Private Equity Fund – Sample Footnote Disclosures

Note: this is not a comprehensive listing of required disclosures to consider for an investment company, but rather includes additional disclosures unique to a closed end, private equity fund. Please consult the pro-forma Financial Statement templates on CBIZ's website for general and detailed disclosures required for an investment company, including description of valuation techniques used for investments in private operating companies.

(Substitute "Fund", "Company" or "Trust" for "Partnership" as needed)

NATURE OF PARTNERSHIP

Initial Closing

The Partnership had an initial closing on **[DATE]** (the "Initial Closing Date").

Subsequent Closings

The Partnership had an initial closing on **[DATE]** (the "Initial Closing Date") and **three** (3) subsequent closings in **[DATE], [DATE]** and **[DATE]** (each referred to as a "Subsequent Closing"). At the time of each Subsequent Closing, the new limited partners were treated as if they had been admitted to the Partnership on the Initial Closing Date.

Investment Period

In accordance with the Limited Partnership Agreement, the Partnership began investing available capital on the Initial Closing Date for the purchase of investments (the "Investment Period"). The Investment Period ends on the **third (3rd) anniversary of the Partnership's final Subsequent Closing Date [tailor as needed].**

Limited Life

[Customize as needed]

The Partnership will terminate on **[DATE],** unless extended for up to two one-year periods by the General Partner, **upon approval of the Advisory Board,** or terminated earlier in accordance with the Partnership Agreement.

OR

It is the intention of the Partnership to have a term of **___ years** from the Initial Closing Date.

Management's Plans **[for Funds winding up]**

The term of the Partnership ended on December 31**, 20XX** and the General Partner is winding up the affairs of the Partnership, as business circumstances allow, and is pursuing an orderly liquidation as established in its Limited Partnership Agreement. Management intends to dispose of remaining assets at fair value.

BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The General Partner analyzes dividends received from portfolio companies to determine whether they have been accretive to the Partnership's investment based on an analysis of enterprise value and information provided by investment banks, third party valuations or other parties. In the case of proceeds received from debt investment vehicles and limited partnerships, the General Partner determines the character of such proceeds and records any interest income, dividend income, realized gains or returns of capital accordingly.

Valuation of Investments

(Note: consider including in significant accounting policies or along with Fair Value Measurements Footnote as exemplified in CBIZ's Pro Forma Financial Statement Template)

Investments for which observable market prices in active markets do not exist are reported at fair value as determined by the General Partner using the best information available. The amount determined to be fair value may incorporate the General Partner's own assumptions (including assumptions that the General Partner believes market participants would use in valuing the investment and assumptions relating to appropriate risk adjustments for nonperformance and lack of marketability). The methods used to estimate the fair value of private investments include the market approach and the income approach, each of which involve a significant degree of judgment. The indications of value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of value indicated by the methods. The fair value of an investment is the point within the range that the General Partner believes is most representative of fair value.

Under the market approach, fair value may be determined by reference to a recent transaction involving the investee company or by reference to observable valuation measures for companies that are determined by the General Partner to be comparable (e.g., multiplying a key performance metric of the investee company, such as EBITDA, by a relevant valuation multiple observed in the range of comparable companies or transactions – adjusted by the General Partner for differences between the investment and the referenced comparables). Observable inputs used in the market approach to derive a valuation multiple may include the public prices for securities issued by, and the relevant performance metrics of, companies deemed comparable to the investee company; and/or transaction prices involving significant equity interests in companies deemed comparable to the investee company. Unobservable inputs used in the market approach may include the key performance metric of the investee company (e.g., EBITDA) and discounts for lack of marketability.

Under the income approach, fair value is determined by converting future amounts (e.g., cash flows or earnings) to a single present amount (discounted) using current market expectations about those future amounts. In determining value under this approach, the General Partner makes assumptions (generally covering a five-year projection period) regarding unobservable inputs such as, among other things, revenues, operating income, depreciation and amortization, capital expenditures, income taxes, working capital needs, and the terminal value of the investee company. The General Partner discounts those projected cash flows by deriving a discount rate based on a capital structure similar to that of a market participant (using observable inputs such as the rate of return available in the market on an investment free of default risk, an equity risk premium to reflect the additional risk of a market portfolio of equity instruments over risk-free instruments, beta as a measure of risk based on share price correlation to the market, and equity and debt-to-capital ratios of companies deemed comparable to the investee company).

The fair values assigned to the Partnership's investments are based upon available information and do not necessarily represent amounts which might ultimately be realized. Due to the absence of readily determinable fair values and the inherent uncertainty of valuations, the estimated fair values for private investments may differ significantly from values that would have been used had a ready market for the securities existed, and the differences could be material.

Special Purpose Vehicles

In most circumstances the Partnership and certain affiliates and co-investors will form a Special Purpose Vehicle ("SPV") to acquire and hold an investment. These SPVs are formed to pool contributions from the Partnership and certain affiliates and co-investors to purchase an investment. The SPV through which the investment is made, including the investment itself are identified on the **[consolidated]** [**condensed]** schedule of investments. When the Partnership owns substantially all of the SPV, such that the SPV would effectively be wholly owned by the Partnership, the SPV is consolidated with the Partnership.

OR

The Partnership's investments in special purpose vehicles ("SPVs") are 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 investments, real estate or intangible property. The valuation of the Partnership's SPVs may depend on whether the SPV is required to be accounted for as an investment company under GAAP.

If a SPV is accounted for as an investment company, the Partnership generally values the investment, as a practical expedient, using the net asset values provided by the SPV when the NAV is calculated in a manner consistent with GAAP for investment companies. The Partnership applies the practical expedient to eligible SPVs on an investment-by-investment basis and consistently with the Partnership's entire position in a particular investment, unless it is probable that the Partnership will sell a portion of an investment at an amount different from the NAV of the investment.

If a SPV is not accounted for as an investment company, the SPV may be valued in its entirety using an income approach or a market approach. In certain instances, a SPV may be valued based on the evaluation of the net assets of the SPV, whereby the assets and liabilities of the SPV are valued based on each underlying investment within the SPV, incorporating valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information including comparable transactions, and performance multiples, among other factors.

SPVs are generally categorized in Level 3 of the fair value hierarchy**. [Note: This paragraph does not apply to SPVs valued using NAV as a practical expedient.]**

OR

At various times, the Partnership may utilize special-purpose vehicles ("SPVs") in the investment process. The Partnership advances money to these SPVs for the specific purpose of investing in securities on behalf of the Partnership (an "SPV Investment"). When the Partnership makes an SPV Investment, the investment is held through the Partnership's interest in the respective SPV. The Partnership presents and fair values its SPV Investments in the financial statements as if they were owned directly by the Partnership and the SPVs have been disregarded for presentation purposes as a result of the following:(1) an SPV Investment is the sole activity of the SPV; (2) the Partnership's underlying ownership of the SPV is proportionate to the contributions made by the SPV members; and (3) the Partnership will receive the exact proportion of cash proceeds as the SPV Investment is monetized and distributed. The SPVs may incur a tax liability associated with distributions made by underlying portfolio investments.

Escrow Receivable

- Under "Significant Accounting Policies"

The Partnership may sell its portfolio investments and receive the proceeds from such disposition in installments. Proceeds anticipated, but not yet received, are fair valued and included in escrow receivable on the statement of financial condition. Escrow receivables are expected to be funded and available for release to the Partnership based on the requirements in the purchase and sales agreements between the Partnership and the purchasing entities.

At December 31, 20XX, the total escrow balances potentially available for distribution to the Partnership were $_____. The Partnership has fair valued its escrow receivable at $___, which reflects the General Partner's best estimate of the amounts that will ultimately be collected by the Partnership. **[If applicable]**: The remaining balance is expected to be received by **Month, Year**.

- Under "Fair Value Measurements"

At December 31, **20XX**, **$0 (____**% of net assets) was included in escrow receivable, which was valued by the General Partner primarily using its own market assumptions and, therefore, is classified as a Level 3 investment.

The Partnership recognizes contingent consideration (Escrow receivable amounts) from the sale of liquidated investments as a financial asset measured at fair value. Contingent consideration refers to additional amounts from liquidated investments that management believes may be realized at future dates and/or as future events occur. The terms of these milestones are generally defined in the sales agreements of the liquidated investment. The amount of the actual milestone payments ultimately received by the Partnership may vary depending on whether the future milestone events occur. The fair value reflects the General Partner's best estimate of the amounts that will ultimately be collected by the Partnership. The escrow balances are anticipated to be released to the Partnership pending the occurrence of future dates or future events. Due to the uncertainty surrounding the collection of these balances, the General Partner has estimated the fair value of the escrow balances to reflect a discount of ____% of the balances held in the Partnership's various escrow accounts. At December 31, **20XX** the fair value of the Partnership's escrow receivable was $____.

Note: Add escrow receivable to the fair value hierarchy table. If deemed a Level 3 investment, include on the Level 3 Unobservable Inputs table and list major unobservable inputs. For example: achievement of future milestone events, probability of default, expected release date.

PARTNERS' CAPITAL, COMMITMENTS AND ALLOCATIONS

Capital Commitment and Contributions

Each partner admitted to the Partnership committed a specific dollar amount to be drawn down in accordance with the terms of the Limited Partnership Agreement. Capital contributions made by a partner to the Partnership, for the purpose of acquiring portfolio investments or payment of certain Partnership expenses, reduce such partner's remaining capital commitment. As of **December 31, 20XX**, the Partnership had total capital commitments of **$_____**, of which **$____ (__%)** had been contributed, resulting in aggregate remaining capital commitments of $____.

[If applicable]
After the end of the Investment Period, the General Partner may call up to an additional **__%** of committed capital from limited partners to fund anticipated investments, expenses, and other Partnership obligations that may be required.

Allocation of Profits and Losses

The Partnership's net profit or loss is allocated to each Limited Partner in proportion to its relative capital commitment. Allocations to the General Partner for Carried Interest are performed at the end of a fiscal period.

Distributions and Carried Interest Calculations

[Customize as needed]

The General Partner is responsible for determining if a distribution will be made from proceeds received from realized investments **[customize to reflect the distribution policy per the Limited Partnership Agreement[.** These distributions are made first to the Limited Partners and then to the General Partner in the following order and priority:

(1) 100% to the Limited Partners, until the cumulative amount distributed equals the amount of their contributed capital.

(2) 100% to the Limited Partners until the Limited Partners receive an 8% per annum return, compounded annually and calculated daily (the "Preferred Return") on the amount of their contributed capital.

(3) 100% to the General Partner until the General Partner has received the carried interest percentage of 25% (the "Carried Interest") of the sum of all distributions made to the Limited Partners with regards to (2) above.

(4) Thereafter, 80% to the Limited Partners and 20% to the General Partner.

At **December 31, 20XX**, the General Partner in entitled to Carried Interest of **$______** and has received **$______** of Carried Interest distributions to date.

Clawback Provision

If, after the Partnership has made its final liquidating distribution, the General Partner has received distributions of Carried Interest in excess of the amounts that should have been distributed to the General Partner as Carried Interest, the General Partner will be obligated to return to the Partnership such excess distributions, net of taxes in accordance with the clawback provision (the "Clawback Provision"), of the Limited Partnership Agreement.

Withdrawals

Limited Partners will have no right to voluntarily withdraw any capital from the Partnership. The General Partner may, upon request and in its discretion, permit a Limited Partner to withdraw all or a portion of its capital upon such terms as it may determine.

PARTNERSHIP TERMS AND RELATED PARTY TRANSACTIONS

Management fees, Offsets and Waivers

Pursuant to the Investment and Advisory Agreement between the Investment Manager and the Partnership, the Investment Manager receives a fee as compensation for services rendered in the management of the Partnership at the annual rate of 1% of the capital base, which initially, is the committed capital of the Partnership. The capital base on which the management fee is charged will be reduced as permanent returns of capital are distributed by the Partnership. The management fee is reduced by **XX**% of transaction and monitoring fees received by the

Investment Manager from portfolio companies. The management fee is paid quarterly in advance. Pursuant to the Partnership Agreement, the General Partner may elect to waive fees in lieu of capital contributions.

During the year ended December 31, 20XX gross management fees of approximately $XX were reduced by approximately $XX for transaction and monitoring fees as defined in the Limited Partnership Agreement. This reduction resulted in a net management fee of $XX for the year ended December 31, 20XX. There were no management fee waivers elected for the year ended December 31,20XX.

Investments

The Manager, the General Partner or other employees of such entities sit on the board of directors of **[quantify or list companies]** of the Partnership's portfolio companies. During the year ended December 31, **20XX** the Investment Manager, the General Partner or other employees of such entities received **$____** as compensation for serving on the board of directors.

The Partnership sold a portfolio investment **[list]** to certain entities affiliated with the General Partner as approved by the Advisory Board. The investment was sold **at the most recent transaction price as reported by the portfolio company[tailor accordingly]**, which the General Partner believes, in good faith, approximates fair value. The Partnership realized a gain of $XX which is included in the statement of operations for the year ended December 31, 20XX.

The General Partner and the SPVs are related parties under common management. There are no fees charged to the Partnership by the SPVs.

The Partnership and related parties of the Partnership have a combined ownership interest of ___% in **[Name of the portfolio company investment]** as of December 31, 20XX.

Due to affiliates/due from affiliates

The Due to affiliates balance at December 31, 20XX is comprised of amounts due to Limited Partners **from foreign tax refunds and distributions [tailor** accordingly].

Note: also consider disclosure for $ amount of shared expenses and allocation method (common expenses that are allocated to multiple Funds) and contributions/distributions in kind from/to related entities.

MARKET AND OTHER RISK FACTORS

Investee Risk

Partnership portfolio companies are generally smaller entrepreneurial companies that may have limited business histories, product or service lines, markets, financial resources and management depth. Such companies also may not have achieved profitable operations, or positive cash flows. As a result, if such companies do not achieve profitability or positive cash flows, the Partnership may not realize its investment objectives.

Liquidity Risk

The Partnership's portfolio of investments is comprised solely of illiquid, non-publicly traded securities. Accordingly, there is the risk that the Partnership may not be able to realize its investment objectives by sale, or other disposition of portfolio investments, at prices reflective of the Partnership's current value. As a result, the Partnership may sustain losses with respect to some or all of its investments.

FINANCIAL HIGHLIGHTS

Note: In addition to expense ratios, disclose Internal Rate of Return as of current and prior year-end, not Total Return, if applicable conditions are met (consult the AICPA Auditing and Accounting Guide for Investment Companies for additional guidance on IRR).

Internal Rate of return, since inception, through:	December 31, 2019	December 31, 2018
Internal Rate of Return	__%	__%
Less: Carried Interest	(__%)	(__%)
Internal Rate of Return, Net of Carried Interest to General Partner	**__%**	**__%**

The IRR, since inception, reflects the aggregate results for the Partnership. Such percentage returns on the Limited Partner's interests are after all fees and profit allocations (carried interest) and were computed based on the actual dates of the cash inflows (capital contributions), cash outflows (distributions) and the ending net assets at the end of the period (residual value) of the Limited Partner's capital account as of the measurement date.