Summary: In June 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures which changes the accounting for repurchase-to-maturity transactions and repurchase financing arrangements, and requires additional disclosures about repurchase agreements and other similar transactions. The accounting changes in ASU No. 2014-11 are effective for public business entities for the first interim or annual period beginning after December 15, 2014. For all other entities, the accounting changes are effective for annual periods beginning after December 15, 2014, and interim periods beginning after December 15, 2015. An entity is required to present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. Earlier application for a public business entity is prohibited.

ASU No. 2014-11 requires two accounting changes. First, the amendments in this ASU change the accounting for repurchase-to-maturity transactions to secured borrowing accounting. Second, for repurchase financing arrangements, the amendments require the transferor and transferee to symmetrically account for the initial transfer of the financial asset as a sale (provided that derecognition conditions are met) and purchase, respectively. In addition, the ASU requires entities to evaluate and account for the repurchase component of the combined transaction in a manner similar to how they would evaluate and account for other typical repurchase agreements.

ASU No. 2014-11 also sets forth two new disclosure requirements to respond to the needs of users of financial statements for additional disclosures for repurchase agreements and similar transactions. An entity is required to disclose information about certain transactions accounted for as a sale in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets through an agreement with the same counterparty. Those disclosures are intended to provide users of financial statements with information to compare those types of transactions accounted for as sales with similar transactions accounted for as secured borrowings. An entity also will be required to disclose information about repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions that are accounted for as secured borrowings. Those disclosures are intended to provide transparency about the types of collateral pledged in the agreements and the associated liability. An investment company refers to this transaction as a reverse repurchase agreement (reverse repo).

NOTE X – COLLATERALIZED FINANCING ARRANGEMENTS

REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

Transactions involving repurchase agreements and reverse repurchase agreements are treated as collateralized financing transactions, and are recorded at their contractual resell or repurchase amounts, which approximates fair value. Interest on repurchase agreements and reverse repurchase agreements is included in interest receivable and interest payable, respectively.

NOTE X – COLLATERALIZED FINANCING ARRANGEMENTS (CONTINUED)

Repurchase and Reverse Repurchase Agreements (continued)

In connection with repurchase agreements, it is the Fund's policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase agreements, including accrued interest, at all times. At December 31, 20XX, securities with a fair value of approximately $XX,XXX,000 were received as collateral for repurchase agreements. If the counterparty defaults under repurchase agreements, and the fair value of the collateral declines, the realization of the collateral by the Fund may be delayed or limited.

Reverse Repurchase Agreements

Reverse repurchase agreements involve the sale of a security to a counterparty, subject to an obligation by the Fund to repurchase the security from the counterparty at a contracted price on maturity. In connection with its reverse repurchase agreements, the Fund is required to pledge collateral to its counterparties, the fair value of which, at all times, to be at least **[specify the percentage of required collateral value to the contracted repurchase amount, including accrued interest]** of the excess of the amounts borrowed plus accrued interest. If the fair value of the collateral declines, the Fund may be required to post additional collateral to the counterparty. To mitigate this risk, the Fund pledges financial instruments as collateral that are 1) issued by entities with sufficient creditworthiness to meet their obligations when they come due and 2) sufficiently liquid to be sold at their carrying amounts in the ordinary course of operations.

At December 31, 20XX, securities with a fair value of approximately $XX,XXX,000, which are included in investments in securities in the statement of assets and liabilities, were pledged to collateralize reverse repurchase agreements. At December 31, 20XX, securities with a fair value of approximately $XX,XXX,000, which are included in investments in securities in the statement of assets and liabilities, were pledged to collateralize securities sold under agreements to repurchase. At December 31, 20XX, securities purchased under agreements to resell [and/or] securities sold under agreements to repurchase had interest rates of X.X% through X.X% and maturity dates of [Month, Date, Year] through [Month, Date, Year].

Securities Lending Agreements

The Partnership has entered into securities lending agreements with its prime brokers. From time to time, the prime brokers lend securities on the Partnership's behalf. Those transactions are secured by cash collateral, the fair value of which, at all times, is required to be at least equal to the fair value of the securities loaned plus accrued interest and dividends. The Partnership earns a return by holding the cash at the broker or investing the cash typically in short-term, high-quality debt instruments. A rebate for a portion of the interest earned on the cash collateral is paid to the security lending agent for arranging the transaction. The Partnership has the right under its securities lending agreement to recover the securities loaned from the counter-party on demand. If the counter-party fails to deliver the securities on a timely basis, the Partnership could experience delays or loss on recovery. In addition, the Partnership

NOTE X – COLLATERALIZED FINANCING ARRANGEMENTS (CONTINUED)

SECURITIES LENDING AGREEMENTS (CONTINUED)

is subject to risk of loss from investments made with cash collateral received, if any. In the event of default, the Partnership has the right to use the collateral to offset the net amount owed by the counter-party. At December 31, 20XX, the Partnership loaned common stocks with a fair value of $XXX,000 and received $XXX,000 as cash collateral. [Or, if applicable] As of December 31, 20XX, there were no securities loaned.

SECURED BORROWING ARRANGEMENTS

In connection with its secured borrowing arrangements, the Fund is required to pledge collateral to its counterparties of amounts in excess of amounts borrowed plus accrued interest. If the fair value of the collateral declines, the Fund may be required to post additional collateral to the counterparty. To mitigate this risk, the Fund pledges financial instruments as collateral that are 1) issued by entities with strong creditworthiness to meet their obligations when they come due, and 2) sufficiently liquid to be sold at their carrying amounts in the ordinary course of operations.

The following table provides information regarding the gross obligations from secured borrowing arrangements, presented by classes of collateral pledged and remaining contractual maturities of the Fund's secured borrowings as of December 31, 20XX.

NOTE X – COLLATERALIZED FINANCING ARRANGEMENTS (CONTINUED)

SECURED BORROWING ARRANGEMENTS (CONTINUED)

Remaining Contractual Maturity of the Agreements as of December 31, 20XX

	Overnight and Continuous	**Up to 30 Days**	**30-90 Days**	**Greater than 90 Days**	**Total**
***Repurchase Agreements and Repurchase-to-Maturity Transactions*:**					
U.S. treasury and agency securities	$2,000,000	$1,500,000	$1,600,000	$1,000,000	$6,100,000
State and municipal securities	500,000	200,000	100,000	100,000	900,000
Asset-backed securities	400,000	300,000	200,000	100,000	1,000,000
Corporate securities	300,000	150,000	300,000	200,000	950,000
Equity securities Non-U.S. sovereign debt	200,000	100,000	50,000	50,000	400,000
Loans	300,000	50,000	100,000	200,000	650,000
Other	100,000	25,000	75,000	100,000	300,000
Total	4,400,000	2,525,000	2,825,000	1,850,000	11,600,000
Securities Lending Transactions:					
U.S. treasury and agency securities	600,000	300,000	400,000	100,000	1,400,000
State and municipal securities	500,000	400,000	200,000	100,000	1,300,000
Corporate securities	700,000	500,000	150,000	150,000	1,500,000
Equity securities	200,000	100,000	75,000	25,000	400,000
Non-U.S. sovereign debt	500,000	200,000	100,000	100,000	900,000
Loans	600,000	75,000	125,000	50,000	850,000
Other	25,000	50,000	75,000	50,000	200,000
Total	3,125,000	1,625,000	1,225,000	575,000	6,550,000
Total Borrowings	$7,525,000	$4,150,000	$4,050,000	$2,425,000	$18,150,000
Gross amount of recognized liabilities for repurchase agreements and securities lending in Note X					$10,500,000
Amounts related to agreements not included in offsetting disclosure in Note X					$3,650,000

NOTE X – COLLATERALIZED FINANCING ARRANGEMENTS (CONTINUED)

SALES OF FINANCIAL ASSETS

The following table provides information regarding the carrying amounts of assets derecognized as of the date of the initial transfer in transactions for which an agreement with the transferee remains outstanding at the reporting date and the gross cash proceeds received by the Fund as of the date of derecognition.

	At the Date of Derecognition for Transactions Outstanding		At the Reporting Date		
Transfers of Financial Assets Accounted for as Sales	**Carrying amount Derecognized**	**Cash Proceeds**	**Fair Value of Transferred Assets**	**Gross Derivative Assets Recorded[(a)(b)]**	**Gross Derivative Liability Recorded[(a)(b)]**
Type of Transaction:					
Repurchase agreements	$1,000	$1,100	$1,300	$ 800	$ 600
Sale and total return swap	2,000	1,600	1,800	1,000	700
Securities lending	3,000	3,200	3,300	2,500	300
Total	$6,000	$5,900	$6,400	$4,300	$1,600

(a) Balances are presented on a gross basis, before the application of counterparty and cash collateral offsetting

(b) $2,000 of gross derivative assets and $600 of gross derivative liabilities are included as interest rate contracts in Note X on derivative disclosures. $2,300 of gross derivative assets and $1,000 of gross derivative labilities are included as credit risk contracts in Note X on derivative disclosures.