors' Note:** A Condensed Schedule of Investments are required for Company B Offshore Fund, Ltd. Company B Domestic Fund, LP should be utilized as an example.

See Notes to Financial Statements.



Company B Offshore Fund, Ltd.

ASC 946-205-45-1

Statement of Operations  
Year Ended December 31, 20XX

	Investment income	
	Interest	\$ 200,000
ASC 946-830-45-39	Dividends (net of foreign withholding taxes of \$97,000)	211,000
	Income from securities loaned, net	11,000
	Other income	5,000
		<hr/>
	Total investment income	427,000
		<hr/>
ASC 946-220-45-3	Expenses	
ASC 946-20-45-4	Management fee	444,000
	Dividends on securities sold short	202,000
	Interest on securities sold short	83,000
	Interest expense	198,000
	Performance fee	102,000
	Administrative fee	101,000
	Professional fees and other	348,000
		<hr/>
	Total expenses	1,478,000
		<hr/>
ASC 946-225-45-5	Net investment income (loss)	(1,051,000)
		<hr/>
ASC 946-220-45-6	Realized and unrealized gain (loss) from investments, derivatives, and foreign currency transactions	
ASC 946-220-50-2	Net realized gain from investments and derivatives (including realized gain of \$15,000 from distribution of securities to shareholders)	853,000
ASC 946-830-45-1	Net realized gain from foreign currency transactions	2,000
	Net change in unrealized appreciation or depreciation on investments and derivatives	805,000
ASC 946-830-45-1	Net change in unrealized gains and losses on translation of assets and liabilities denominated in foreign currencies	(1,000)
		<hr/>
	Net gain from investments, derivatives, and foreign currency transactions	1,659,000
		<hr/>
ASC 946-220-45-7	Net increase (decrease) in net assets resulting from operations <sup>(1)</sup>	\$ 608,000
		<hr/> <hr/>

<sup>(1)</sup> Paragraph 946-220-45-7 defines the sum of net investment income or loss and net realized and unrealized gain or loss on investments and foreign currency transactions as the net increase or decrease in net assets resulting from operations.

See Notes to Financial Statements.



Company B Offshore Fund, Ltd.

ASC 946-205-45-1

Statement of Changes in Net Assets  
Year Ended December 31, 20XX

Operations	
Net investment income (loss)	\$ (1,051,000)
Net realized gain from investments and derivatives	853,000
Net realized gain from foreign currency transactions	2,000
Net change in unrealized appreciation or depreciation on investments and derivatives	805,000
Net change in unrealized gains and losses on translation of assets and liabilities denominated in foreign currencies	<u>(1,000)</u>
Net increase (decrease ) in net assets resulting from operations	<u>608,000</u>
Capital share transactions	
Issuance of shares	350,000
Redemption of shares	<u>(5,569,000)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>(5,219,000)</u>
Net increase (decrease) in net assets	(4,611,000)
Net assets, beginning of year	<u>53,209,000</u>
Net assets, end of year	<u>\$ 48,598,000</u>

See Notes to Financial Statements.



Company B Offshore Fund, Ltd.

ASC 946-205-45-1

Statement of Cash Flows  
Year Ended December 31, 20XX

	Cash flows from operating activities	
ASC 230-10-45-28	Net increase (decrease) in net assets resulting from operations resulting from operations to net cash provided by operating activities	\$ 608,000
	Net realized gain from investments and derivatives	(853,000)
	Net realized gain from foreign currency transactions	(2,000)
	Net change in unrealized appreciation or depreciation on investments and derivatives	(805,000)
	Net change in unrealized gains and losses on translation of assets and liabilities denominated in foreign currencies	1,000
ASC 230-10-45-7	Purchases of securities	(19,761,000)
	Proceeds from sales of securities	17,497,000
	Proceeds from securities sold short	33,755,000
	Payments to cover securities sold short	(35,413,000)
	Changes in operating assets and liabilities	
	Due from brokers	12,375,000
	Dividends and interest receivable	(21,000)
	Other receivable	50,000
	Due to related parties	52,000
	Accrued expenses and other liabilities	(1,014,000)
	Net cash provided by operating activities	<u>6,469,000</u>
ASC 230-10-45-14 and 15, ASC 230-10-50-5	Cash flows from financing activities	
	Proceeds from issuance of shares, net of change in advance subscriptions	350,000
	Payments for redemption of shares, net of change in redemptions payable	<u>(6,831,000)</u>
	Net cash used in financing activities	<u>(6,481,000)</u>
ASC 230-10-45-24	Net decrease in cash and cash equivalents	(12,000)
	Cash and cash equivalents, beginning of year	<u>517,000</u>
	Cash and cash equivalents, end of year	<u>\$ 505,000</u>
ASC 230-10-50-5	Supplemental disclosure of cash flow information	
	Cash paid during the year for interest	<u>\$ 198,000</u>
ASC 230-10-50-3	Supplemental disclosure of noncash financing activities	
	Contribution of securities, at fair value (cost basis of \$350,000)	<u>\$ 366,000</u>
	Distribution of securities, at fair value (cost basis of \$769,000)	<u>\$ 784,000</u>

See Notes to Financial Statements.



## Company B Offshore Fund, Ltd.

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

{Please note that the wording of limited partners and partners' capital must be changed to shareholders and net assets.}

#### Note 1 - Organization

Company B Offshore Fund Ltd. (the "Fund") is an exempted company incorporated under the laws of the Cayman Islands and commenced operations on {Month, Date, Year}. The Fund is registered under the Cayman Islands Mutual Funds Law and regulated by the Cayman Islands Monetary Authority. The investment objective of the Fund is {state Fund's investment objective}. The Fund is managed by Investment Manager, LLC (the "Investment Manager"). **{If applicable:}** The Investment Manager is registered with the U.S. Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940.

#### Note 2 - Summary of significant accounting policies

The significant accounting policies followed by the Fund are:

##### Basis of presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 946, Financial Services - Investment Companies ("ASC 946"), the Fund has determined that it is an investment company and has applied the guidance in accordance with ASC 946.

**{See Company B Domestic Fund, LP for additional examples of Summary of significant accounting policies.}**

##### Use of estimates

Cash and cash equivalents

Foreign currency translation

Investment transactions and investment income

Fair value - definition and hierarchy

Fair value - valuation techniques and inputs

Securities lending - including repurchase agreements and reverse repurchase agreements

Fair value - valuation of net risk exposures

Offsetting of assets and liabilities

Recently adopted accounting standards



## Company B Offshore Fund, Ltd.

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### **Note 2 - Summary of significant accounting policies (continued)**

##### **Income taxes**

**{The following example includes required disclosures when a Fund has not incurred a liability for unrecognized tax benefits.}**

Under Cayman Islands law, the Fund is not subject to income or capital gains tax in that Jurisdiction. However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax for limited partners that are foreign entities or foreign individuals. Generally, the Fund is subject to income tax examinations by **{Federal} {list applicable states} {Foreign jurisdictions}** for the years after 20XX.

**(See Company B Domestic Fund, LP - Note 2 for additional potential disclosures).**

##### **Redemptions payable**

ASC 480-10-50-1

Redemptions are recognized as liabilities when the amount requested in the redemption notice becomes fixed, which generally occurs on the last day of a fiscal quarter. Thus, redemptions paid after the end of the year, based on net asset values at year-end, are included in redemptions payable at December 31, 20XX. Redemptions' notices received for which the dollar amount is not fixed remain in net assets until the amount is determined.

**Note 3 - Fair value measurements (see Company B Domestic Fund, LP - Note 3)**

**Note 4 - Due from/to brokers (see Company B Domestic Fund, LP - Note 4)**

**Note 5 - Derivatives (see Company B Domestic Fund, LP - Note 5)**

**Note 6 - Securities sold short (see Company B Domestic Fund, LP - Note 6)**

**Note 7 - Securities purchased under agreements to resell and securities sold under agreements to repurchase (see Company B Domestic Fund, LP - Note 7)**

**Note 8 - Offsetting assets and liabilities (see Company B Domestic Fund, LP - Note 8)**

**Note 9 - Commitments and contingencies (see Company B Domestic Fund, LP - Note 9)**



## Company B Offshore Fund, Ltd.

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### **Note 10 - Capital share transactions**

{The following disclosures are examples of the rights and privileges of the Fund's structure, which were derived from the Fund's legal documents.}

The Fund has an authorized share capital of \$100, divided into 100 participating management shares (the "Class M") of par value \$1. Such shares will carry the right to vote but not participate in the profits of the Fund.

At December 31, 20XX, there are XXX,XXX redeemable shares of \$0.01 par value authorized. There are two classes of nonmanagement shares: Class A and Class B. The Class A and Class B series of shares have equal rights and privileges except that the Class B will not share, or may be limited in its participation in profits and losses attributable to any investment in "new issues", as such term is defined under the rules of the U.S. Financial Industry Regulatory Authority, Inc. ("FINRA"). Shares are offered on the first business day of each calendar month or at such other times as the Directors may allow, and are offered in series at an initial purchase price of \$1,000 per share, which may be issued as a share of Class A. The minimum initial subscription for Class A participating redeemable nonvoting shares of the Fund is \$5,000,000. The minimum subscription for additional shares is \$500,000. The Fund's Directors, in their discretion, may accept subscriptions of a lesser amount.

A new series of shares generally will be issued on each date that shares are purchased. All issued and outstanding series of shares, other than the series of shares outstanding or issued at the beginning of the year (the "Initial Series"), are converted into the Initial Series at the end of a fiscal year. Such conversion will be effected at the prevailing net asset value per share of the Initial Series.

Shareholders may redeem their shares on the last day of each fiscal quarter, upon at least forty-five (45) days' prior written notice to the Administrator to redeem all or a portion of its shares of a series.

In accordance with the Memorandum, the Fund allocates its profits and losses, on a monthly basis, in proportion to the shareholder's investment in the Fund.

Advance subscriptions represent amounts received from shareholders for subscriptions with an effective date after December 31, 20XX.



## Company B Offshore Fund, Ltd.

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### Note 10 - Capital share transactions (continued)

{Note: The following is generally applicable to all unitized funds:}

Transactions in capital shares during the period, as well as the shares outstanding and the NAV per share as of December 31, 20XX, for each class and series of shares are:

ASC 946-505-50-2	Beginning shares	Transfers/ conversion of shares	Shares issued	Shares redeemed	Ending shares
Class A	66,815.140			(9,242.292)	57,572.848
Class B	85,577.154		2,675.462	(813.312)	87,439.304

  

ASC 946-505-50-2 (in thousands)	Beginning net assets	Transfers/ conversion of shares	Amounts issued	Amounts redeemed	Ending net assets
Class A	\$ 39,430	\$ -	\$ -	\$ (5,464)	\$ 34,318
Class B	14,382	-	350	(100)	14,280
	-	-	-	-	-
	<u>\$ 53,812</u>	<u>\$ -</u>	<u>\$ 350</u>	<u>\$ (5,564)</u>	<u>\$ 48,598</u>

  

ASC 946-505-50-1	Ending NAV per share
Class A	\$ 596.08
Class B	\$ 141.90

{See Company B Domestic Fund, LP for additional disclosure examples in notes to financial statements. Please note that the wording of limited partners and partners' capital must be changed to shareholders and net assets.}

#### Note 11 - Related party transactions

ASC 946-20-50-5 The Fund pays Investment Manager a management fee, calculated and payable quarterly in advance, equal to X.XX% of the Fund's net asset value on Class A and Class B determined as of the beginning of each calendar quarter.

ASC 850-10-50-1 through 3 The Fund considers the Investment Manager, its principal owners, members of management and members of their immediate families, as well as affiliates, to be related parties to the Fund. Amounts due from and due to related parties are generally settled in the normal course of business without formal payment terms.

The Investment Manager is entitled to receive a performance fee equal to XX% of the net profits, on Class A and Class B if any, subject to a loss carryforward provision.

ASC 850-10-50-1 through 3 Due to related parties represents amounts payable to the Investment Manager for expenses paid on behalf of the Fund.



## Company B Offshore Fund, Ltd.

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### Note 11 - Related party transactions (continued)

Certain shareholders are affiliated with the Investment Manager. The aggregate value of the affiliated shareholders' share of net assets at December 31, 20XX is approximately \$XX,XXX,000.

ASC 946-20-50-5 For the year ended December 31, 20XX, the Investment Manager earned an performance fee of \$X,XXXX,000.

#### Note 12 - Administrative services

XYZ Fund Services (Cayman Islands) Ltd. (the "Administrator") serves as the Fund's administrator and performs certain administrative and accounting services on behalf of the Fund. **{If applicable:}** At December 31, 20XX, cash balances in the amount of approximately \$X,XXX,000 are held by an affiliate of the Administrator.

#### Note 13 - Financial highlights

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

ASC 946-205-50-8

	Class A	Class B
Per-share operating performance		
ASC 946-205-50-7(a) NAV, beginning of year	\$ 590.13	\$ 141.05
Income from investment operations		
ASC 946-205-50-7(b) Net investment income (loss)	(11.51)	(3.41)
Incentive fee	(1.46)	(0.22)
ASC 946-205-50-7(c) Net gain from investments	18.92	4.48
ASC 946-205-50-7(d) Total from investment operations	5.95	0.85
ASC 946-205-50-7(h) NAV, end of year	\$ 596.08	\$ 141.90
See Domestic Fund, L.P. for general references		
Total return		
Total return before performance fee	1.26 %	0.75 %
Incentive fee	(0.25)	(0.15)
Total return after performance fee	1.01 %	0.60 %
Ratios to average net assets		
Expenses other than performance fee	2.86 %	3.34 %
Performance fee	0.26	0.16
Total expenses	3.12 %	3.50 %
Net investment income (loss)	(2.27) %	(2.66) %



## Company B Offshore Fund, Ltd.

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### **Note 13 - Financial highlights (continued)**

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

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

***{For periods greater than or less than one year:}*** The ratios, excluding nonrecurring expenses and the performance fee, have been annualized.

#### **Note 14 - Subsequent events**

ASC 855-10-50-1  
and 2

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

During the period from January 1, 20XX through *{Month, Date, Year}*, the Fund received \$XX,XXX,000, of which \$X,XXX,000 was included in advance capital contributions as of December 31, 20XX. In addition, the Fund had capital withdrawals of \$XX,XXX,000, of which \$X,XXX,000 was included in redemptions payable.



**Company B Master Fund, LP**



Company B Master Fund, LP

ASC 946-205-45-1

Statement of Assets and Liabilities  
December 31, 20XX

Assets

AAG-Inv 7.48 and 7.49, ASC 946-320- 35-1	Investment in securities, at fair value (cost 55,340,000)	\$ 54,520,000
	Investment in private investment companies, at fair value (cost \$550,000)	505,000
ASC 815-10-25-1	Derivative contracts, at fair value (cost \$410,000)	357,000
ASC 946-305-45-1	Cash and cash equivalents	333,000
	Due from brokers	483,000
ASC 946-310-45-1	Dividends and interest receivable	<u>31,000</u>
AAG-Inv 7.25a	Total assets	<u>56,229,000</u>

Liabilities

ASC 946-320-35-1	Securities sold short, at fair value (proceeds \$15,485,000)	16,444,000
	Derivative contracts, at fair value (proceeds \$207,000)	210,000
	Due to brokers	6,795,000
ASC 480-10-45-1	Capital withdrawals payable	425,000
	Management fee payable	48,000
	Dividends and interest payable	<u>17,000</u>
AAG-Inv 7.25b	Total liabilities	<u>23,939,000</u>
ASC 946-20-50-14	Partners' capital	<u>\$ 32,290,000</u>

**Editor's Note:** Please see Company Domestic Fund B, LP for illustrative examples of the condensed schedule of investments and statement of cash flows.

See Notes to Financial Statements.



Company B Master Fund, LP

ASC 946-205-45-1

Statement of Operations  
Year Ended December 31, 20XX

	Investment income	
ASC 946-830-45-39	Dividends (net of foreign withholding taxes of \$33,000)	\$ 262,000
	Interest	<u>138,000</u>
	Total investment income	<u>400,000</u>
ASC 946-220-45-3	Expenses	
	Dividends on securities sold short	345,000
	Interest on securities sold short	313,000
	Administrative fee	30,000
	Professional fees and other	<u>54,000</u>
	Total expenses	<u>742,000</u>
ASC 946-225-45-5	Net investment income (loss)	<u>(342,000)</u>
ASC 946-220-45-6	Realized and unrealized gain (loss) on investments, derivatives, and foreign currency transactions	
ASC 946-220-50-2	Net realized gain on investments, derivatives, and foreign currency transactions	6,626,000
	Net change in unrealized appreciation or depreciation of investments, derivatives, and foreign currency transactions	<u>(1,772,000)</u>
	Net gain from investments, derivatives, and foreign currency transactions	<u>4,854,000</u>
ASC 946-220-45-7	Net income (loss) <sup>(1)</sup>	<u>\$ 4,512,000</u>

<sup>(1)</sup> Paragraph 946-220-45-7 defines the sum of net investment income or loss and net realized and unrealized gain or loss on investments and foreign currency transactions as the net increase or decrease in net assets resulting from operations.

See Notes to Financial Statements.



## Company B Master Fund, LP

ASC 946-205-45-1

### Statement of Changes in Partners' Capital Year Ended December 31, 20XX

	General Partner	Company B Domestic Feeder, LP	Company B Offshore Feeder, Ltd.	Total
ASC 946-505-50-2				
ASC 946-505-50-3 Partners' capital, beginning of year	\$ 66,000	\$ 19,300,000	\$ 23,009,000	\$ 42,375,000
Capital contributions	-	10,000,000	-	10,000,000
Capital withdrawals	(567,000)	(20,134,000)	(3,896,000)	(24,597,000)
Allocation of net income (loss)				
Pro-rata allocation	567,000	2,268,000	1,677,000	4,512,000
ASC 946-20-45-4 Incentive allocation to General Partner	13,000	(7,000)	(6,000)	-
	<u>580,000</u>	<u>2,261,000</u>	<u>1,671,000</u>	<u>4,512,000</u>
ASC 946-505-50-3 Partners' capital, end of year	<u>\$ 79,000</u>	<u>\$ 11,427,000</u>	<u>\$ 20,784,000</u>	<u>\$ 32,290,000</u>

**Editors' Note:** Both a Statement of Cash Flows and a Condensed Schedule of Investments are required for Company B Master Fund, LP. Company B Domestic Fund, LP should be utilized as an example.

See Notes to Financial Statements.



## Company B Master Fund, LP

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### Note 1 - Organization

Company B Master Fund, LP (the "Master Fund") is an investment partnership which was formed under the laws of the Cayman Islands and commenced operations on {Month, Date, Year}. The Master Fund was organized for the purpose of trading and investing in securities and has two limited partners: Company B Domestic Feeder, LP (the "Domestic Feeder Fund"), a United States of America investment limited partnership, and Company B Offshore Feeder, Ltd. (the "Offshore Feeder Fund"), a Cayman Islands exempted investment company (collectively the "Feeder Funds"). The Feeder Funds invest substantially all of their assets in the Master Fund. The Master Fund is managed by Company B General Partner, LLC (the "General Partner") and Company B Investment Master Manager, LLC (the "Investment Manager"). ***{If applicable:}*** The Investment Manager is registered with the U.S. Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940.

#### Note 2 - Summary of significant accounting policies

{See Company B Domestic Fund, LP for additional examples of Summary of significant accounting policies. References to the Fund should be changed to Master Fund, where applicable.}

The significant accounting policies followed by the Master Fund are:

##### Basis of presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 946, Financial Services - Investment Companies ("ASC 946"), the Fund has determined that it is an investment company and has applied the guidance in accordance with ASC 946.

**{See Company B Domestic Fund, LP for additional examples of Summary of significant accounting policies.}**

##### Use of estimates

Cash and cash equivalents

Foreign currency translation

Investment transactions and investment income

Fair value - definition and hierarchy

Fair value - valuation techniques and inputs

Securities lending-including repurchase agreements and reverse repurchase agreements

Fair value - valuation of net risk exposures

Offsetting of assets and liabilities

Income taxes



## Company B Master Fund, LP

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### **Note 2 - Summary of significant accounting policies (continued)**

##### **Capital withdrawals payable**

##### **Recently adopted accounting standards**

**Note 3 - Fair value measurements (see Company B Domestic Fund, LP - Note 3)**

**Note 4 - Due from/to brokers (see Company B Domestic Fund, LP - Note 4)**

**Note 5 - Derivatives (see Company B Domestic Fund, LP - Note 5)**

**Note 6 - Securities sold short (see Company B Domestic Fund, LP - Note 6)**

**Note 7 - Securities purchased under agreements to resell and securities sold under agreements to repurchase (see Company B Domestic Fund, LP - Note 7)**

**Note 8 - Offsetting assets and liabilities (see Company B Domestic Fund, LP - Note 8)**

**Note 9 - Commitments and contingencies (see Company B Domestic Fund, LP - Note 9)**

**Note 10 - Partners' capital (see Company B Domestic Fund, LP - Note 12)**

***{These disclosures should be tailored to reflect the pertinent rights and privileges provisions in the Master Fund's legal documents.}***

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

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

***{Note: For master funds organized as offshore corporations, see Offshore Fund, Ltd.-Note 3 for example required disclosures of capital share transactions.}***

#### **Note 11 - Administrative services**

XYZ Fund Services (Cayman Islands) Ltd. (the "Administrator") serves as the Fund's administrator and performs certain administrative and accounting services on behalf of the Fund. ***{If applicable:}*** At December 31, 20XX, cash balances in the amount of approximately \$X,XXX,000 are held by an affiliate of the Administrator.



## Company B Master Fund, LP

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### Note 12 - Related party transactions

The Master Fund considers the General Partner and the Investment Manager, their principal owners, members of management and members of their immediate families, as well as affiliates, to be related parties to the Fund. Amounts due from and due to related parties are generally settled in the normal course of business without formal payment terms.

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

*{If applicable:}* The General Partner is entitled to receive an annual incentive allocation of XX% of the net profits, if any, of the respective Feeder Funds level, subject to a loss carryforward provision.

#### Note 13 - Financial highlights

*{Note: For master funds organized as offshore corporations, see Offshore Fund, Ltd. for a presentation of financial highlights of a unitized entity.}*

*{Note: The below presentation was prepared based on the assumption that the incentive allocation is charged at the master fund level:}*

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

	Domestic Feeder, LP	Offshore Feeder, Ltd
Total return		
Total return before incentive allocation to General Partner	7.00 %	6.95 %
Incentive allocation to General Partner	<u>(0.04)</u>	<u>(0.03)</u>
Total return after incentive allocation to General partner	<u>6.96 %</u>	<u>6.92 %</u>
Ratios to average limited partners' capital		
Expenses (including interest and dividends)	3.91 %	2.47 %
Incentive allocation to General Partner	<u>0.04</u>	<u>0.03</u>
Expenses and incentive allocation to General partner	<u>3.95 %</u>	<u>2.50 %</u>
Net investment income (loss)	<u>(1.43) %</u>	<u>(1.51) %</u>



## Company B Master Fund, LP

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### **Note 13 - Financial highlights (continued)**

Financial highlights are calculated for each limited partner class taken as a whole. An individual limited partner's return and ratios may vary based on participation in new issues, private investments, different incentive allocation and/or management fee arrangements, and the timing of capital transactions. The net investment loss ratios do not reflect the effects of the incentive allocation to the General Partner.

***{If applicable, for private investment companies:}*** The expense and net investment loss ratios do not reflect the income and expenses incurred by the underlying private investment companies.

***{For periods less than one year:}*** The ratios, excluding nonrecurring expenses and the incentive allocation to the General Partner, have been annualized. Total return has not been annualized.

#### **Note 14 - Subsequent events**

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

During the period from January 1, 20XX through ***{Month, Date, Year}***, the Master Fund received \$XX,XXX,000, of which \$X,XXX,000 was included in advance capital contributions as of December 31, 20XX. In addition, the Master Fund had capital withdrawals of \$XX,XXX,000, of which \$X,XXX,000 was included in capital withdrawals payable.



**Company B Domestic Feeder, LP**



Company B Domestic Feeder, LP

ASC 946-205-45-1

Statement of Assets and Liabilities  
December 31, 20XX

Assets

ASC 946-210-45-6	Investments in Company B Master Fund, LP	\$ 11,427,000
	Cash and cash equivalents	353,000
	Withdrawals receivable from Company B Master Fund, LP	230,000
	Other assets	<u>8,000</u>
	Total assets	<u>12,018,000</u>

Liabilities

	Advance capital contributions	350,000
	Capital withdrawals payable	230,000
	Accrued expenses and other liabilities	<u>11,000</u>
	Total liabilities	<u>591,000</u>
	Partners' capital	<u>\$ 11,427,000</u>

See Notes to Financial Statements.



**Company B Domestic Feeder, LP**

**ASC 946-205-45-1**

**Statement of Operations  
Year Ended December 31, 20XX**

	Investment income and expenses allocated from Company B Master Fund, LP	
	Dividend income (net of foreign withholding taxes of \$3,000)	\$ 121,000
	Interest income	57,000
	Interest and dividend expense	(276,000)
	Administrative fee	(12,000)
	Professional fees and other	<u>(121,000)</u>
ASC 946-225-45-11	Total net investment loss allocated from Company B Master Fund, LP	<u>(231,000)</u>
	Fund expenses	
	Management fee	219,000
	Professional fees and other	<u>16,000</u>
ASC 946-225-45-12	Total fund expenses	<u>235,000</u>
	Net investment income (loss)	<u>(466,000)</u>
ASC 946-225-45-12	Realized and unrealized gain (loss) from investments, derivatives, and foreign currency transactions allocated from Company B Master Fund, LP	
	Net realized gain on investments, derivatives, and foreign currency transactions	2,922,000
	Net change in unrealized appreciation or depreciation of investments, derivatives, and foreign currency transactions	<u>(423,000)</u>
	Net gain from investments allocated from Company B Master Fund, LP	<u>2,499,000</u>
	Net income (loss) <sup>(1)</sup>	<u><u>\$ 2,033,000</u></u>

(1) Paragraph 946-220-45-7 defines the sum of net investment income or loss and net realized and unrealized gain or loss on investments and foreign currency transactions as the net increase or decrease in net assets resulting from operations.

See Notes to Financial Statements.



## Company B Domestic Feeder, LP

ASC 946-205-45-1

### Statement of Changes in Partners' Capital Year Ended December 31, 20XX

	<u>General Partner</u>	<u>Limited partners</u>	<u>Total</u>
ASC 946-505-50-2			
ASC 946-505-50-3 Partners' capital, beginning of year	\$ 98,000	\$ 19,430,000	\$ 19,528,000
Capital contributions	-	10,000,000	10,000,000
Capital withdrawals	(50,000)	(20,084,000)	(20,134,000)
Allocation of net income (loss)	10,000	2,023,000	2,033,000
Incentive to the General Partner	79,000	(79,000)	-
ASC 946-505-50-3 Partners' capital, end of year	<u>\$ 137,000</u>	<u>\$ 11,290,000</u>	<u>\$ 11,427,000</u>

See Notes to Financial Statements.



**Company B Domestic Feeder, LP**

**ASC 946-205-45-1**

**Statement of Cash Flows  
Year Ended December 31, 20XX**

	Cash flows from operating activities	
ASC 230-10-45-28	Net income (loss)	\$ 2,033,000
	Adjustments to reconcile net income to net cash provided by operating activities	
	Net income allocated from Company B Master Fund, LP	(2,268,000)
	Contributions to Company B Master Fund, LP	(10,000,000)
	Withdrawals from Company B Master Fund, LP	20,134,000
	Changes in operating assets and liabilities	
	Withdrawals receivable from Company B Master Fund, LP	2,118,000
	Other assets	3,000
	Due to related parties	(2,000)
	Accrued expenses and other liabilities	<u>1,000</u>
	Net cash provided by operating activities	<u>12,019,000</u>
ASC 230-10-45-14 and 15, ASC 230-10-45-26	Cash flows from financing activities	
ASC 230-10-50-5	Proceeds from capital contributions, net of change in advance capital contributions	10,000,000
	Payments for capital withdrawals, net of change in capital withdrawals payable	<u>(22,017,000)</u>
	Net cash used in financing activities	<u>(12,017,000)</u>
ASC 230-10-45-24	Net increase in cash and cash equivalents	2,000
	Cash and cash equivalents, beginning of year	<u>351,000</u>
	Cash and cash equivalents, end of year	<u><u>\$ 353,000</u></u>

See Notes to Financial Statements.



## Company B Domestic Feeder, LP

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### Note 1 - Organization

***{This note should be tailored to the Fund's specific nature of operations:}***

Company B Domestic Feeder Fund, L.P. (the "Fund") is a limited partnership created under the laws of the State of Delaware, which commenced operations on ***{Month, Date, Year}***. The Fund was organized for the *{state Fund's investment objective}*. The Fund is managed by Company B General Partner, LLC (the "General Partner") and Investment Manager, LLC (the "Investment Manager"). ***{If applicable:}*** The Investment Manager is registered with the U.S. Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940.

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

#### Note 2 - Summary of significant accounting policies

The significant accounting policies followed by the Fund are:

##### Basis of presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 946, Financial Services - Investment Companies ("ASC 946"), the Fund has determined that it is an investment company and has applied the guidance in accordance with ASC 946.

##### Valuation of investment in Company B Master Fund, LP

ASC 946-235-50-3(d) The Fund records its investment in the Master Fund based on its proportionate share of the net assets of the Master Fund. Valuations of investments held by the Master Fund, including but not limited to, the valuation techniques used and categorization within the fair value hierarchy of investments are discussed in the notes to the Master Fund's financial statements, included elsewhere in this report.

##### Investment income and expenses

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



## Company B Domestic Feeder, LP

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### **Note 2 - Summary of significant accounting policies (continued)**

{See Company B Domestic Fund, LP for additional examples of Summary of significant accounting policies.}

##### **Use of estimates**

**Cash and cash equivalents**

**Foreign currency translation**

**Income taxes**

**Capital withdrawals payable**

**Recently adopted accounting standards**

#### **Note 3 - Related party transactions**

The Fund considers the Investment Manager, their principal owners, members of management and members of their immediate families, as well as affiliates, to be related parties to the Fund. Amounts due from and due to related parties are generally settled in the normal course of business without formal payment terms

The Investment Manager is entitled to a management fee, calculated and payable quarterly in advance on the first day of each calendar quarter equal to the applicable Management Fee Percentage (as defined below) of the net asset value of each Capital Account of the Partnership determined as of the beginning of each calendar quarter. The "Management Fee Percentage" is equal to (i) 0.3125% per quarter (approximately 1.25% per annum) for Founders Class Interests and (ii) 0.4375% per quarter (approximately 1.75% per annum) for Class A Interests. Once paid, the Management Fee is nonrefundable. The Management Fee will be prorated for subscriptions made during a calendar quarter. All or part of the Management Fee applicable to any Limited Partner may be waived, reduced or discounted by the Investment Manager from time to time in its sole discretion without notice to, or the consent of, the other Limited Partners. Certain limited partners are related parties of the General Partner.

The aggregate value of limited partners' capital owned by related parties at December 31, 2017 is \$285,166.

**Note 4 - Commitments and contingencies (see Company B Domestic Fund, LP - Note 9)**

**Note 5 - Partners' capital (see Company B Domestic Fund, LP - Note 10)**

**Note 6 - Administrative services (see Company B Domestic Fund, LP - Note 10)**



## Company B Domestic Feeder, LP

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### Note 7 - Financial highlights

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

Total return	
Total return before reallocation to General Partner	7.03 %
Reallocation to General Partner	<u>(0.09)</u>
Total return after reallocation to General Partner	<u>6.94 %</u>
Ratios to average limited partners' capital	
Expenses	3.91 %
Reallocation to General Partner	<u>0.48</u>
Expenses and reallocation to General Partner	<u>4.39 %</u>
Net investment income (loss)	<u>(2.83) %</u>

Financial highlights are calculated for each limited partner class taken as a whole. An individual limited partner's return and ratios may vary based on participation in new issues, private investments, different incentive allocation and/or management fee arrangements, and the timing of capital transactions. The net investment loss ratios do not reflect the effects of the incentive allocation to the General Partner.

***{For periods less than one year:}*** The ratios, excluding nonrecurring expenses and the incentive allocation to the General Partner, have been annualized. Total return has not been annualized.

{See Company B Domestic Fund, LP for additional disclosure examples in notes to financial statements.}

#### Note 8 - Subsequent events (see Company B Domestic Fund, LP - Note 14)



**Company B Offshore Feeder, Ltd.**



Company B Offshore Feeder, Ltd.

ASC 946-205-45-1

Statement of Assets and Liabilities  
December 31, 20XX

Assets

ASC 946-210-45-6	Investments in Company B Master Fund, LP	\$ 20,784,000
	Cash and cash equivalents	500,000
	Withdrawals receivable from Company B Master Fund, LP	195,000
	Other assets	43,000
		<hr/>
	Total assets	21,522,000

Liabilities

	Advance subscriptions	500,000
	Redemptions payable	222,000
	Due to related parties	5,000
	Accrued expenses and other liabilities	5,000
		<hr/>
	Total liabilities	732,000

	Net assets	<hr/> <hr/> \$ 20,790,000
--	------------	---------------------------

See Notes to Financial Statements.



**Company B Offshore Feeder, Ltd.**

**ASC 946-205-45-1**

**Statement of Operations  
Year Ended December 31, 20XX**

	Investment income and expenses allocated from Company B Master Fund, LP	
	Dividend income (net of foreign withholding taxes of \$31,000)	\$ 139,000
	Interest income	81,000
	Interest and dividend expense	(380,000)
	Administrative fee	(17,000)
	Professional fees and other	(167,000)
ASC 946-205-50-17	Incentive allocation to the General Partner of Company B Master Fund, LP	<u>(6,000)</u>
ASC 946-225-45-11	Total net investment loss allocated from Company B Master Fund, LP	<u>(350,000)</u>
	Fund expenses	
	Management fee	288,000
	Professional fees and other	<u>30,000</u>
ASC 946-225-45-12	Total fund expenses	<u>318,000</u>
	Net investment income (loss)	<u>(668,000)</u>
ASC 946-225-45-12	Realized and unrealized gain (loss) from investments, derivatives, and foreign currency transactions allocated from Company B Master Fund, LP	
ASC 946-220-50-2	Net realized gain on investments, derivatives, and foreign currency transactions	3,686,000
	Net change in unrealized appreciation or (depreciation) of investments, derivatives, and foreign currency transactions	<u>(1,341,000)</u>
	Net gain from investments allocated from Company B Master Fund, LP	<u>2,345,000</u>
	Net increase (decrease) in net assets resulting from operations	<u><u>\$ 1,677,000</u></u>

(1) Paragraph 946-220-45-7 defines the sum of net investment income or loss and net realized and unrealized gain or loss on investments and foreign currency transactions as the net increase or decrease in net assets resulting from operations.

See Notes to Financial Statements.



Company B Offshore Feeder, Ltd.

ASC 946-205-45-1

Statement of Changes in Net Assets  
Year Ended December 31, 20XX

Operations	
Net investment income (loss)	\$ (668,000)
Net realized gain on investments, derivatives, and foreign currency transactions	3,686,000
Net change in unrealized appreciation or (depreciation) of investments, derivatives, and foreign currency transactions	<u>(1,341,000)</u>
Net increase(decrease) in net assets resulting from operations	<u>1,677,000</u>
Capital share transactions	
Issuance of shares	-
Redemption of shares	<u>(3,896,000)</u>
Net increase in net assets resulting from capital share transactions	<u>(3,896,000)</u>
Net decrease in net assets	(2,219,000)
Net assets, beginning of year	<u>23,009,000</u>
Net assets, end of year	<u>\$ 20,790,000</u>

See Notes to Financial Statements.



Company B Offshore Feeder, Ltd.

ASC 946-205-45-1

Statement of Cash Flows  
Year Ended December 31, 20XX

	Cash flows from operating activities	
ASC 230-10-45-28	Net increase (decrease) in net assets resulting from operations	\$ 1,677,000
	Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities	
	Net income allocated from Company B Master Fund, LP	(1,995,000)
	Redemptions from Company B Master Fund, LP	3,896,000
	Changes in operating assets and liabilities	
	Withdrawals receivable from Company B Master Fund, LP	169,000
	Other assets	(6,000)
	Accrued expenses and other liabilities	4,000
		<hr/>
	Net cash provided by operating activities	3,745,000
		<hr/>
ASC 230-10-45-14 and 15, ASC 230-10-45-26	Cash flows from financing activities	
ASC 230-10-50-5	Proceeds from capital contributions, net of change in advance capital contributions	-
	Payments for redemptions of shares, net of change in redemptions payable	<hr/> (3,745,000)
		<hr/>
	Net cash used in financing activities	(3,745,000)
		<hr/>
ASC 230-10-45-24	Net increase in cash and cash equivalents	-
	Cash and cash equivalents, beginning of year	<hr/> 500,000
	Cash and cash equivalents, end of year	<hr/> <hr/> \$ 500,000

See Notes to Financial Statements.



## Company B Offshore Feeder, Ltd.

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### Note 1 - Organization

***{This note should be tailored to the Fund's specific nature of operations:}***  
Company B Offshore Feeder Ltd. (the "Fund") is a limited partnership created under the laws of the Cayman Islands, which commenced operations on ***{Month, Date, Year}***. The Fund was organized for the ***{state Fund's investment objective}***. The Fund is managed by Company B General Partner, LLC (the "General Partner") and Investment Manager, LLC (the "Investment Manager"). ***{If applicable:}*** The Investment Manager is registered with the U.S. Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940.

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

#### Note 2 - Summary of significant accounting policies

The significant accounting policies followed by the Fund are:

##### Basis of presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 946, Financial Services - Investment Companies ("ASC 946"), the Fund has determined that it is an investment company and has applied the guidance in accordance with ASC 946.

##### Valuation of investment in Company B Master Fund, LP

ASC 946-235-50-3(d) The Fund records its investment in the Master Fund based on its proportionate share of the net assets of the Master Fund. Valuations of investments held by the Master Fund, including but not limited to, the valuation techniques used and categorization within the fair value hierarchy of investments are discussed in the notes to the Master Fund's financial statements, included elsewhere in this report.

##### Investment income and expenses

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



Company B Offshore Feeder, Ltd.

Notes to Financial Statements  
December 31, 20XX

See Company B Domestic Fund, LP for general references

**Note 2 - Summary of significant accounting policies (continued)**

{See Company B Domestic Fund, LP and/or Company B Offshore, Ltd. for additional examples of Summary of significant accounting policies}

**Use of estimates**

**Cash and cash equivalents**

**Income taxes**

**Redemptions payable**

**Note 3 - Capital share transactions**

As of December 31, 20XX, there are XXX,000 redeemable shares of \$.01 par value authorized. There are two classes of shares, Class A and Class B. Shareholders who may be restricted from receiving certain types of income are issued Class B shares. All other shareholders are issued Class A shares. For purposes of accounting for the performance fee, shares issued at different times are issued in series, a different series being issued on each subscription date. Series 1 shares within each class are issued on the first subscription date in each calendar year and the remaining series are issued on any other subscription dates during the calendar year. After the close of each calendar year, all such series will be converted into series 1 shares of such class unless a loss carryforward attributable to such other series or to series 1 of such class remains outstanding.

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

	Beginning shares	Share transfers/ conversions	Shares issued	Shares redeemed	Ending shares
Class A					
Series					
Series 2	13,115.33	-	-	-	13,115.33
Series 4	2,025.00	-	-	-	2,025.00
Series 6	100.00	-	-	(100.00)	-
Series 7	5,246.00	-	-	-	5,246.00
Series 10	200.00	-	-	-	200.00
Series 15	3,664.28	-	-	(3,664.28)	-

  

	Beginning net assets	Amount issued	Amounts redeemed	Ending net assets	Ending NAV per share
Class A					
Series					
Series 2	\$ 12,763,000	\$ -	\$ -	\$ 12,763,000	\$ 1,040.91
Series 4	1,846,000	-	-	1,846,000	974.84
Series 6	87,000	-	94,000	181,000	-
Series 7	4,647,000	-	-	4,647,000	946.94
Series 10	190,000	-	-	190,000	1,012.93
Series 15	3,476,000	-	3,802,000	7,278,000	-
	<u>\$ 23,009,000</u>	<u>\$ -</u>	<u>\$ 3,896,000</u>	<u>\$ 26,905,000</u>	



## Company B Offshore Feeder, Ltd.

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### Note 4 - Related party transactions

The Fund considers the Investment Manager, their principal owners, members of management and members of their immediate families, as well as affiliates, to be related parties to the Fund. Amounts due from and due to related parties are generally settled in the normal course of business without formal payment terms.

#### Note 5 - Administrative fee

Administrator Fund Services Ltd. (Cayman Islands) (the "Administrator") serves as the Fund's administrator and performs certain administrative and clerical services on behalf of the Fund. *{If applicable}* One of the directors of the Fund is affiliated with the Administrator. *{If applicable}* At December 31, 20XX, cash balances in the amount of approximately \$501,000 are held by an affiliate of the Administrator.

#### Note 6 - Financial highlights

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

	Class A Shares Series 2
Per-share operating performance	
NAV, beginning of year	\$ 973.64
Income (loss) from investment operations	
Net investment income (loss)	(30.94)
Net gain on investments	98.21
Total from investment operations	67.27
NAV, end of year	\$ 1,040.91
Total return	
Total return before reallocation to General Partner of Company B Master Fund, LP	6.91 %
Reallocation to General Partner of Company B Master Fund, LP	-
Total return after reallocation to General Partner of Company B Master Fund, LP	6.91 %
Ratios to average net assets	
Expenses other than reallocation to General Partner of Company B Master Fund, LP	3.82 %
Reallocation to General Partner of Company B Master Fund, LP	-
Total expenses	3.82 %
Net investment income (loss)	(2.85) %



## Company B Offshore Feeder, Ltd.

### Notes to Financial Statements December 31, 20XX

See Company B Domestic Fund, LP for general references

#### **Note 6 - Financial highlights (continued)**

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

*{For periods greater than or less than one year}* The ratios, excluding nonrecurring expenses and the reallocation to the General Partner of the Master Fund, have been annualized.

#### **Note 7 - Subsequent events**

*{If applicable}* From January 1, 20XX through [month, date, year], the Fund accepted additional subscriptions of approximately \$29,500,000 (of which approximately \$500,000 is included in advance subscriptions) and had additional redemptions of approximately \$17,076,000.

*{If applicable}* In addition, as of [month, date, year], the Fund has received shareholder redemption requests that are anticipated to be effective on June 30, 20XX. The shareholder interests for these requests were approximately 6.4% of the net assets of the Fund as of December 31, 20XX. The ultimate amounts redeemed for these requests may vary based upon the performance of the Fund and the amount of redemptions declared effective by the Fund and its shareholders.



## Appendices



**Appendix A**  
**Liquidation Basis of Accounting**

**ASC 205-30-45-1,  
ASC 205-30-50-1**

**Statement of Net Assets in Liquidation**  
**December 31, 20XX**

Assets	
Investments in securities, at liquidation value (cost \$82,714,000)	\$ 72,610,000
Derivative contracts, at liquidation value (cost \$3,312,000)	2,375,000
Receivable for investment securities sold	4,134,000
Cash and cash equivalents	17,449,000
Dividends and interest receivable	<u>265,000</u>
 Total assets	 <u>96,833,000</u>
Liabilities	
Securities sold short, at liquidation value (proceeds \$16,859,000)	25,863,000
Derivation contracts, at liquidation value	47,582,000
Dividends and interest payable	7,430,000
Accrued estimated disposal costs	1,653,000
Accrued estimated management fees	451,000
Accrued estimated liquidation costs	<u>854,000</u>
 Total liabilities	 <u>83,833,000</u>
 Net assets in liquidation	 <u><u>\$ 13,000,000</u></u>

See Notes to Liquidation Basis of Accounting.



**Appendix A**  
**Liquidation Basis of Accounting**

**ASC 205-30-50-1 Condensed Schedule of Investments - Liquidation Basis**  
**December 31, 20XX**

	Percentage of net assets in liquidation	Liquidation value
Investments in securities, at liquidation value		
Common stocks		
United States		
Consumer discretionary		
Public Company A, 403,116 shares	264.3 %	\$ 34,364,000
Distribution		
Public Company B, 450 shares	180.4	23,454,000
Other	57.9	7,530,000
Healthcare	27.9	3,621,000
Real estate	28.0	3,641,000
Total - investments in securities, at liquidation value (cost \$82,714,000)	558.5 %	\$ 72,610,000
Derivative contracts (assets), at liquidation value		
Warrants purchased		
United Kingdom		
Banking	18.3 %	\$ 2,375,000
Total - derivative contracts (assets), at liquidation value (cost \$3,312,000)	18.3 %	\$ 2,375,000
Securities sold short, at liquidation value		
Common stocks		
United Kingdom		
Banking		
Public Banking Company B, 473,050 shares	88.3 %	\$ 11,484,000
Other	68.8	8,947,000
Manufacturing	41.8	5,432,000
Total - securities sold short, at liquidation value (proceeds \$16,859,000)	198.9 %	\$ 25,863,000
Derivative contracts (liabilities), at liquidation value		
Total return swaps		
United States		
Banking	348.9 %	\$ 45,354,000
Telecommunications	17.1	2,228,000
Total - derivative contracts (liabilities), at liquidation value	366.0 %	\$ 47,582,000

See Notes to Liquidation Basis of Accounting.



**Appendix A**  
**Liquidation Basis of Accounting**

**ASC 205-30-45-1,  
ASC 205-30-50-1**

**Statement of Changes in Net Assets in Liquidation**  
**Year Ended December 31, 20XX**

Partners' capital - net assets at [Month, Date, Year]	\$ 85,452,000
Cumulative-effect adjustment for change in basis of accounting	<u>(4,107,000)</u>
Net assets in liquidation, beginning of period	<u>81,345,000</u>
Net realized gain from investments and derivatives	127,764,000
Net change in unrealized gains and losses on investments and derivatives	(103,752,000)
Net decrease in estimated liquidation value of other assets	(2,000)
Net decrease in estimated interest income	(50,000)
Net increase in estimated interest and dividend expense	(290,000)
Net increase in estimated disposal costs	(35,000)
Net decrease in estimated management fees	32,000
Net decrease in estimated liquidation costs	21,000
Distributions to partners/shareholders	<u>(92,033,000)</u>
Net decrease in net assets in liquidation	<u>(68,345,000)</u>
Net assets in liquidation, end of period	<u><u>\$ 13,000,000</u></u>

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

	General Partner	Limited partners	Total
Net assets in liquidation, beginning of period	\$ 2,236,000	\$ 79,109,000	\$ 81,345,000
Net increase in net assets in liquidation, excluding distributions to partners	1,345,000	22,343,000	23,688,000
Incentive allocation to General Partner	4,469,000	(4,469,000)	-
Distributions to partners	<u>(5,000,000)</u>	<u>(87,033,000)</u>	<u>(92,033,000)</u>
Net assets in liquidation, end of period	<u><u>\$ 3,050,000</u></u>	<u><u>\$ 9,950,000</u></u>	<u><u>\$ 13,000,000</u></u>

See Notes to Liquidation Basis of Accounting.



## Appendix A Liquidation Basis of Accounting

### Notes to Financial Statements December 31, 20XX

**Editor's Note** - ASC paragraph 205-30-50-1 states that "an entity shall make all disclosures required by other [FASB] Topics that are relevant to understanding the entity's statement of net assets in liquidation and statement of changes in net assets in liquidation. The disclosures shall convey information about the amount of cash or other consideration that an entity expects to collect and the amount that the entity is obligated or expects to be obligated... to pay during the course of liquidation." In addition, ATQA 6910.38 through 6910.41 addresses other issues regarding liquidation of funds, which should be read in conjunction with preparing liquidation basis financial statements.

#### Note 1 - Summary of significant accounting policies

The significant accounting policies followed by the Fund are:

##### ASC 205-30-50-2(a) **Basis of presentation**

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The Fund is an investment company and follows the accounting and reporting guidance in the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 946, *Financial Services - Investment Companies*, including liquidation-basis adjustments required by Subtopic 205-30, *Liquidation Basis of Accounting*.

**ASC paragraph 205-30-50-2 states, in part that an entity shall disclose all of the following when it prepares financial statements using the liquidation basis of accounting. The Fund should prepare its financial statements using the liquidation basis of accounting, including the facts and circumstances surrounding the adoption of the liquidation basis of accounting and the entity's determination that liquidation is imminent.**

The **{General Partner}** **{Investment Manager}** **{Board of Directors}** decided to cease operations of the Fund and return the capital balances of the Fund's outside investors. On **{Month, Date, Year}**, the **{General Partner}** **{Investment Manager}** **{Board of Directors}** approved a plan to liquidate the Fund in an orderly manner. Thus, liquidation became imminent, and the Fund adopted the liquidation basis of accounting, whereby assets are measured at the estimated amount of cash or other consideration that the Fund expects to collect in settling or disposing of those assets, and liabilities are measured at their estimated settlement amounts, including costs the Fund expects to incur through the end of its liquidation (liquidation value). These estimated amounts are undiscounted and are recorded to the extent the Fund has a reasonable basis for estimation.

ASC 205-30-50-2(b) Under the plan of liquidation, the Fund plans to (1) sell its remaining investments, (2) collect receivables as they become due, (3) use available cash to settle the Fund's obligations, and (4) pay out distributions to the **{partners}** **{shareholders}** of the Fund. The **{General Partner}** **{Investment Manager}** **{Board of Directors}** anticipates that the liquidation of the Fund will



**Appendix A**  
**Liquidation Basis of Accounting**

**Notes to Financial Statements**  
**December 31, 20XX**

**Note 1 - Summary of significant accounting policies (continued)**

be completed on or about **{Include the estimated period the Fund expects to complete its liquidation or a range of estimated periods}** and has determined that the likelihood that the Fund will return from liquidation is remote.

ASC 205-30-50-2(c),  
ASC 205-30-30-1 For certain investments, securities sold short, and derivatives, fair value may approximate their liquidation values. In addition, the Fund may use other valuation techniques that include assumptions of forced or distressed sales, or when assumptions of exit price conditions are not consistent with market participant assumptions. ***{If applicable, see Domestic Fund, L.P. for examples of fair value accounting policy language to include when fair value approximates liquidation values.}***

ASC 205-30-25-5,  
ASC 205-30-30-2,  
and  
ASC 205-30-25-6 Liabilities are generally recognized in accordance with the measurement and recognition provisions of GAAP applicable for going-concern entities. In addition, liabilities include estimated costs to dispose of assets or other items the Fund expects to sell during the course of liquidation.

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

**{If the adoption of liquidation basis of accounting is material, the following section may be included if it is not included on the statement of changes in net assets in liquidation:}** On adoption of the liquidation basis of accounting, the Fund recorded the following cumulative effect adjustments to net assets in liquidation as of the date of adoption:

	(In thousands)
Adjustments of investments and derivatives to liquidation value	\$ (3,856)
Adjustments of other assets to liquidation value	(9)
Accrual of estimated interest income	852
Accrual of estimated disposal costs	(647)
Accrual of estimated management fees	(145)
Accrual of estimated liquidation costs	(302)
Cumulative effective adjustments for change in basis of accounting	\$ (4,107)



## Appendix A Liquidation Basis of Accounting

### Notes to Financial Statements December 31, 20XX

#### Note 1 - Summary of significant accounting policies (continued)

***{If the adoption of liquidation basis of accounting is not material, the following sentence may be included:}*** The adoption of the liquidation-basis of accounting did not have a material effect on the carrying values of the Fund's assets and liabilities as of the date of adoption.

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

#### **Use of estimate**

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

#### ASC 205-30-50-2(c) **Note 2 - Valuation of other investments**

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

***{When fair value is used to approximate the liquidation values of investments, fair value disclosures in accordance with Topic 820 should be included. See Domestic Fund, L.P. for examples of fair value disclosures.}***

#### ASC 205-30-50-2(c) and 2(d) **Note 3 - Estimated liquidation income and costs**

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



**Appendix A**  
**Liquidation Basis of Accounting**

**Notes to Financial Statements**  
**December 31, 20XX**

**Note 3 - Estimated liquidation income and costs (continued)**

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

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

At December 31, 20XX, the Fund accrued estimated liquidation costs expected to be incurred through ***{Specify the period in which costs are expected to be incurred.}*** as follows:

	(In thousands)
Administrative fees	\$ 136
Professional fees	450
Other liquidation expenses	268
Accrued estimated liquidation costs	\$ 854

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

***{If applicable, include a description of subsequent adjustments to previous accruals of estimated income or costs expected to be incurred in liquidation resulting from changes in the methods and assumptions used for previous estimates.}***

ASC 205-30-50-2(b) **Note 4 - Partners' capital/capital share transactions**

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

***{If applicable:}*** The Fund has elected to suspend redemptions as of ***{Month, Date, Year}***. Distributions after this date are based on proceeds received from the sale of investments and allocated to ***{partners}*** ***{shareholders}*** according to their respective interests in the Fund as of the date the distributions are declared by the Fund.



**Appendix B**  
**Reimbursed Expenses**

**Statement of Operations**  
**December 31, 20XX**

	Investment income	
	Dividends (net of \$217,621 of foreign withholding taxes)	\$ 3,118,371
	Interest	<u>3,090,379</u>
	Total investment income	<u>6,208,750</u>
	Expenses	
	Management fees	8,765,446
	Professional fees and other expenses	2,764,610
	Research costs	1,174,141
	Interest and dividends	1,559,827
	Other	<u>220,702</u>
ASC 946-20-45-5	Total expenses	14,484,726
ASC 946-20-50-7	Reimbursed/waived expenses	<u>(500,000)</u>
	Net expenses	<u>13,984,726</u>
	Net investment income (loss)	<u>(7,775,976)</u>
	Realized and unrealized gain on investments and foreign currency transactions	
	Net realized gain on investments and foreign currency transactions	57,631,388
	Net change in unrealized appreciation of investments and foreign currency transactions	<u>39,862,693</u>
	Net realized and unrealized gain on investments and foreign currency transactions	<u>97,494,081</u>
	Net income (loss)	<u><u>\$ 89,718,105</u></u>



## Appendix B Reimbursed Expenses

Total return		
	Total return before incentive allocation to General Partner	8.5 %
	Incentive allocation to General Partner	(0.5)
	Total return after incentive allocation to General Partner	8.0 %
Ratios to average limited partners' capital		
	Expenses (including interest and dividends)	1.3 %
	Reimbursed/waived expenses	(0.1)
ASC 946-20-45-5, ASC 946-20-50-7	Incentive allocation to General Partner	0.5
	Expenses and incentive allocation to General Partner	1.7 %
	Net investment Income (loss)	(0.8) %

An individual limited partner's return and ratios may vary based on participation in financial highlights are calculated for each limited partner class taken as a whole. New issues, private investments, different incentive allocation and/or management fee arrangements, and the timing of capital transactions. The net investment loss ratios do not reflect the effects of the incentive allocation to the General Partner.

***[If applicable, for private investment companies:]*** The expense and net investment loss ratios do not reflect the income and expenses incurred by the underlying private investment companies.

***[For periods less than one year:]*** The ratios, excluding nonrecurring expenses and the incentive allocation to the General Partner, have been annualized. Total return has not been annualized.



## Appendix C Early Adoption of ASU 2018-13

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2018-13 ("ASU 2018-13"), Fair Value Measurement (Topic 820): *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The primary focus of ASU 2018-13 is to improve the effectiveness of the disclosure requirements for fair value measurements. The changes affect all companies that are required to include fair value measurement disclosures. Nonpublic entities are exempt from certain disclosure requirements, as noted below.

ASU 2018-13 modifies the disclosure requirements on fair value measurements in Topic 820 as follows:

### Removal of Certain Disclosures

The following four disclosure requirements were removed from Topic 820:

1. The amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy **(The amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy can be removed for nonpublic entities that elect to early adopt ASU 2018-13.)**;
2. The policy for timing of transfers between levels of the fair value hierarchy **(The timing of transfers between levels of the fair value hierarchy can be removed for nonpublic entities that elect to early adopt ASU 2018-13.)**;
3. The valuation processes for Level 3 fair value measurements **(The description of the valuation process can be removed for nonpublic entities that elect to early adopt ASU 2018-13.)**; and
4. For nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. **(The changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at year end can be removed for nonpublic entities that elect to early adopt ASU 2018-13.)**.

### Modifications to Certain Disclosures

The following three disclosure requirements were modified in Topic 820:

1. In lieu of a roll forward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases, and issues of Level 3 assets and liabilities. **(In lieu of the roll forward of the Level 3 fair value measurements for nonpublic entities that elect to early adopt ASU 2018-13, an entity should disclose the following information. "For the year ended December 31, 20XX, the fund purchased, issued, transferred into and out of the following Level 3 assets (and liabilities) \$XX,XXX, \$XX,XXX, \$XX,XXX and \$XX,XXX, respectively.")**.



## Appendix C Early Adoption of ASU 2018-13

**If an entity holds multiple Level 3 investment types, it may decide to disclose the Level 3 activity in tabular format. The below is an example of this disclosure option:**

The following table summarizes purchases and transfers in and out of the Partnership's Level 3 assets for the year ended December 31, 2018:

	<u>Common stocks</u>	<u>Corporate bonds</u>	<u>Limited partnerships</u>
Purchases	\$ -	\$ -	\$ -
Issuances	-	-	-
Transfer in	-	-	-
Transfer out	-	-	-

- For investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly. **(An example disclosure of this required information may be found within ASU 2018-13 [see ASC 820-10-55-107].)**
- The amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement **as of the reporting date.**

In its "Basis for Conclusions," the FASB indicates that there was some confusion in practice and that an entity should only disclose uncertainty at the reporting date, **and not sensitivity to expected future changes as this information would be deemed to be forward-looking and, accordingly, not required.**

This Appendix does not address the additional disclosures required by public entities.

### Effective Date

In general, the amendments in ASU 2018-13 are effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019.

An entity is permitted to early adopt the removed or modified disclosures upon the issuance of ASU 2018-13 and may delay adoption of the additional disclosures, which are required for public companies only, until their effective date.

Industry practice does not require comparative financial statements for nonpublic investment partnerships. Since early adoption of the disclosure requirements in ASU 2018-13 is permitted, nonregistered investment partnerships should be able to eliminate or modify certain information in financial statements for the year ended December 31, 2018.



**Appendix D**  
**Investment in Private Investment Companies**

**Schedule of Investments**  
**December 31, 20XX**  
**(Information disclosed in footnotes to Schedule of Investments)**

Description	Cost	Fair value	Percentage of net assets	Unfunded commitment
Investment in private investment companies, at fair value				
United States				
XYZ Fund L.P.	\$ 183,466,000	\$ 195,642,000	26.30 % (1)	\$ 400,000
QRS Fund L.P.	31,628,000	36,570,000	4.92	100,000
UVW Fund L.P.	41,624,000	43,700,000	5.63 (2)	300,000
	<u>\$ 256,718,000</u>	<u>\$ 275,912,000</u>	<u>36.85 %</u>	<u>\$ 800,000</u>
Total investment in private investment companies, at fair value				

At December 31, 20XX, the Fund's proportionate share of ownership of the following issuers represented more than 5% of the Fund's net assets:

At December 31, 20XX, the Fund's proportionate share of ownership of the following issuers represented more than 5% of the Fund's net assets:

	assets	fair value
(1) United States Treasury (a)	10.11%	\$75,203,000

(a) This amount represents the aggregate value of various securities less than 5% of the Fund's net assets.

(a) This amount represents the aggregate value of various securities less than 5% of the Fund's net assets.

ASC 946-210-50-9 (2) **[The following is an alternative presentation of the Fund's proportionate interest in underlying investments that exceed 5% of the Fund's [partners' capital] [net assets] at December 31, 20XX].** UVW Funds L.P. holds an investment in XYZ common stock with a fair value of \$XX,XXX,000. XYZ is a U.S. company in the media industry. The Fund's proportionate share of this investment is valued at \$XX,XXX,000 as of December 31, 20XX.

ASC 946-210-50-10 (3) Information about the investee fund's portfolio is not available.

See Notes to Financial Statements.



## Appendix D Investment in Private Investment Companies

ASC 946-210-50-8 and 9 The following table summarizes the Fund's investments in other private investment companies as of December 31, 20XX. Other private investment companies in which the Fund invested 5% or more of its net assets, as disclosed in the condensed schedule of investments, are individually identified, while smaller investments are aggregated. The Fund's investments in private investment companies have certain redemption and liquidity restrictions that are described in the following table:

	Investment strategy	% of partners' capital	Fair value	Income/(loss) <sup>(a)</sup>	Management fee <sup>(a)</sup>	Incentive fee <sup>(a)</sup>	Redemption notice period <sup>(b)</sup>	Redemptions permitted <sup>(b)</sup>	Liquidity restrictions <sup>(b)</sup>
ASC 820-10-50-6(A)(d) ASC946-210-50-6(g)(2)	Credit and distressed CDE Fund L.P.	0.00 %	\$ -	\$ 3,151,000	\$ 485,000	\$ -	30 days	Semiannually	None
ASC 820-10-50-6(A)€ CFTC Regulation 4.22	PEF Fund Ltd.	7.42	38,710,000	(3,995,000)	463,000	-	30 days	Quarterly	Locked up until December 31, 20XX
	Others	0.02	101,000	7,000	1,000	-	45 days	Annually	(1)
	Total credit and distressed	7.44	38,811,000	(837,000)	949,000	-			
	Diversified hedging	3.72	19,387,000	(649,000)	410,000	-	45 days	Annually	None
	Equity long/short	7.27	37,901,000	4,177,000	715,000	-	30 days	Quarterly	Locked up until December 31, 20XX
	Hedged equity	1.87	9,778,000	369,000	104,000	80,000	30 days	Semiannually	None
	Merger arbitrage								
	ME Fund L.P.	9.18	47,900,000	401,000	-	-	N/A	N/A	(1)
	Private equity	3.24	16,919,000	3,605,000	541,600	632,000			
	Total	32.72 %	\$ 170,696,000	\$ 7,066,000	\$ 2,719,600	\$ 712,000			

(a) - Required for commodity pools

(b) - Required for all funds in the footnotes or the schedule of investments

(1) Will be liquidated over two to three years

See Notes to Financial Statements.

## Contributors:

**Stuart Smith** (editor) | [stu.smith@cohnreznick.com](mailto:stu.smith@cohnreznick.com)

**Cheryl Watson** (contributing editor) | [cheryl.watson@cohnreznick.com](mailto:cheryl.watson@cohnreznick.com)

**Christopher Aroh** (contributing editor) | [christopher.aroh@cohnreznick.com](mailto:christopher.aroh@cohnreznick.com)

**John Conover** | [john.conover@cohnreznick.com](mailto:john.conover@cohnreznick.com)

**Ghada Hamid-Khan** | [ghada.hamid-khan@cohnreznick.com](mailto:ghada.hamid-khan@cohnreznick.com)

## About CohnReznick

As a leading advisory, assurance, and tax firm, CohnReznick helps forward-thinking organizations achieve their vision by optimizing performance, maximizing value, and managing risk. Clients benefit from the right team with the right capabilities; proven processes customized to their individual needs; and leaders with vital industry knowledge and relationships. Headquartered in New York, NY with offices nationwide, the firm serves organizations around the world through its global subsidiaries and membership in Nexia International.

For more information, visit  
**[www.cohnreznick.com](http://www.cohnreznick.com)**

---

CohnReznick LLP © 2019

This has been prepared for information purposes and general guidance only and does not constitute legal or professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is made as to the accuracy or completeness of the information contained in this publication, and CohnReznick LLP, its members, employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.