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ASU 2011-04 SAMPLE DISCLOSURE FOR LEVEL 3 QUANTITATIVE INPUTS AND ADDITIONAL VALUATION PROCESSES - FOR YEARS BEGINNING AFTER 12/15/11

[Disclose (A) if the Partnership has not yet adopted ASU 2018-13. If the Partnership has adopted ASU 2018-13, a detailed description of the Partnership's valuation processes is not required.]

(A)

FAIR VALUE – VALUATION PROCESSES

The **[Partnership/Fund/Company]** has established a fair valuation committee (the "Valuation Committee") which is comprised of various **[Partnership/Fund/Company]** personnel who are separate from the **[Partnership's/Fund's/Company's]** portfolio management and trading functions, and reports to the **[Partnership's/Fund's/Company's** Board of Directors on a quarterly basis. In the event that a financial instrument cannot be valued based upon a price from a national securities exchange, pricing service provider or broker quotation, or such prices are deemed to not reflect current market value, the Valuation Committee may value the financial instrument in good faith under the policies and procedures approved by the Board of Directors based on current facts and circumstances. Determination of this value may include significant unobservable inputs and therefore would be reflected as Level 3 of the fair value hierarchy.

The Valuation Committee meets at least on a monthly basis, or more frequently as needed, to review and discuss the appropriateness of such fair values using more current information such as, recent security news, recent market transactions, updated corporate action information and/or other macro or security specific events. The Valuation Committee is responsible for developing the **[Partnership's/Fund's/Company'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 as well as ensuring that the valuation methodologies for investments that are categorized within Level 3 of the fair value hierarchy are fair, consistent, and verifiable. Valuations determined by the **[Partnership/Fund/Company]** are required to be supported by market data, third-party pricing sources, industry accepted third-party pricing models, counterparty prices, or other methods the Valuation Committee deems to be appropriate, including the use of internal proprietary pricing models. When determining the reliability of third party pricing information for investments owned by the **[Partnership/Fund/Company]**, the Valuation Committee, among other things, conducts due diligence reviews of pricing vendors, monitors the daily change in prices and reviews transactions among market participants.

Also, when observable inputs become available, the Valuation Committee conducts back testing of the methodologies used to value Level 3 financial instruments to substantiate the unobservable inputs used to value those investments. Such back testing includes comparing Level 3 investment values to observable inputs such as exchange-traded prices, transaction prices, and/or vendor prices.

The **[Partnership/Fund/Company]** uses the findings to calibrate its valuation procedures. **[If**

applicable] On an annual basis, the **[Partnership/Fund/Company]** 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.

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The following table provides additional information about the valuation techniques and significant unobservable inputs used for investments categorized in Level 3 of the fair value hierarchy as of December 31, 20XX:

($ in Thousands)

Assets	Fair Value at December 31, 20XX	Valuation Technique(s) Used	Unobservable Input(s)	Range of Inputs (Weighted Average)
Investments in Securities				
Residential mortgage-backed securities	$121.5	Discounted cash flow	Constant prepayment rate	4% - 6% (5.5%)
			Probability of default	5%-50% (10%)
			Loss severity	40%-100% (60%)
Corporate notes – Airlines	2.6	Indicative quote	Non-transparent single broker quotes	$88.25-$100 ($92)
Notes	2.0	Discounted cash flow model	Remaining maturities	24-36 months (32 months)
			Discount rates	12%-15% (13%)
	1.0	Market comparable companies	Discount margin	8%-10% (9%)
			Market yield/yield to maturity	12%-15% (13%)
			Discounts for lack of marketability	15%-20% (17%)
Contingent Consideration	.1	Discounted cash flow model	Probability	20%-35% (28%)
Private preferred stocks	21.5	Market comparable companies	Adjusted valuation multiples (EBITDA)	8% - 10% (9%)
			Discounts for lack of marketability	15%-20% (17%)
			Control premiums	2%-5% (3.5%)
Direct Equity Investment in Technology Company	40.1	Discounted cash flow model	WACC	11% - 16% (13%)
			LT revenue growth model	1% - 5% (3%)
			Discount for lack of marketability	10% - 25% (15%)
			Control Premium	15% - 25% (18%)
Direct Equity Investment in Energy Company	32.5	Market comparable companies	EBITDA multiple	6.5% - 12% (9.5%)
			Revenue multiple	1% - 4% (2%)
			Discount for lack of marketability	5% - 20% (10%)
			Control Premium	10% - 20% (13%)
Corporate bonds – Energy	$ 4.6	Indicative quote	Discount for lack of marketability	15%

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Assets	Fair Value at December 31, 20XX	Valuation Technique(s) Used	Unobservable Input(s)	Range of Inputs (Weighted Average)
Investments in Securities (continued)				
Commercial mortgage backed securities	$ 11.5	Benchmark pricing	Security price reset	$5.92 - $11 ($8)
Collateralized debt obligations	30.1	Consensus pricing	Offered quotes Comparability adjustments	$20 - $45 ($35) -10%-+15% (+5%)
Credit contracts	35.8	Industry accepted model	Annualized volatility of credit Counterparty credit risk Own credit risk	10% - 20% (16%) 0.5% - 3.5% (2%) 0.3% - 2.1% (1.2%)
Total Investments in Securities	**$303.3**			
Derivatives				
Call warrants	$ 2.4	Industry accepted model	Implied volatility Estimated time to exit	12% - 25% (18%) 12-24 months (18 months)
Put warrants	1.1	Portfolio manager recommendation	Stale pricing	$1.12 - $3 ($1.81)
Total Return Swaps	1.4	Industry accepted model	Current price of underlying illiquid instruments	$9.12 - $21 ($15)
Total Derivatives	**$4.9**			
Total Assets	**$308.2**			

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Liabilities	Fair Value at December 31, 20XX	Valuation Technique(s) Used	Unobservable Input(s)	Range of Inputs (Weighted Average)
Derivatives				
Credit default swaps	$5.8	Industry accepted model	Illiquid indicative quotes for current spread	4.6% - 7.9% (5.4%)
			Default rates	1%-2% (1.5%)
Total Liabilities	**$5.8**			

[if applicable] No unobservable inputs internally developed by the **[Partnership /Fund/Company]** have been applied to certain of the Fund's Level 3 investments. Investments of **[$insert amount]** have been valued using unadjusted inputs including third-party transactions and quotations thus they have been excluded from the above table. At December 31, **20XX**, the Fund had investments in private investment companies of approximately **$XX,XXX,XXX** measured using net asset value as a practical expedient, which are not categorized in the fair value hierarchy.

[Or if applicable] The Fund's Level 3 investments have been valued using unadjusted inputs that have not been internally developed by the Fund, including third-party transactions and quotations. 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**

Change in Technique:

During the year ended December 31, **20XX**, the Fund changed the valuation technique used to value **[Describe the class to which the change in valuation approach or valuation technique applies]** from **[Describe the previous valuation approach and/or valuation technique]** to **[Describe the change in valuation approach and/or valuation technique, including the use of an additional valuation technique].** The Fund believes the change in valuation technique and its application results in a measurement that is equally or more representative of the fair value in the circumstances because of **[Disclose the reasons of the change in valuation approach or valuation technique, which may result from events such as: development of new markets; new information becomes available; information previously used becomes no longer available; valuation techniques improve; or changes in market conditions]. [If the change in valuation approach or technique affects only a portion of a class, consider presenting the amount, as of the reporting date, of the portion affected by the change.]**

Sensitivity Disclosure Requirements-

If unobservable inputs to a Level 3 fair value measurement are interrelated, an entity must describe the interrelationship and indicate how it might magnify or mitigate the effect of changes in unobservable inputs to the fair value measurement. **This disclosure is not required for nonpublic entities.**

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Sample: Sensitivity Disclosure-

The significant unobservable inputs used in the fair value measurement of the entity's asset-backed securities are the probability of default and loss severity in the event of default. Significant increases or decreases in either of those inputs in isolation would result in a significantly lower or higher fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Fair Value is Only Disclosed

A reporting entity might present its borrowings on the balance sheet at carrying value, but is required to disclose the fair value in accordance with ASC 825. The reporting entity must provide the leveling classification for such borrowings.

Reminder: this requirement only applies to public entities