

**XYZ OFFSHORE FEEDER FUND, LTD.**

**FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)**

**FOR THE YEAR ENDED DECEMBER 31, 20XX**

**XYZ OFFSHORE FEEDER FUND, LTD.**

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**[INSERT NAME OF MASTER FUND] Financial Statements** ..... Exhibit A

**INDEPENDENT AUDITORS' REPORT**

**[CITY, STATE]  
[INSERT DATE]**

# XYZ OFFSHORE FEEDER FUND, LTD.

## NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 20XX

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### NOTE 1 - NATURE OF COMPANY

#### **ORGANIZATION**

*[Elaborate on strategy of Fund in the organization footnote (for example, use language from Funds Offering Memorandum).]*

XYZ Offshore Feeder Fund, Ltd. (the “Fund”) was formed as **[insert entity type and place of formation]** on **[insert date]** and commenced operations on **[insert date]**. The Fund is organized as a master-feeder structure through which the Fund has invested substantially all of its assets in **[insert name of Master Fund]** (the “Trading Company”), a **[insert entity type and place of formation]** that has the same investment objectives as the Fund. The Fund is a shareholder in the Trading Company together with another entity, **[insert name of Domestic Feeder]**, a **[insert entity type and place of formation]** (together the “Feeders”). The Trading Company was formed for the purpose of purchasing, holding, selling and investing, on margin or otherwise, securities and financial instruments of United States and foreign entities **[or insert entity purpose and objectives]**. The operations and investments of the Fund and the Trading Company are managed by **[insert name of investment manager]** (the “Investment Manager”), an affiliated entity. The Investment Manager has discretionary authority to invest the assets of the Fund and the Trading Company and is responsible for all investment decisions made on behalf of the Fund and the Trading Company. The Investment Manager **[is/is not]** registered as an investment adviser under the Advisers Act of 1940, as amended (the “Advisers Act”).

The Fund is not registered as an investment company and is not subject to the investment restrictions limitations on transactions with affiliates and other provisions of the Investment Company Act of 1940, as amended (the “Company Act”), in reliance upon an exemption from such registration provided in Section 3(c)(7) of the Company Act.

#### **CONCENTRATION OF SHAREHOLDERS**

As of December 31, 20XX, **[insert # of shareholders]** shareholders represented approximately **XX%** (**XX%** and **XX%**, respectively) of the shareholders’ equity of the Fund.

# XYZ OFFSHORE FEEDER FUND, LTD.

## NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 20XX

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### NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *BASIS OF PRESENTATION*

The Fund qualifies as an investment company, as defined in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946 Financial Services – Investment Companies and, therefore, is applying the specialized accounting and reporting guidance in ASC Topic 946.

#### *SIGNIFICANT ACCOUNTING POLICIES*

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with United States generally accepted accounting principles (“U.S. GAAP”), which require management to make estimates and assumptions that affect the reported amounts, contingent assets and liabilities, and disclosures in the financial statements. Actual results could differ from those estimates. Management has considered the circumstances under which the Fund should recognize or make disclosures regarding events or transactions occurring subsequent to the balance sheet date through [insert date] which represents the date the financial statements were available to be issued. Adjustments or additional disclosures, if any, have been included in these financial statements.

The financial statements of the Trading Company, including the condensed schedule of investments, are included elsewhere in this report and should be read in conjunction with the Fund’s financial statements. The Fund’s accounting policies are generally consistent with the Trading Company.

#### *PORTFOLIO VALUATION*

The Fund’s investment in the Trading Company represents substantially all of its assets and is recorded at its estimated fair value, as described in Note 3.

#### *CASH, CASH EQUIVALENTS AND RESTRICTED CASH*

For purposes of the statement of cash flows, the Fund considers all short-term investments with original maturities of three months or less to be cash equivalents.

Restricted cash is subject to a legal or contractual restriction by third parties as well as a restriction as to withdrawal or use, including restrictions that require the funds to be used for a specified purpose and restrictions that limit the purpose for which the funds can be used.

# XYZ OFFSHORE FEEDER FUND, LTD.

## NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 20XX

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### NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *BASIS OF PRESENTATION*

[If applicable: The Fund considers cash pledged as collateral for securities sold short and cash collateral posted with counterparties for derivative contracts to be restricted cash OR The Fund considers (*The Fund should include a description of what balance sheet items are restricted*) to be restricted cash.]

[Disclose the nature of restriction on cash, cash equivalents, and amounts described as restricted cash]

#### **[If cash held at foreign bank, include the following here:]**

The Fund maintains cash in U.S. Dollars and/or foreign currency at [**\$amount**] bank(s) [located in (**list countries**)]. [*On the Statement of Asset and Liabilities, foreign currency should be shown separate from cash and cash equivalents and historical cost noted on the face of the financials (or in the footnotes if not significant.)*]

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

#### *INVESTMENT TRANSACTIONS, INCOME AND EXPENSE*

The Fund records its proportionate share of the **Trading Company**'s income, expenses and realized and unrealized gains and losses on investments. The Fund follows the revenue recognition policies of the **Trading Company**, which are discussed in the notes to the **Trading Company**'s financial statements. In addition, the Investment Manager is authorized to incur all expenses on behalf of the Fund which it deems necessary for the management and operations of the Fund. **Fund interest income and expense are recorded on the accrual basis.**

#### *INCOME TAXES*

**[SEE ASC 740 INCOME TAX TEMPLATE]**

#### *FOREIGN WITHHOLDING TAXES*

Foreign withholding allocated from the **Trading Company** represent taxes withheld at the applicable foreign tax treaty rate on dividends earned on foreign and United States investments.

# XYZ OFFSHORE FEEDER FUND, LTD.

## NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 20XX

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### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *REDEMPTION PAYABLE*

The Fund recognizes redemptions as liabilities, net of the incentive fees, when the amount requested in the redemption represents a fixed and determinable obligation. This may generally occur either at the time of the receipt of the notice, or on the last day of a fiscal period, depending on the nature of the request. Redemptions paid after the end of the year, but based upon year-end net asset balances are reflected as redemptions payable at December 31. Redemption notices received for which the dollar amount is not fixed results in net assets not being recognized as a liability until the dollar amount is determined. **[IF APPLICABLE: Redemptions payable may be treated as net assets for purposes of allocations of gains/losses pursuant to the Fund's memorandum.]**

#### *EXPENSES PAID INDIRECTLY*

The Fund, through its investment in the Trading Company, may receive certain benefits and research through "soft dollar" arrangements entered into with brokers. Such benefits will be used to pay for professional and administrative costs or expenses borne by the Fund or other entities under the Investment Manager's control. For the year ended December 31, 20XX, such expenses of the Fund amounted to \$[insert amount] and are included in the accompanying statement of operations.

### NOTE 4 – FAIR VALUE MEASUREMENTS

**[IF THE FUND HAS DIRECT INVESTMENTS SEE OFFSHORE FUND FS TEMPLATE FOR SAMPLE DISCLOSURE. SEE ASU 2011-04 TEMPLATE FOR LEVEL 3 DISCLOSURES - IF THE FEEDER HAS ANY DIRECT LEVEL 3 INVESTMENTS.]**

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and are summarized in the following fair value hierarchy:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date.
- Level 2 - Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield-curves, default rates, and similar data

# XYZ OFFSHORE FEEDER FUND, LTD.

## NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 20XX

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### NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

- Level 3 - Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the Fund’s own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

The Fund has a(n) \$[insert amount] % interest in the Trading Company as of December 31, 20XX. The investment in the Trading Company is carried at its estimated fair value which is based on its proportionate share of the net assets of the Trading Company as of December 31, 20XX. Valuation of investments held by the Trading Company, 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 Trading Company’s financial statements.

**[NOTE: IF THE FUND ENTERS INTO DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES SEE OFFSHORE FUND FS TEMPLATE FOR SAMPLE DISCLOSURE.]**

### NOTE 5 - FUND TERMS AND RELATED PARTY TRANSACTIONS

#### *MANAGEMENT FEES*

The Fund has entered into an agreement with the Investment Manager (the “Investment Management Agreement”) to provide certain investment management services to the Fund. In exchange for services provided pursuant to the Investment Management Agreement, the Fund will pay the Investment Manager a [insert frequency] management fee from each shareholder equal to approximately [insert %] ([insert %], annually) of the net asset value of the Fund calculated on the [first or last] day of each [insert frequency]. The Investment Manager may reduce or waive the management fee with respect to one or more shareholders for any period of time. For the year ended December 31, 20XX, the Fund incurred management fees of \$[insert amount], of which \$[insert amount] was payable at December 31, 20XX. To the extent that management fees are charged at the Trading Company level, no management fees will be charged at the Fund level.



# XYZ OFFSHORE FEEDER FUND, LTD.

## NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 20XX

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### NOTE 5 - FUND TERMS AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### *INCENTIVE FEE*

Pursuant to the Investment Management Agreement, the Investment Manager receives an annual incentive fee with respect to each share of each series equal to [insert%]% of the net profits, if any, during a fiscal year allocable to each share of that series, subject to a loss carryforward (“high water mark”). The incentive fee will be paid to the Investment Manager at the end of the year, or upon any redemption or transfer of shares by a shareholder. The Investment Manager may, in its sole discretion, waive or reduce the incentive fee charged to any series of shares. For the year ended December 31, 20XX, incentive fees of \$[insert amount] were incurred and are included in [incentive fees payable] in the accompanying statement of assets and liabilities. OR [For the year ended December 31, 20XX, the Fund did not incur any incentive fees] To the extent the incentive fee is charged at the Master Fund level, no incentive fee will be charged at the Fund level.

#### *LOAN RECEIVABLE*

During 20XX, the Fund loaned a member of the Investment Manager \$[insert amount] in order to [insert reason for loan]. The amount was paid in full, including interest thereon, at December 31, 20XX. Interest, which is charged at a rate of [insert rate]%, amounted to \$[insert amount] and is included in interest income on the accompanying statement of operations.

#### *SHAREHOLDERS*

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 \$[insert amount].

Certain shareholders have special management fee arrangements, performance arrangements, or redemption rights as provided for in the Agreement.

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

# XYZ OFFSHORE FEEDER FUND, LTD.

## NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 20XX

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### NOTE 5 - FUND TERMS AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### *SHAREHOLDERS (CONTINUED)*

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

**[if applicable]** Additionally, the Fund may co-invest with other entities with the same Investment Manager as the Fund.

**[if applicable]** Administrator Fund Services LLP (The “Administrator”) serves as the Fund’s administrator and performs certain administrative and clerical services on behalf of the Fund. The Administrator is also affiliated with a broker through, which the Fund transacts operations. At December 31, 20XX, there is a balance of approximately \$X,XXX,XXX due from/to this broker. At December 31, 20XX, cash balance in the amount of approximately \$XXX,XXX are held by an affiliate of the Administrator.

#### **Items to include for Related Party Transactions**

**Please ensure that the (1) nature of the relationship(s) involved is disclosed, (2) a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to gain an understanding of the effects of the transactions on the financial statements, (3) the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period, (4) and amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement. If the Investment Manager reimburses the Fund for virtually all its expenses that should be added in as a disclosure.]**

**[SEE OFFSHORE FUND TEMPLATE FOR ADDITIONAL RELATED PARTY TRANSACTION EXAMPLES]**

# XYZ OFFSHORE FEEDER FUND, LTD.

## NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 20XX

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### NOTE 6 - CAPITAL ACCOUNTS

The authorized share capital of the Fund consists of \$[insert amount] divided into [insert # of shares] shares with a par value of \$[insert amount], per share, which shares may be issued as Class A shares, Class B shares, or any other class of shares created by the Board in its sole discretion. The shares may be further issued in series, with a new series being issued on each date that the Fund permits subscriptions with respect to each Class. In addition to the shares being offered, the Fund may offer additional voting and non-voting classes of shares, including shares denominated in a currency other than U.S. Dollars. The Fund may also issue Class C shares, which are non-voting participating shares. Class C shares will represent Special Situation Investments, as defined in the Memorandum, made by the Investment Manager.

The Fund may offer shares on the first day of each [insert frequency] or at such other times as the Board, in its sole discretion, may allow (each such date being a “Closing Date”). The subscription price for the shares of each series to be issued on each Closing Date shall be US \$[insert amount per share] per share of the series being offered. The minimum initial subscription for shares is \$[insert amount]. Thereafter, the minimum subscription for additional shares is \$[insert amount]. The Board, in its sole discretion, may accept subscriptions of a lesser amount. At no time, however, will a minimum initial subscription of less than \$[insert amount] be accepted by the Board.

Shareholders may not redeem any shares for a period of [insert lock-up period] from the date of initial purchase, subject to the sole discretion of the Board to permit redemptions prior to such time. Thereafter, a shareholder may redeem all or some of its shares on at least [insert # of days] days prior written notice on the last day of each calendar [insert frequency], and at such other times with the consent of the Board, in its sole discretion. *Redemption of shares may be in cash or in kind, upon the discretion of the Board of Directors.*

***If applicable, add disclosure of gate provisions.]***

[Additionally, redemptions in the Fund may be limited due to a discretionary "gate" that may be imposed by the Investment Manager. Funds typically exercise gates when redemption requests exceed a specified percentage of the overall net assets. Gates are imposed to prevent disorderly redemptions and may limit the amount of capital allowed to redeem from the Fund on its respective redemption dates.]

***[If applicable, add disclosure on Investment Manager’s right to suspend redemptions.]***

# XYZ OFFSHORE FEEDER FUND, LTD.

## NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

**FOR THE YEAR ENDED DECEMBER 31, 20XX**

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### NOTE 6 - CAPITAL ACCOUNTS (CONTINUED)

*[If Fund has investments in side pockets, add disclosures about redemption restrictions from PPM. Disclose \$XX of investments in side pockets.]*

A new participating series is issued each time investors are admitted into the Fund. Investment profits and losses are allocated to each series of participating shares based on investment performance subsequent to each entrance date. At the end of each fiscal year, the Fund intends to convert (“roll up”) any issued and outstanding series of shares of each class, which do not have a loss carryforward, into one series of shares of each class after payment of the incentive fees due to the Investment Manager. This re-designation and conversion has no economic effect on any shareholder’s investment.

Transactions in capital shares during the period and the shares outstanding and the net asset value [“NAV”] per share as of December 31, 20XXX for each class and series of shares are as follows:

	<b>Beginning Shares</b>	<b>Transfers/Conversion of Shares</b>	<b>Shares Issued</b>	<b>Shares Redeemed</b>	<b>Ending Shares</b>
Participating Shares:					
<b>Class A</b>					
Series 1					
Series 2					
Series 3					
<b>Class B</b>					
Series 1					
Series 2					
Series 3					

  

	<b>Beginning Net Assets</b>	<b>Transfers/Conversion of Shares</b>	<b>Amounts Issued</b>	<b>Amounts Redeemed</b>	<b>Ending Net Assets</b>
Participating Shares:					
<b>Class A</b>					
Series 1					
Series 2					
Series 3					
<b>Class B</b>					
Series 1					
Series 2					
Series 3					

# XYZ OFFSHORE FEEDER FUND, LTD.

## NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 20XX

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### NOTE 6 - CAPITAL ACCOUNTS (CONTINUED)

	Ending NAV Per Share
Participating Shares:	
<b>Class A</b>	
Series 1	
Series 2	
Series 3	
<b>Class B</b>	
Series 1	
Series 2	
Series 3	

### NOTE 7 - PRINCIPAL RISKS

***Elaborate on types of risk in the off balance sheet and other risks footnote (for example, use language from PPM. NOTE – IF THE FUND HAS DERIVATIVES OR DIRECT INVESTMENTS– SEE OFFSHORE FUND FS TEMPLATE FOR SAMPLE DISCLOSURE.***

#### ***CONCENTRATION OF CREDIT RISK***

The Fund maintains its cash at \$[insert amount] institution/s which is/are insured by the Federal Deposit Insurance Corporation (“FDIC”) and/or Securities Investor Protection Corporation (“SIPC”). At December 31, 20XX, the Fund had cash and security balances held at its bank/broker in excess of the maximum amounts insured. 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.

The Trading Company invests primarily in actively traded securities, illiquid securities, derivatives and other financial instruments using several investment strategies and investment techniques, including leverage, which may involve significant risks. The Trading Company concentration and other risks are discussed in the notes to the Trading Company's financial statements which are attached elsewhere in this report and are an integral part of these financial statements.

# XYZ OFFSHORE FEEDER FUND, LTD.

## NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 20XX

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### NOTE 8 - GUARANTEES

In the normal course of its operations, the Fund enters into contracts and agreements that contain indemnifications and warranties. The Fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

### NOTE 9 - FINANCIAL HIGHLIGHTS

**If applicable - show the impact of voluntary fee waivers and the expense waiver gross and net of such waivers.**

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

	Class A- Series 1	Class B- Series 2
<b>Per Share Operating Performance:</b>		
Net Asset Value - Beginning	[\$insert amount]	[\$insert amount]
Net investment [insert income or (loss)]	[\$insert amount]	[\$insert amount]
Net realized and unrealized [insert income or (loss)] on investments	[\$insert amount]	[\$insert amount]
Net Asset Value - Ending	[\$insert amount]	[\$insert amount]
<b>Total Return:</b>		
Total return before incentive fees	[insert %] %	[insert %] %
Incentive fees	[insert %]	[insert %]
<b>Total Return After Incentive Fees</b>	[insert %] %	[insert %] %
<b>Ratio to Average Net Assets:</b>		
Operating expenses (including short dividends and interest)	[insert %] %	[insert %] %
Incentive fees	[insert %]	[insert %]
<b>Total Expenses</b>	[insert %] %	[insert %] %
<b>Net Investment Income/(Loss), Before Incentive Fees</b>	[insert %] %	[insert %] %

# XYZ OFFSHORE FEEDER FUND, LTD.

## NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 20XX

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### NOTE 9 - FINANCIAL HIGHLIGHTS (CONTINUED)

Financial highlights are calculated for each permanent, non-managing class or the first series of each class of common shares. An individual shareholder's end of year net asset value per share, total return and ratios may vary based on participation in different management fee and incentive fee arrangements and the timing of shareholder transactions [if applicable, may vary based on participation in new issue and/or private investments]. The ratios are computed using a weighted-average of the net assets for the year ended December 31, 20XX and are inclusive of allocations from the Trading Company. Expenses paid indirectly are included for purposes of computing total return and are excluded for purposes of computing the ratios. The net investment income/(loss) ratio does not reflect the effects of incentive fees. **[FOR PERIODS GREATER THAN OR LESS THAN ONE YEAR:]** The ratios, excluding nonrecurring expenses and incentive fees have been annualized.

### NOTE 10 - SUBSEQUENT EVENTS

From January 1, 20XX through [insert date], the Fund received additional subscriptions and paid additional redemptions of \$[insert amount] and \$[insert amount], respectively.

In addition, as of [insert date], the Fund has received shareholder redemption requests that are anticipated to be effective on [insert effective date or range of dates]. The shareholder interests for these requests were approximately XX% of the net assets of the Fund as of December 31, 20XX. The ultimate amounts redeemed for these requests may vary based upon the performance of the Fund and the amount of redemptions declared effective by the Investment Manager.

*[Additional disclosures are required for significant changes to the value of the Fund. (i.e. Investment values, or significant purchases or sales of interest in the Master, significant redemption requests, liquidation of Fund, reorganization, etc.)]*