

**XYZ FUND, LP
(IN LIQUIDATION)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 20XX

**XYZ FUND, LP
(IN LIQUIDATION)**

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INDEPENDENT AUDITORS' REPORT

include insert below

Basis of Accounting

As described in Note 1 to the financial statements, on [DATE] the General Partner resolved to dissolve and wind up the operations of the Partnership. *[or if there is a board ... the Board of Directors, upon the direction of the Investment Manager, resolved to discontinued operations of the Fund and approved a plan of liquidation.]* As a result, the Partnership adopted the liquidation basis of accounting for periods subsequent to September 30, 20XX. Accordingly, the carrying values of the remaining assets as of December 31, 20XX are presented at estimated realizable values and liabilities are presented at estimated settlement amounts. The General Partner expects the liquidation process and ensuing cash distributions to take up to 18-24 months from such date. Our opinion is not modified with respect to that matter.

[INSERT OFFICE]
[INSERT DATE]

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 20XX

INCLUDE (AND EDIT IF NECESSARY) ALL APPLICABLE GOING CONCERN FOOTNOTES FROM PRIOR YEAR. INSERT THE FOLLOWING LIQUIDATION FOOTNOTES IN THE SECTIONS NOTED BELOW

NOTE 1 - NATURE OF PARTNERSHIP

LIQUIDATION OF PARTNERSHIP

As a result of poor performance and lack of new capital contributions, the General Partner determined it was in the best interests of the investors to dissolve and wind up operations of the Partnership and approve a plan of liquidation [or if there is a board ... the Board of Directors, upon the direction of the Investment Manager, resolved to discontinued operations of the Fund and approved a plan of liquidation] effective September 30, 20XX. Accordingly, the Partnership is in the process of liquidation and has been actively seeking to liquidate its assets, satisfy or make reasonable provisions for the satisfaction of its obligations and make distributions to investors of any available liquidation proceeds and of any remaining cash on hand. Capital withdrawals were suspended as of [DATE]. The Partnership ceased new investment activity and does not intend to make any new investments.

PLAN OF LIQUIDATION

The Partnership plans to sell and dispose of its investments in the market or through privately negotiated transactions with third parties. Due to the illiquid nature of certain investments, such dispositions are expected to take longer than a year. Liabilities are expected to be settled in full with creditors and related parties. Cash (or investments in kind, upon the election of investors) will be distributed to investors on a pro-rata basis at the discretion of the General Partner. In connection with the liquidation, liquidating distributions of \$XX were recorded for the year ended December 31, 20XX, of which \$XX remain payable at December 31, 20XX. Once the remaining investments are disposed and liabilities settled, the balance of the Partnership's remaining capital, subject to changes in costs and expenses associated with the Partnership's liquidation, will be distributed. The Partnership expects to complete its liquidation over the ensuing 18-24 months.

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FOR THE YEAR ENDED DECEMBER 31, 20XX

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

ADOPTION OF THE LIQUIDATION BASIS OF ACCOUNTING

As a result of the General Partner's [Board of Directors] resolution to dissolve and wind up operations of the Partnership, the Partnership changed its basis of accounting from a going concern basis to the liquidation basis of accounting effective from September 30, 20XX. The liquidation basis of accounting is required when liquidation is deemed imminent. Under the liquidation basis of accounting, assets are measured and presented at their net realizable values, which is the amount expected to be collected in settling or disposing the assets. Liabilities are stated at their estimated settlement amounts. Estimates for future costs expected to be incurred during the liquidation period, including costs to dispose of assets have been accrued. In addition, any income, including dividends and interest, expected to be earned and collected on investments during the liquidation period has been recorded. The conversion from the going concern basis to the liquidation basis of accounting requires management to make significant estimates and judgments.

SIGNIFICANT METHODS AND ASSUMPTIONS FOR MEASURING ASSETS AND LIABILITIES

The General Partner has determined that the fair value of investments approximates the estimated net realizable value at September 30, 20XX (the Liquidation date) and at December 31, 20XX (see Note 3). Since the financial statements already reflected the fair value of investments at the liquidation date, no other adjustments to the valuation of investments were required to change from a going concern basis to a liquidation basis of accounting. Or The General Partner estimated the net realizable value of investments held at September 30, 20XX (the liquidation date) and at December 31, 20XX using information obtained from independent third party appraisers, models based on historical collection rates, the quoted market values of investments held less a discount for the large block of securities held and lack of liquidity, etc (See Note 3). Adjust Note 3 for the applicable valuation methods used during liquidation if not fair value. It is anticipated that during the liquidation period the fair value of the remaining investments will fluctuate and expenses will be incurred which may have not yet been accrued for. Accordingly, estimated assets and liabilities on the accompanying statement of financial condition are subject to change based upon these and other factors that may develop in the liquidation process.

ACCRUED LIQUIDATION COSTS AND INCOME

Estimated costs and income associated with the dissolution and wind up of operations of the Partnership, which include expenses and income expected to be incurred and collected, respectively, over the liquidation period, are estimated based upon the most recent information available to management, with the associated estimates periodically reviewed and adjusted as

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCRUED LIQUIDATION COSTS AND INCOME (CONTINUED)

appropriate. The Partnership will continue to incur operating expenses throughout the liquidation period, which is expected to take 18-24 months. In addition, the Partnership expects to earn and collect interest and dividends on their investments held until they are disposed of during the liquidation period. Actual costs and income may differ from management's estimates, and the differences could be material. Costs associated with the dissolution and wind up and investment income expected to be earned and collected during the liquidation period are included under "accrued liquidation costs" and "accrued interest and dividend income" on the statement of net assets in liquidation and the statement of changes in net assets in liquidation.

Included in the accrued liquidation costs are the following estimated expenses:

Legal and other professional fees	\$xx
General and administrative fees	<u>xx</u>
Total	<u>\$xx</u>

No management fees have been estimated as the Investment Manager has waived the management fee during the liquidation period (see Note x).

Included in the accrued interest and dividend income are the following estimated investment income amounts expected to be earned and collected during the liquidation period:

Interest income for bonds held (estimated 1 year until maturity)	<u>\$xx</u>
Dividends income for securities held (estimated 6 months until disposal)	<u>xx</u>
Total	<u>\$xx</u>