withum

Private Equity Fund

ProForma

Financial Statements Reference Manual
December 31, 2016

ProForma
Private Equity Fund

FINANCIAL STATEMENTS
REFERENCE MANUAL

DECEMBER 31, 2016

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FINANCIAL STATEMENTS

January 2017

The alternative investment community continues to be under intense scrutiny in the constantly changing regulatory environment. Communication and transparency between managers and investors remains to be the critical aspect of running a successful investment vehicle. With that said, it is important for managers to keep abreast of changes to the financial reporting standards and industry hot topics.

Drawing from our expertise within the financial services arena, Withum's financial statements reference manual serves as one resource in preparing financial statements to move towards uniform industry reporting. The examples contained herein reflect many recent changes to professional standards, but are not intended to be a replacement for consulting such professional standards.

We are pleased to share this guide as a resource and would like to encourage you to contact and use Withum as a resource and as a trusted advisor.

Thank you and best regards,

Withum

Private Equity Fund, L.P.

Statement of Financial Condition
December 31, 20XX

Assets		
Investments, at fair value (cost $647,492,000)	$	780,888,000
Cash and cash equivalents		8,263,000
Interest and dividends receivable		548,000
Due from related parties		105,000
Escrow proceeds receivable		133,000
Capital contributions receivable		948,000
Other assets		266,000
	$	791,151,000
Liabilities and partners' capital		
Liabilities		
Management fee payable	$	978,000
Payable for investment purchase transactions		2,348,000
Loans payable		148,000
Due to related parties		198,000
Accrued expenses and other liabilities		143,000
Total liabilities		3,815,000
Partners' capital		787,336,000
	$	791,151,000

See accompanying notes to financial statements.

Private Equity Fund, L.P.

Statement of Operations

Year Ended December 31, 20XX

Investment income		
Interest	$	4,087,000
Dividends		2,543,000
Other income		148,000
Total investment income		6,778,000
Expenses		
Interest expense		168,000
Management fee		7,588,000
Organization costs		371,000
Broken deal costs		1,380,000
Professional fees and other		593,000
Total expenses		10,100,000
Net investment income (loss)		(3,322,000)
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on investments		25,813,000
Net change in unrealized appreciation or depreciation on investments		18,121,000
Net gain (loss) on investments		43,934,000
Net income (loss)	$	40,612,000

See accompanying notes to financial statements.

Private Equity Fund, L.P.

Statement of Changes in Partners' Capital

Year Ended December 31, 20XX

	General Partner	Limited Partners	Total
Partners' capital, beginning of year	$ 75,954,000	$ 683,027,000	$ 758,981,000
Capital contributions	300,000	24,800,000	25,100,000
Capital distributions	(421,000)	(36,936,000)	(37,357,000)
Allocation of net income (loss)			
Pro rata allocation	383,000	40,229,000	40,612,000
Carried interest allocation to General Partner	8,099,000	(8,099,000)	—
	8,482,000	32,130,000	40,612,000
Partners' capital, end of year	$ 84,315,000	$ 703,021,000	$ 787,336,000

See accompanying notes to financial statements.

Private Equity Fund, L.P.

Statement of Cash Flows

Year Ended December 31, 20XX

Cash flows from operating activities		
Net income (loss)	$	40,612,000
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Net realized gain (loss) on investments		(25,813,000)
Net change in unrealized appreciation or depreciation on investments		(18,121,000)
Changes in operating assets and liabilities:		
Purchases of investments		(75,637,000)
Proceeds from sale of investments		84,175,000
Interest and dividends receivable		448,000
Due from related parties		(55,000)
Escrow proceeds receivable		455,000
Other assets		90,000
Management fee payable		148,000
Due to related parties		(68,000)
Accrued expenses and other liabilities		87,000
Net cash provided by (used in) operating activities		6,321,000
Cash flows from financing activities		
Capital contributions, net of change in capital contributions receivable		24,200,000
Capital distributions		(37,357,000)
Proceeds from loans payable		2,000,000
Repayments of loans payable		(2,700,000)
Net cash provided by (used in) financing activities		(13,857,000)
Net change in cash and cash equivalents		(7,536,000)
Cash and cash equivalents, beginning of year		15,799,000
Cash and cash equivalents, end of year	$	8,263,000
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$	168,000

See accompanying notes to financial statements.

Private Equity Fund, L.P.

Condensed Schedule of Investments
December 31, 20XX

	Number of Shares or Principal Amount	Percentage of Partners' Capital	Cost	Fair Value
Investments, at fair value				
Investments in marketable securities				
Common stocks				
United States				
Manufacturing				
Other		3.2 %	$ 24,200,000	$ 25,200,000
Total investments in marketable securities		3.2	24,200,000	25,200,000
Investments in private operating companies				
Common stocks				
United States				
Manufacturing				
Private Company 1	1,612,431	37.8	255,956,000	297,482,000
Other		9.5	49,598,000	74,637,000
Retail				
Private Company 3	198,000	7.4	50,145,000	58,034,000
Total United States		54.7	355,699,000	430,153,000
United Kingdom				
Technology				
Private Company 2	2,256,000	9.2	43,360,000	72,690,000
Total United Kingdom		9.2	43,360,000	72,690,000
Total common stocks		63.9	399,059,000	502,843,000
Preferred stocks				
United States				
Manufacturing				
Private Company 1	987,465	19.8	115,849,000	155,506,000
Other		5.7	62,433,000	45,210,000
Retail				
Private Company 3	541,000	3.7	25,483,000	29,495,000
Total preferred stocks		29.2	203,765,000	230,211,000

See accompanying notes to financial statements.

Private Equity Fund, L.P.

Condensed Schedule of Investments *continued*

December 31, 20XX

Investments, at fair value (continued)	Expiration Dates	Number of Shares or Principal Amount	Percentage of Partners' Capital	Cost	Fair Value
Warrants					
United States					
Technology					
Private Company 4	May 20XX	5,000	0.0 %	$ —	$ 225,000
Biotechnology					
Other			0.0	—	—
Total warrants			0.0	—	225,000
Debt securities					
United States					
Technology					
Private Company 4					
12%, 11/15/20XX		$ 20,750,000	2.8	20,468,000	22,409,000
Total debt securities			2.8	20,468,000	22,409,000
Total investments in private operating companies			95.9	623,292,000	755,688,000
Total investments, at fair value			99.1 %	$ 647,492,000	$ 780,888,000

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

[See Appendix A for additional disclosure requirements related to investments in private investment companies.]

See accompanying notes to financial statements.

1. Nature of operations and summary of significant accounting policies

Nature of Operations

Private Equity Fund, L.P. (the "Fund") a Delaware limited partnership, commenced operations on [insert month, date, year]. The Fund was organized for the purpose of making or acquiring portfolio investments; owning, managing, supervising and disposing of such investments; and engaging in all activities related thereto. There may be no established market for portfolio investments, and transfer of ownership of such investments may be restricted. The Fund is managed by General Partner, LLC (the “General Partner”) and Investment Manager/Advisor LLC (the “Investment Manager” or “Investment Advisor”). [If applicable] The Investment Manager is registered with the Securities and Exchange Commission (“SEC”) as a registered investment adviser. Refer to the Fund’s offering memorandum for more information.

The Limited Partnership Agreement (the “Agreement”) provides that the Fund is scheduled to continue until the close of business on [insert month, date, year], unless sooner terminated or extended through terms specified in the Agreement.

[If applicable] The Fund was formed with the intention of co-investing with other to-be-formed investment partnerships and limited liability companies (the “co-investment entities”) organized by the General Partner of the Fund. Investment ownership in all such investments is allocated among the Fund and any respective co-investment entities strictly on a pro rata basis in accordance with the total amounts of capital committed for investment by the Fund and the co-investment entities.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as detailed in the Financial Accounting Standards Board’s Accounting Standards Codification (“FASB ASC”). The Fund is an investment company and follows the accounting and reporting guidance in FASB ASC Topic 946.

These financial statements were approved by management and available for issuance on [insert report date]. Subsequent events have been evaluated through this date.

[If applicable] In accordance with the Agreement, management has formalized a plan of liquidation to liquidate the Fund in an orderly manner.

Cash Equivalents

Cash equivalents include short-term highly liquid investments, such as money market funds, that are readily convertible to known amounts of cash and have original maturities of three months or less. The Fund invests its available cash in interest-bearing money market accounts with a major United States bank.

Fair Value — Definition and Hierarchy

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

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

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

Level 2 — Valuations based on inputs, other than quoted prices included in Level 1 that are observable, either directly or indirectly.

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

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

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for investments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy in which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement.

Fair Value — Valuation Techniques and Inputs

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

Investments in Marketable Securities

The Fund values investments in securities that are freely tradable and listed on major securities exchanges at their last reported sales price as of the valuation date.

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.

Investments in Private Operating Companies — Equity Securities

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

These assessments typically incorporate valuation techniques that consider the evaluation of arm's-length financing and sale transactions with third parties, an income approach reflecting a discounted cash flow analysis, and a market approach that includes a comparative analysis of acquisition multiples and pricing multiples generated by market participants. 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 generally categorized in Level 3 of the fair value hierarchy.

[Examples of income approach input technique disclosures:] Inputs relied upon by the income approach include annual projected cash flows for each investment through their respective investment horizons. These cash flow assumptions may be

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

probability-weighted to reflect the risks associated with achieving expected performance levels across various business scenarios. Under the income approach, the privately held nature of an investment may be reflected in the magnitude of the selected range of discount rates or through application of separate liquidity discounts.

[Examples of market approach input technique disclosures:] Equity investments valued using a market approach utilized valuation multiples times the annual Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), or another performance metric such as revenues or net earnings. The selected valuation multiples were estimated through a comparative analysis of the performance and characteristics of each investment within a range of comparable companies or transactions in the observable marketplace. In addition, the Fund generally applies liquidity discounts and control premiums dependent upon the characteristics of the individual investment and its respective marketplace.

[Examples of probability-weighted expected return method disclosures:] The probability-weighted expected return method is based upon an estimation of expected fair value as analyzed through various liquidity scenarios. Fair value is determined for a given scenario at the time of the future liquidity event, and discounted back to the present using a risk-adjusted discount rate. The present values under each scenario are then weighted based on the expected probability of each occurring, in order to determine an indication of fair value.

[Examples of option-pricing model disclosures:] The option-pricing model treats a subject company's common stock and preferred stock as call options on the enterprise or equity value of the company with exercise or strike prices based on the characteristics of each series or class of equity in the subject company's capital structure (i.e. the liquidation preference of a given series of preferred stock). Under this method, the common stock has value only if the funds available for distribution to shareholders exceed the value reflected in the rights and characteristics of the company's preferred stock at the time of the liquidity event. This method is sensitive to certain key assumptions, such as volatility, which is not easily forecast for privately held companies.

Investments in Private Operating Companies — Debt Securities

The Fund's investments in private operating companies also consist of direct private debt investments. The transaction price, excluding transaction costs, is typically the Fund's best estimate of fair value at inception. When evidence supports a change in carrying value from the transaction price, adjustments are made to reflect expected exit values in the investment's principal market under current market conditions. Ongoing reviews by the Fund's management are based on an assessment of trends in the performance and credit profile of each underlying investment from the inception date through the most recent valuation date. These assessments typically incorporate valuation methodologies that consider the evaluation of arm's-length financing, sales transactions with third parties and an income approach based upon a discounted cash flow analysis. These investments in private operating companies are generally categorized in Level 3 of the fair value hierarchy.

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

Warrants

Warrants which are listed on major securities exchanges, are valued at their last reported sales prices as of the valuation date. The fair value of OTC warrants is valued using the Black-Scholes option pricing model, a 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 are generally categorized in Level 2 or Level 3 of the fair value hierarchy.

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

Fair Value — Valuation Techniques and Inputs (continued)

Investments in Restricted Securities of Public Companies

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

Investments in Special Purpose Vehicles

[Include/modify the description of the valuation techniques and the inputs used in the fair value of Level 2 and Level 3 investments in special purpose vehicles, if necessary.]

Investments in special purpose vehicles ("SPVs") consist of [common stock, LP interest, etc.] in either offshore private investment companies or United States corporations that invest directly or indirectly through joint ventures or United States limited liability companies in private equity or debt securities, real estate or intangible property. The Fund's investments in these SPVs are stated at fair value by evaluating the fair value of the net assets of the SPVs. The net assets of each underlying SPV are valued based on each underlying investment within each SPV incorporating valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based transactions, and performance multiples among other factors. Investments in SPVs are generally categorized in Level 3 of the fair value hierarchy.

Investments in Private Investment Companies

[This note should be tailored to the Fund's specific policies and procedures.]

Investments in private investment companies are valued, as a practical expedient, utilizing the net asset valuations provided by the underlying private investment companies when the net asset valuations of the investments are calculated (or adjusted by the Fund if necessary) 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.

Investments in private investment companies are included in Level 2 or Level 3 of the fair value hierarchy. In determining the level, the Fund considers the length of time until the investment is redeemable, including notice and lock-up periods or any other restriction on the disposition of the investment. The Fund also considers the nature of the portfolios of the underlying private investment companies and their ability to liquidate their underlying investments. If the Fund has the ability to redeem its investment at the reported net asset valuation as of the measurement date, the investment is generally included in Level 2 of the fair value hierarchy. If the Fund does not know when it will have the ability to redeem the investment or it does not have the ability to redeem its investment in the near term, the investment is included in Level 3 of the fair value hierarchy. In addition, investments which are not valued using the practical expedient are included in Level 3 of the fair value hierarchy.

[Include if the Fund has investments in private investment companies that are not valued using the practical expedient.] At December 31, 20XX, the Fund has investments in private investment companies aggregating approximately $X,XXX,XXX which do not qualify for the practical expedient as it is probable that the Fund will sell a portion of or the entire investment at an amount different from its net asset valuation. These investments were valued using discounts ranging from X.X% to X.X% of their stated net asset valuations, and were determined based on the Fund's estimates of third-party transactions and quotations.

The valuations of investments in private investment companies are supported by information received from the investee funds such as monthly net asset values, investor reports, and audited financial statements, when available. 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, or when the Fund believes alternative valuation techniques are more appropriate, the valuation committee may consider other factors, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in the determination of fair value.

[If early adopting Accounting Standards Update ("ASU") 2015-07: "Investments in private investment companies for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy."]

Fair Value – Valuation Processes

[This note should be tailored to the Fund's specific policies and procedures.]

The Fund established 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 designates a Valuation Committee to oversee the entire valuation process of the Fund's Level 3 investments. The Valuation Committee is comprised of various Fund personnel who are separate from the Fund's portfolio management and deal team functions, and reports to the Fund's board of directors. The Valuation Committee is responsible for developing the Fund's written valuation processes and procedures, conducting periodic reviews of the valuation policies, and evaluating the overall fairness and consistent application of the valuation policies.

The Valuation Committee meets on a monthly basis, or more frequently as needed, to determine the valuations of the Fund's Level 3 investments. Valuations determined by the Fund are required to be supported by market data, industry accepted third-party pricing models, or other methods the Valuation Committee deems to be appropriate, including the use of internal proprietary pricing models.

[If there has been a change in valuation technique (for example, changing from a market approach to an income approach or the use of an additional valuation technique), the reporting entity is required to disclose that change and the reason(s) for making it.]

[If applicable] Since December 31, 20XX, there have been no changes in valuation techniques within Level 2 and Level 3 that have had a material impact on the valuation of financial instruments.

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

[If applicable] On an annual basis, the Fund engages the services of a nationally recognized third-party valuation firm to perform an independent review of the valuation of the Fund's Level 3 investments, and may adjust its valuations based on the recommendations from the valuation firm.

Warrants

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

The value of a warrant has two components: time value and intrinsic value. A warrant has a limited life and expires on a certain date. As time to the expiration date of a warrant approaches, the time value of a warrant will decline. In addition, if the stock underlying the warrant declines in price, the intrinsic value of an "in the money" warrant will

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

Warrants (continued)

decline. Further, if the price of the stock underlying the warrant does not exceed the strike price of the warrant on the expiration date, the warrant will expire worthless. As a result, there is the potential for the Fund to lose its entire investment in a warrant. The Fund is exposed to counterparty risk from the potential failure of an issuer of warrants to settle its exercised warrants. The maximum risk of loss from counterparty risk to the Fund is the fair value of the contracts and the purchase price of the warrants. The Fund considers the effects of counterparty risk when determining the fair value of its investments in warrants. See Note 3 for additional information on warrant contracts including related realized and unrealized gains and losses information.

Investment Transactions and Related Investment Income

Investment transactions are accounted for on a trade-date basis. Dividend income is recorded on the record date with the exception for dividend income from marketable securities which is recorded on the ex-dividend date. Interest is recognized on the accrual basis. [If applicable] Premiums are amortized and discounts are accreted over the life of the debt securities. [If applicable] Discounts for high-yield debt securities are not amortized to the extent that interest income is not expected to be realized.

Translation of Foreign Currency

Investments held at year end denominated in foreign currencies are translated into U.S. dollar amounts at the year-end exchange rates. Transactions denominated in foreign currencies, including purchases and sales of investments, and income and expenses, are translated into U.S. dollar amounts on the transaction date. Adjustments arising from foreign currency transactions are reflected in the statement of operations.

The Fund does not isolate that portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Such fluctuations are included in net gain (loss) on investments in the statement of operations.

Income Taxes

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

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

[Include the following disclosures only if the Fund has not recognized a liability for unrecognized tax benefits.]

Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 20XX. The Fund does not expect that its assessment regarding unrecognized tax benefits will materially change over the next 12 months. However, the Fund's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, compliance with U.S. federal, U.S. state and foreign tax laws, and changes in the administrative practices and precedents of the relevant taxing authorities.

[Include the following disclosures only if the Fund has recognized a liability for unrecognized tax benefits.]

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

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

OR

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

OR

[Option 3.] The Fund does not expect that its assessment regarding unrecognized tax benefits will materially change over the next 12 months. However, the Fund's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, the nexus of income among various tax jurisdictions, compliance with U.S. federal, U.S. state and foreign tax laws, and changes in the administrative practices and precedents of the relevant taxing authorities. The Fund recognizes interest and penalties related to unrecognized tax benefits in interest expense and other expenses, respectively. During the year ended December 31, 20XX, the Fund recognized $XXX and $XXX, respectively, related to interest and penalties. At December 31, 20XX, the Fund accrued $XXX and $XXX, respectively, for the payment of interest and penalties.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Fund's management to make estimates and assumptions that affect the amounts disclosed in the financial statements, including contingencies. Actual results could differ from those estimates.

Organization Costs

Organization costs have been expensed as incurred.

Broken Deal Costs

Costs and expenses incurred relating to sourcing, investigating, identifying, analyzing and pursuing potential portfolio investments not ultimately made are expensed as incurred with such amounts included in transaction expenses/broken deal costs in the statement of operations. All costs incurred related to executed transactions are capitalized in the initial cost of the investment.

Syndication Costs

Syndication costs represent costs incurred in connection with the syndication of limited partnership interests. Those costs are reflected as a reduction of partners' capital. Approximately $X,XXX,XXX were incurred for syndication costs in the initial year of the Fund and included in partners' capital, beginning of the year.

2. Fair value measurements

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

Assets (at fair value)	Level 1	Level 2	Level 3	Total
Investments				
Common stocks				
United States				
Manufacturing	$ 25,200	$ —	$ 372,119	$ 397,319
Retail	—	—	58,034	58,034
United Kingdom				
Technology	—	—	72,690	72,690
Preferred stocks				
Manufacturing	—	—	200,716	200,716
Retail	—	—	29,495	29,495
Warrants	—	—	225	225
Debt securities	—	—	22,409	22,409
Total Investments	25,200	—	755,688	780,888
Cash equivalents	6,200	—	—	6,200
	$ 31,400	$ —	$ 755,688	$ 787,088

[Disaggregate the major categories from the Condensed Schedule of Investments if one of the major categories has significant amounts in more than one fair value hierarchy level.]

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of investments that the Fund has categorized within the Level 3 category. As a result, the unrealized gains and losses for the assets within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs. Changes in Level 3 assets measured at fair value for the year ended December 31, 20XX (in thousands) were as follows: [Disaggregate the major categories from the condensed Schedule of Investments if one of the major categories has significant amounts in more than one fair value hierarchy level.] [If applicable] During the year ended December 31, 201XX, the Fund did not have any significant transfers between any of the levels of the fair value hierarchy.

	LEVEL 3							
	Beginning Balance January 1, 20XX	Realized & Unrealized Gains (Losses) [a]	Purchases	Sales	Settlements / Conversion	Transfers Into (Out of) Level 3 [c]	Ending Balance December 31, 20XX	Change in Unrealized Gains (Losses) for Investments Still Held at December 31, 20XX [b]
Assets (at fair value)								
Investments								
Common stocks								
Manufacturing	$ 484,025	$ (2,731)	$ —	$ (84,175)	$ —	$ (25,000)	$ 372,119	$ (28,544)
Retail	—	7,889	50,145	—	—	—	58,034	7,889
Technology	55,268	17,422	—	—	—	—	72,690	17,422
Preferred stocks								
Manufacturing	183,565	17,151	—	—	—	—	200,716	17,151
Retail	—	4,003	25,492	—	—	—	29,495	4,003
Warrants	225	—	—	—	—	—	225	—
Debt securities	22,409	—	—	—	—	—	22,409	—
Total investments	$ 745,492	$ 43,734	$ 75,637	$ (84,175)	$ —	$ (25,000)	$ 755,688	$ 17,921

(a) Realized and unrealized gains and losses are included in net gain (loss) on investments in the statement of operations.

(b) The change in unrealized gains (losses) for the year ended December 31, 20XX for investments still held at December 31, 20XX are reflected in the net change in unrealized appreciation or depreciation on investments in the statement of operations.

(c) Transfers between Level 3 and Level 1 generally relate to when an investment becomes freely tradable and listed on a national exchange.

2. Fair value measurements (continued)

The following table summarizes the valuation techniques and significant unobservable inputs used for the Fund's investments that are categorized within Level 3 of the fair value hierarchy as of December 31, 20XX: [Consider the need to disaggregate the quantitative information in the below table based on such factors as ranges applicable to a specific industry or significant investments that are outside the range of other investments within the same class.]

Investments Private Operating Companies	Fair Value at December 31, 20XX	Valuation Technique [1]	Range of Inputs Unobservable Inputs [2]	(Weighted Average)
Equity securities	$ 733,054	Income Approach/ Discounted Cash Flow Analysis	Normalized pre-tax operating margin	X% - X% (X%)
			Discount for lack of marketability	X% - X% (X%)
			Control premium	X% - X% (X%)
			Terminal value growth rate	X% - X% (X%)
			Discount rate / weighted average cost of capital	X% - X% (X%)
			Revenue CAGR (compound annual growth rate)	X% - X% (X%)
			Exit multiple / capitalization rate	X times/X%
			Weighted ascribed to income approach	X% - X% (X%)
		Market Approach/ Guideline Comparable Companies	EBITDA multiple	X times - X times
			Revenue multiple	X times - X times
			Discount for lack of marketability	X% - X% (X%)
			Control premium	X% - X% (X%)
			Enterprise value / LTM EBITDA multiple	X times - X times
			Enterprise value / Forward EBITDA multiple	X times - X times
			Book value multiple	X times - X times
			Weight ascribed to market approach	X% - X% (X%)
		Cost Approach (adjusted net asset approach)	Discount to net asset value	X% - X% (X%)
			Appraisal of assets	$XX,000 - $XX,000
			Weight ascribed to cost approach	X% - X% (X%)
Debt securities	$ 22,409	Income Approach/ Discounted Cash Flow Analysis	Covenant compliance [3]	Compliant / Non-compliant
			Remaining maturity	XX months
			Expected principal recovery / adjusted yield	X% - X% (X%)
			Risk adjusted discount factor	X% - X% (X%)
			Weight ascribed to income approach	X% - X% (X%)
		Income Approach / Market Data / Benchmarks	Market yield / yield to maturity	X% - X% (X%)
			Premium (discount)	X% - X% (X%)
			Weight ascribed to income approach	X% - X% (X%)
		Market Approach / Market Comparables	Discount margin	X% - X% (X%)
			Market yield / yield to maturity [4]	X% - X% (X%)
			Total leverage	X% - X% (X%)
			Illiquidity discount	X% - X% (X%)
			Weight ascribed to market approach	X% - X% (X%)
		Liquidation Approach	Investment collateral / support for liquidation value	$XX,000 - $XX,000
			Time required to liquidate; present value factor	X% - X% (X%)
			Weight ascribed to liquidation approach	X% - X% (X%)
Warrant positions	$ 225	Option Pricing Model	Industry volatility	X% - X% (X%)
			Risk-free interest rate	X% - X% (X%)
			Fair value of underlying equity / stock	$XX,000 - $XX,000
			Estimated time to exit; maturity remaining on option contracts	XX months
			Discount for lack of marketability	X% - X% (X%)

See footnotes on following page.

(1) In determining certain of these inputs, management evaluates a variety of factors including economic conditions, industry and market developments, market valuations of comparable companies and company-specific developments including exit strategies and realization opportunities. Management also considers the following unobservable inputs in considering the fair value of its investments; financial information obtained from each portfolio company including unaudited financial statements for the most recent period available as compared to budgeted numbers; current and projected financial condition of the portfolio company, current and projected ability of the portfolio company to service its debt obligations; type and amount of collateral, if any, underlying the investment; current financial ratios applicable to each investment; current liquidity of the investment and related financial ratios; pending debt or capital restructuring of the portfolio company; projected operating results of the portfolio company; current information regarding any offers to purchase the investment; current ability of the portfolio company to raise any additional financing as needed. Management has determined that market participants would take these inputs into account when valuing the investment. Once management has estimated the underlying entities' business enterprise value, a waterfall analysis of the entities' capital structure should be considered. LTM means Last Twelve Months and EBITDA means Earnings Before Interest, Taxes, Depreciation and Amortization.

(2) Significant increases or decreases in any of the above unobservable inputs in isolation may result in a significantly lower or higher fair value measurement, respectively.

(3) Included in covenant compliance is performance of subject debt instruments.

(4) In order to determine the appropriate market yield, the credit profile of the underlying entity and the synthetic credit rating of the subject debt instrument must be considered.

[For Funds with Level 3 investments but the unobservable inputs are not developed by the reporting entity the above table is not required; consider the following language if not already addressed in the preceding Fair Value – Valuation Techniques and Inputs section]: The Fund's Level 3 investments have been valued using unadjusted third-party transactions and quotations, unadjusted historical third party financial information, or the unadjusted net asset value of investments in private investment companies. As a result, there were no unobservable inputs that have been internally developed by the Fund in determining the fair values of its investments as of December 31, 20XX.

[For Funds with Level 3 investments where some investments have unobservable inputs and others do not, consider the following language]: The Fund's remaining Level 3 investments aggregating approximately $X,XXX,XXX have been valued using unadjusted third party transactions and quotations or unadjusted historical third party financial information. As a result, there were no unobservable inputs that have been internally developed by the Fund in determining the fair values of these investments as of December 31, 20XX.

3. Warrants

At December 31, 20XX, the Fund has XXX contracts for warrants; additional details on these contracts are on the condensed schedule of investments included in these financial statements. The condensed schedule of investments also contains the cost and fair market value of these warrant contracts. The intrinsic value of these warrant contracts is $XXX,XXX, which represents the warrants valued at the excess of the value of the underlying security over the exercise price. The following table also identifies the fair value of these warrant contracts included in the statement of financial condition and the realized and unrealized gain or loss amounts included in the statement of operations, categorized by primary underlying risk, for the year ended December 31, 20XX (in thousands):

	Notional Amount	Amount of Gain (Loss)
Primary underlying risk		
Equity price		
Warrants [(a)]	$ XXX,XXX	$ XXX,XXX

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

4. Concentration of credit risk

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

[If applicable] In the normal course of business, substantially all of the Fund's securities transactions,

4. Concentration of credit risk (continued)

money balances, and security positions are transacted with the Fund's brokers, Prime Broker 1, LLC and Prime Broker 2, Ltd. The Fund is subject to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on its behalf. The Fund's management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

5. Escrow proceeds receivable/Earn-out payments

[If applicable] During 20XX, the Fund completed sales of [insert company name] and [insert company name], in the amounts of $XX,XXX and $XX,XXX, respectively. Cash in the amounts of $XXX,XXX and $XXX,XXX is being held in escrow accounts as recourse for indemnity claims that may arise under the respective sale agreements. Assuming no claims, such funds are expected to be fully released to the Fund by [insert date.]

Earn-out payments are based on certain incremental future revenues resulting from the products of XXX Inc. Earn-out payments are reflected in contingent consideration, at fair value on the statement of financial condition. Actual cash receipts from the earn-out payments are uncertain and may differ from estimated payments used to derive fair value, as determined by the General Partner. Review of collectability and fair value of earn-out payments will be performed by the General Partner on an ongoing basis. As of December 31, 20XX, there were no earn-out payments recorded on the statement of financial condition.

6. Committed capital

At December 31, 20XX, the Fund has commitments from the Limited Partners with respect to their partnership interest in the aggregate of $XX,XXX,XXX. The General Partner may call commitments to enable the Fund to make investments, to pay fees and expenses, or provide reserves. No Limited Partner is required to fund an amount in excess of its uncalled commitment. At December 31, 20XX, the Fund's uncalled Limited Partner commitments amounted to $XX,XXX,XXX. The ratio of total contributed capital to total committed capital is XX%.

7. Partners' capital

[Please review the Fund's Agreement for the specific allocation and distribution provisions. The disclosure below is only an example.]

Allocation of Partners' Net Profits and Losses

Net investment income or loss and net gain or loss on investments for the year are allocated to the Partners in proportion to their capital commitments in the Fund.

Partners' Distributions

The proceeds attributable to the Fund's investments (which shall include all proceeds attributable to the disposition of such investments, net of expenses, as well as any dividends or interest income earned on such investments) are distributable in accordance with the Agreement as follows:

(a) First, to all Partners in proportion to their capital contributions used to fund the Fund's investments until such Partners have received distributions in the aggregate equal to the cost of their investments plus previous write-offs
and the portion of capital contributions used to pay fees, costs, expenses and other charges of the Fund;

(b) Second, to the Limited Partners in proportion to their capital contributions used to fund the Fund's investments until such Partners have earned an 8% compound annual rate of return on amounts distributed in (a) above;

(c) Third, 50% to the General Partner, and 50% to the Limited Partners in proportion to their capital contributions used to fund the Fund's investments, until the General Partner has received distributions equal to 20% of the cumulative amounts distributed in (b) above and this section (c) to the Limited Partners ("Allocation to General Partner")

(d) Thereafter, 80% to such Limited Partners in proportion to their capital contributions used to fund the Fund's investments and 20% to the General Partner as a carried interest allocation.

Carried Interest Allocation

As of December 31, 20XX, the capital accounts have been reallocated to adjust the General Partner deemed carried interest upon liquidation of the Fund in accordance with the Agreement. The allocation of carried interest from the Limited Partners to the General Partner will remain provisional until the final liquidation of the Fund.

For the year ended December 31, 20XX, the General Partner carried interest allocation, which includes realized and estimated unrealized gains on investments, was $XXX,XXX.

Upon the final distribution of proceeds attributable to the Fund's investments, the General Partner, if required, must return to the Limited Partners, in proportion to their capital contributions used to fund the Fund's investments, an aggregate amount, not to exceed the General Partner's reallocation, to assure that the total distributions of proceeds attributable to the Fund's investments are made in accordance with the above formula.

8. Management fee

[Please review the Fund's Agreement for the specific fee agreement. The disclosure below is only an example.]

Under the terms of the Agreement, the Fund pays an annual management fee, payable quarterly tin advance, to the General Partner. The management fee is charged at 2% of the aggregate capital commitments of the Limited Partners. After reaching the Investment Period Termination Date (as defined in the Agreement), the management fee will be based on the amount of invested capital. For the year ended December 31, 20XX, the management fee charged to the Fund was $XXX,XXX.

9. Loans payable

[If applicable] On December XX, 20XX, the Fund entered into a $XXX,XXX promissory note and security agreement, (the "Note"), with an unrelated third party for the purpose of providing short-term liquidity. The Note is secured by certain investments of the Fund and is due on [insert date]. Interest is accrued at [insert percentage]% per annum. At December 31, 20XX, the amount of the loan was $XXX,XXX.

[If applicable] On December XX, 20XX, the Fund entered into a credit agreement with [insert bank name], which provides a $XX million credit facility for the Fund. On December XX, 20XX, the Fund drew down $XX million under this line of credit and repaid the $XX million on January XX, 20XX.

10. Related-party transactions

Certain Limited Partners are affiliated with the General Partner. The aggregate value of the affiliated Limited Partners' share of partners' capital at [insert date] was approximately $XXX,XXX.

From time to time, the Investment Manager, General Partner or any affiliate of the Fund may enter into specific transactions on behalf of the Fund and receive a fee for their services, as defined in the Agreement. [Insert spelled out percentage] of such fees shall be applied to reduce future management fees payable by the Fund to the Investment Manager. For the year ended [insert date] the Fund earned $XXX,XXX from the Investment Manager as a result of these transactions which is included as a reduction of management fee expense, as described above.

[If applicable] The Fund has amounts due to/from related parties for advances in the normal course of business. As of December 31, 20XX, approximately $XXX,XXX is receivable/payable. Amounts are non-interest bearing and are due on demand.

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

[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.

[If applicable] Certain Limited Partners have special management fee arrangements as provided for in the Agreement.

11. Unfunded investment commitment

[If applicable] As of December 31, 20XX, the Fund had an unfunded investment commitment to [investment name] of approximately $XX,XXX,XXX, which was subsequently funded in 20XX. The Fund has no other unfunded investment commitments as of December 30, 20XX.

12. Risk factors

Management of the Fund seeks investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events particular to each industry in which the Fund invests, as well as general economic and political conditions, may have a significant negative impact on the investee's operations and profitability. In addition, the Fund is subject to changing regulatory and tax environments. Such events are beyond the Fund's control, and the likelihood that they may occur cannot be predicted. Furthermore, most of the Fund's investments are made in private operating companies whose shares do not trade on established exchanges. While it is expected that these companies may pursue initial public offerings, trade sales, or other liquidation events, there are generally no public markets for these investments at the current time. The Fund's ability to liquidate its private operating companies and realized value is subject to significant limitations and uncertainties, including currency fluctuations. The Fund's ability to liquidate its publicly traded investments is subject to limitations, including discounts that may be required to be taken on quoted prices due to the number of shares being sold.

13. Payable for investment purchase transactions

[If applicable] At December 31, 20XX, the Fund had unsettled investment transactions with [insert bank name] aggregating $XXX,XXX related to its investments in Private Company 4's [type of loan]. These transactions are still unsettled as of [insert date.]

14. Indemnifications

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 such affiliate when they act, in good faith, in the best interest of the Fund. The Fund is unable to develop an estimate of the maximum potential amount of future payments that could potentially result from any hypothetical future claim, but expects the risk of having to make any payments under these general business indemnifications to be remote.

15. Financial highlights

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

Internal rate of return, since inception		
Beginning of year	—	%
End of year	—	%
Ratio to average Limited Partners' capital		
Expenses before carried interest to General Partner	—	%
Expenses, including carried interest	—	%
Net investment income (loss)	—	%

The Internal Rate of Return ("IRR") of the Limited Partners since inception of the Fund is net of all management fees and the carried interest allocation of the General Partner and was computed based on the actual dates of capital contributions and distributions, and the ending aggregate net assets at the end of the period (residual value) of the Limited Partners' capital.

Financial Highlights are calculated for the Limited Partner class as a whole. An individual Limited Partner's return and ratio to average Limited Partners' capital may vary based on different management fee and performance arrangements. The net investment income (loss) ratio does not reflect the effects of the carried interest allocation to the General Partner.

[For the periods greater than or less than one year] The ratios, excluding non-recurring expenses and the carried interest allocation to the General Partner, have (have not) been annualized.

[If applicable, for Fund of Funds and 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.

16. Subsequent events

From January 1, 20XX through [insert report date], the Fund called additional capital of approximately $XX,XXX,XXX.

In [insert month] 20XX, the Fund made additional investments of $XX,XXX,XXX.

Additional Disclosures For Investments In Private Investment Companies — Appendix A
December 31, 20XX

[Include if the Fund holds investments in private investment companies.]

Condensed Schedule of Investments

Investments in private investment companies	Percentage of Partners' Capital	Cost	Fair Value	Unfunded Commitments
United States				
Buyout				
PE Fund of Funds 1, L.P. (1)	15.6 %	$ 78,568,000	$ 122,564,000	$ 4,955,000
Emerging Markets				
Other	3.5	24,622,000	27,598,000	225,000
Total United States	19.1	103,190,000	150,162,000	5,180,000
United Kingdom				
Credit Opportunities				
PE Fund of Funds 2, L.P. (2)	8.0	6 2,541,000	63,211,000	6 ,550,000
Other	1.5	1 2,588,000	11,986,000	10,500,000
Total United Kingdom	9 .6	75,129,000	75,197,000	17,050,000
Total investments, at fair value	2 8.6 %	$ 178,319,000	$ 2 25,359,000	$ $ 2 2,230,000

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

[The Fund is required to disclose the Fund's proportionate interest in underlying investments that exceed 5% of the Fund's partners' capital at December 31, 20XX.]

OPTION 1

(1) See below for disclosure of the Fund's proportionate interest in underlying investments that exceeded 5% of the Fund's partners' capital at December 31, 20XX.

(2) Information about PE Fund of Funds 2, L.P.'s portfolio is not available.

The following discloses the Fund's proportionate interest in underlying investments that exceed 5% of the Fund's December 31, 20XX partners' capital:

	PE Fund of Funds 1, L.P. Fair Value	Fund's Proportionate Share
United States		
Technology		
PE Fund of Funds 1, L.P.		
Common Stock		
Alderaan Corporaton, 3,456,789 shares	$ 104,555,000	$ 39,730,900

OPTION 2

(1) PE Fund of Funds 1, L.P. holds 3,456,789 shares of common stock of Alderaan Corporation with a fair vallue of approximately $104,555,000 at December 31, 20XX. Alderaan Corporation is a United States company in the Technology industry. The Fund's proportionate interest of this investment at December 31, 20XX is approximately $39,731,000.

(2) Information about PE Fund of Funds 2, L.P.'s portfolio is not available.

Private Equity Fund, L.P.

Additional Disclosures For Investments In Private Investment Companies — Appendix A

December 31, 20XX

[Include if the Fund holds investments in private investment companies.]

[The Fund is required to disclose certain characteristics about its investments in private investment companies. They include investment objective, management and incentive fee arrangements, notice period for redemptions, frequency that redemptions are permitted, and estimated liquidity of the investment.]

[The disclosure for investment objective is usually satisifed with a footnote to the Condensed Schedule of Investments.]

(1) The investment objective of the fund is to provide long-term capital appreciation by investing in well-established companies in fast-growth industries such as Energy and Real Estate.

[The disclosure for the estimated liquidity is usually satisifed with a footnote to the Condensed Schedule of Investments.]

(2) The estimated liquidity of this underlying investment is between five to seven years.

[The disclosure for the other items is usually satisfied with a disclosure in the footnotes to the financial statements.]

At December 31, 20XX, the Fund was invested in XX private investment companies. Redemption from these investments are not permitted, and liquidity is achieved as distributions are received from the underlying funds. The Fund pays management fees at rates ranging from XX% to XX% to the private investment companies based upon the terms of the agreements with each private investment company. The agreements with the private investment companies may also call for an incentive fee or allocation charged to the Fund at rates ranging from XX% to XX%. For the year ended December 31, 20XX, the Fund was charged management fees of $XXX,000 and incentive fees (allocation) of $XXX,000.

Additional Disclosures For Adoption of ASU 2015-07 — Appendix B

December 31, 20XX

[Include if the Fund early adopts ASU 2015-07 Topic 820, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), which is effective for public business entities for fiscal years beginning after December 15, 2015 (and interim periods within those fiscal years) and for fiscal years beginning after December 31, 2016 (and interim periods within those fiscal years) for all other entities. Early adoption is permitted.]

The Fund elected to early adopt the guidance issued in ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)," which removes the requirement to categorize within the fair value hierarchy all investments measured using the net asset value per share practical expedient and related disclosures. The Fund adopted the guidance retrospectively, which removes investments measured using the net aset value per share practical expedient from the fair value hierarchy in all periods presented. The adoption of this accounitng guidance did not have a material impact on the Fund's financial statements.

[Revise the table of fair value of assets categorized within the fair value hierarchy as follows:]

Assets (at fair value)	Level 1	Level 2	Level 3	Investments Measured Using Net Asset Value	Total
Investments					
Common stocks					
United states					
Manufacturing	$ 25,200	$ —	$ 372,119	$ —	$ 397,319
Retail	—	—	58,034	—	58,034
United Kingdom					
Technology	—	—	72,690	—	72,690
Preferred stocks					
Manufacturing	—	—	200,716	—	200,716
Retail	—	—	29,495	—	29,495
Warrants	—	—	225	—	225
Debt Securities	—	—	22,409	—	22,409
Private Investment Companies	—	—	—	225,359	225,359
Total Investments	25,200	—	755,688	225,359	1,006,247
Cash equivalents	6,200				
	$ 31,400	$ —	$ 755,688	$ 225,359	$ 1,006,247

[Alternatively, the investment in private investment companies could be omittted from the table above, and the following disclosure could be included:]

At December 31, 20XX, the Fund had investments in private investment companies aggregating approximately $225,359,000 which were measured using their net asset value as a practical expedient, which are not included in the fair value hierarchy shown above.

About the Contributors

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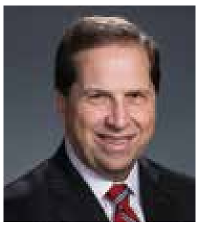
Tom is a partner based in Withum's New York Office. He is a leader in the Firm's Private Equity and Venture Capital Practice, and specializes in providing audit and tax services for domestic and offshore alternative investment vehicles, investment advisors and their related management entities. Tom assists clients with initial organizational structure, audit processes and the management of operational and tax matters. Tom is a certified public accountant in New York and New Jersey.



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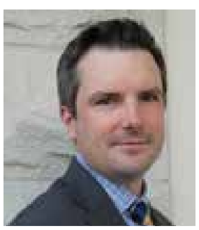
Based in Withum's Boston office, Steve is a partner that specializes in providing audit and tax services to investment advisors and pooled investment vehicles such as hedge funds, private equity funds and funds of funds. As a member of the Firm's Financial Services Group, he has extensive experience working with a variety of clients, including domestic and offshore investment funds, investment advisors and related management entities. In addition, he serves as a key contributor to the Firm's Financial Services Best Practices. Steve is a certified public accountant in Massachusetts.



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About Withum

Withum is a full-service Certified Public Accounting and Consulting firm that has served privately held and publicly traded companies, as well as high-net-worth individuals and families, for over 40 years. Withum is ranked 27th largest in the nation and 6th largest in the Northeast, with 800+ staff in twelve offices across six states and Grand Cayman. The Firm's Financial Services Industry Group serves clients reflecting the diversity of the industry, including hedge fund managers, private equity firms, mortgage bankers, broker-dealers and regulated investment companies. The Firm understands the challenges of operating in a complicated, highly regulated environment, and how to successfully comply with SEC and other rules which often require the expertise of independent auditors and consultants. Visit www.withum.com for more information.

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