8X8 INC /DE/
Form 8-K
July 21, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

July 21, 2016

Date of Report (Date of earliest event reported)

8X8, INC.

(Exact name of registrant as specified in its charter)

Delaware	**000-21783**	**77-0142404**
(State or other jurisdiction of incorporation)	*(Commission File Number)*	*(I.R.S. Employer Identification Number)*

2125 O'Nel Drive
San Jose, CA 95131

(Address of principal executive offices including zip code)

(408) 727-1885

(Registrant's telephone number, including area code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425) o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On July 21, 2016, 8x8, Inc., or the Company, issued a press release announcing its financial results for the three months ended June 30, 2016. A copy of this press release is furnished as Exhibit 99.1 to this report. The press release should be read in conjunction with the statements regarding forward-looking statements, which are included in the text of the release.

In addition to disclosing financial results calculated in accordance with U.S. generally accepted accounting principles (GAAP), management also presents information regarding the Company's performance over comparable periods based on net income and net income per share, exclusive of non-cash tax adjustments, stock-based compensation, amortization of acquired intangible assets, and acquisition-related costs. Because management discloses financial measures calculated without taking into account these items, these financial measures are characterized as "non-GAAP financial measures" under Securities and Exchange Commission rules.

Non-cash tax adjustments represented the difference between the amount of taxes the Company expects to pay and the GAAP tax provision each period. Management excludes non-cash tax adjustments because they are non-cash transactions.

Stock-based compensation charges represent non-cash charges related to equity awards granted by the Company. Although these are recurring charges to the Company's operations, management has excluded stock-based compensation expense because it relies on valuations based on future events, such as the market price of the Company's common stock, that are difficult to predict and are affected by market factors that are largely not within the control of the Company. Thus, management believes that excluding these charges facilitates comparisons of the Company's operational performance in different periods, as well as with similarly determined non-GAAP financial measures of comparable companies.

Amortization of acquired intangible assets results from the Company's acquisitions of Contactual, Inc. in fiscal 2012, Voicenet Solutions Limited in fiscal 2014, and DXI Group Limited and Quality Software Corporation in fiscal 2016. Amortization of acquired intangible assets was excluded because it was a non-cash expense that the Company does not consider part of ongoing operations when assessing the Company's financial performance.

Acquisition-related expenses are difficult to predict and often one-time. Management believes these expenses are not reflective of the Company's ongoing operations in terms of evaluating comparable period-to-period performance.

Management and the Company's board of directors will continue to analyze these non-GAAP financial measures to assess the business and compare operating results to the Company's performance objectives. For example, the Company's budgeting and planning process utilizes these non-GAAP financial measures, along with other types of financial information.

The Company discloses these non-GAAP financial measures to the public as an additional means by which investors can assess the Company's performance and to identify the Company's operating results for investors on the same basis applied by management. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements should be carefully evaluated. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. The Company has provided reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures in the press release furnished as Exhibit 99.1.

Moreover, although these non-GAAP financial measures adjust expense, they should not be viewed as a pro forma presentation reflecting the elimination of the underlying share-based compensation programs, which are an important element of the Company's compensation structure. GAAP requires that all forms of share-based payments should be valued and included, as appropriate, in results of operations. Management believes these expenses are a material part of the Company's operating results.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

99.1 Press Release dated July 21, 2016

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 21, 2016

8X8, INC.

By: /s/ Mary Ellen Genovese

Mary Ellen Genovese
Chief Financial Officer and Secretary

INDEX TO EXHIBITS

Exhibit	Description
99.1	Press release dated July 21, 2016

MILBANK WINTHROP & CO., INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

(continued)

NOTE 7. PREPAID EXPENSES AND OTHER

The details of Milbank s prepayments at December 31, 2010 are as follows:

Insurance	$ 86,685
Rent	12,450
Other	6,763
	$ 105,898

NOTE 8. RELATED PARTY TRANSACTIONS

Milbank earns advisory fees for client assets invested with the Partnerships. It is also reimbursed for costs incurred in providing administrative services to the Partnerships. During 2010, Milbank earned $3,829,228 in advisory fees and $505,200 in administrative fees from the Partnerships.

These intercompany fees have been fully eliminated in the consolidated financial statements.

NOTE 9. INCOME TAXES

The Company s income tax expense for the year ended December 31, 2010 has been determined as follows:

Current taxes	
Federal	$ (11,820)
State and local	53,298
	41,478
Deferred taxes	
Federal	34,905
	$ 76,383

Current taxes are provided using statutory tax rates as applied to taxable income. Deferred taxes are provided at approximately 35% of unrealized appreciation of investments in excess of tax basis.

NOTE 10. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation. As discussed in Note 2, the Company applies accelerated methods of depreciation over the estimated useful lives of the assets.

Asset at cost:		
Furniture and equipment	$	220,543
Leasehold improvement		90,698
Total cost		311,241
Less accumulated depreciation		(284,168)
Net fixed assets	$	27,073

Depreciation expense for the year ended December 31, 2010 was $6,751.

MILBANK WINTHROP & CO., INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

(continued)

NOTE 11. SHARES OF STOCK

Under the Certificate of Amendment of the Certificate of Incorporation dated January 9, 1997 (the Certificate), 7,000 shares of Class A Common Stock, having a par value of $0.05 per share, were authorized. Holders of Class A Common Stock are entitled to one vote per share. At December 31, 2010, 3,922 shares were issued and outstanding.

Also under the Certificate, 7,000 shares of Class B Common Stock, having a par value of $0.05 per share, were authorized. Class B Common Stock is non-voting stock. At December 31, 2010, 2,496 shares were issued and outstanding.

NOTE 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 2, 2011, which is the date the financial statements were available to be issued. The Company is engaged in negotiations to merge with an outside entity.

Table of Contents

INDEPENDENT AUDITORS REPORT

To the Shareholders of

Milbank Winthrop & Co., Inc.:

We have audited the accompanying consolidated statement of financial condition of Milbank Winthrop & Co., Inc. (the Company), as of December 31, 2009, and the related consolidated statements of income, changes in stockholders equity and cash flows for the year then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Milbank Winthrop & Co., Inc. as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Fulvio & Associates, LLP

New York, New York

August 30, 2011

Table of Contents

MILBANK WINTHROP & CO., INC.

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2009

ASSETS		
Cash and cash equivalents		$ 126,858
Investments in securities and partnerships		24,660
Accounts receivable		18,173
Prepaid taxes		43,955
Furniture, equipment and leasehold improvements, at cost (net of accumulated depreciation of $277,417)		28,197
Security deposit		15,017
Prepaid expenses and other		107,566
Consolidated Milbank Partnerships:		
Cash and cash equivalents	$ 17,592,722	
Investments in securities	112,117,035	
Investments in Funds	183,960,896	
Redemptions receivable from investments in Funds	84,142,238	
Accrued income	253,647	
Prepaid expenses and other	116,957	398,183,495
TOTAL ASSETS		$ 398,547,921
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Accrued expenses		$ 39,481
Deferred taxes		56,217
Consolidated Milbank Partnerships:		
Contributions received in advance	$ 25,000	
Accrued expenses	1,511,832	
Redemptions payable	92,803,029	
Securities sold short	3,343,667	97,683,538
Total Liabilities		97,779,226
Commitments and Contingencies (see Note 5)		
Stockholders Equity:		
Common stock:		
7,000 Class A par $0.05 shares authorized; 3,922 shares issued and outstanding		196
7,000 Class B par $0.05 shares authorized; 2,496 shares issued and outstanding		125
Additional paid in capital		454,839
Retained earnings		800,541
Total Milbank Winthrop & Co., Inc. Stockholders Equity		1,255,701
Minority interests in Consolidated Milbank Partnerships		299,512,994
Total Stockholders Equity		300,768,695
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY		$ 398,547,921

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MILBANK WINTHROP & CO., INC.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2009

REVENUES:		
Investment advisory fees		$ 1,732,854
Other income		5,074
Consolidated Milbank Partnerships:		
Dividends	$ 1,837,732	
Interest	1,134,922	2,972,654
Total revenues		4,710,582
EXPENSES:		
Compensation and benefits		5,293,535
Rent		164,251
Insurance		140,120
Office and administrative		134,206
Professional fees		109,482
Depreciation		2,097
Other		156,041
Consolidated Milbank Partnerships:		
Management and advisory fees	1,582,597	
Office and administrative	1,226,115	
Professional fees	396,815	
Interest and dividends	295,978	3,501,505
Total expenses		9,501,237
LOSS BEFORE NET GAINS FROM CONSOLIDATED MILBANK PARTNERSHIPS		(4,790,655)
Net gains from investment activities of Consolidated Milbank Partnerships:		
Realized gain on investments in securities, net	2,239,337	
Unrealized gain on investments in securities, net change	36,511,370	
Realized gain on investments in Funds, net	1,861,609	
Unrealized gain on investments in Funds, net change	56,060,996	96,673,312
INCOME BEFORE INCOME TAX EXPENSE		91,882,657
Income tax expense		138,669
NET INCOME		91,743,988
Minority Interests in Consolidated Milbank Partnerships		(91,653,265)
NET INCOME ATTRIBUTABLE TO MILBANK WINTHROP & CO., INC.		$ 90,723

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MILBANK WINTHROP & CO., INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2009

	Number of Class A Shares	Par Value	Number of Class B Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Minority Interests in Consolidated Milbank Partnerships	Total
Balance at December 31, 2008	3,922	$ 196	2,496	$ 125	$ 454,839	$ 709,818	$ 299,398,031	$ 300,563,009
Contributions							2,150,000	2,150,000
Redemptions							(93,688,302)	(93,688,302)
Net Income						90,723	91,653,265	91,743,988
Balance at December 31, 2009	3,922	$ 196	2,496	$ 125	$ 454,839	$ 800,541	$ 299,512,994	$ 300,768,695

The accompanying notes are an integral part of these consolidated financial statements.

F-98

Table of Contents

MILBANK WINTHROP & CO., INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income		$ 90,723
Adjustments to reconcile net income to net cash provided by operating activities		
Consolidated Milbank Partnerships:		
Net income	$ 91,653,265	
Depreciation	2,097	
Deferred taxes	56,217	
Purchases of securities and partnerships	(28,808)	
Sales of securities and partnerships	103	
Unrealized gain on investments in securities and partnerships, net change	(4,514)	
Consolidated Milbank Partnerships:		
Realized gain on investments in securities, net	(2,239,337)	
Unrealized gain on investments in securities, net change	(36,511,370)	
Realized gain on investments in funds, net	(1,861,609)	
Unrealized gain on investments in funds, net change	(56,060,996)	
Purchases of investments in securities	(122,598,527)	
Purchases of investments in funds	(10,000,000)	
Sales of investments in securities	150,623,210	
Sales of investments in funds	84,466,655	
(Increase) decrease in operating assets:		
Accounts receivable	16,348	
Prepaid taxes	(43,955)	
Security deposit	(203)	
Prepaid expenses and other	(2,488)	
Consolidated Milbank Partnerships:		
Cash and cash equivalents	(7,342,804)	
Redemption receivable from investments in funds	(52,342,738)	
Prepaid investments	7,000,000	
Accounts receivable	159,750	
Accrued income	215,963	
Prepaid expenses and other	10,596	
Increase (decrease) in operating liabilities:		
Accrued expenses	16,792	
Consolidated Milbank Partnerships:		
Accrued expenses	805,938	
Total Adjustments		45,989,585
Net cash provided by Operating Activities		$ 46,080,308
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions to Milbank Partnerships		$ 2,175,000
Redemption from Milbank Partnerships		(48,233,273)
Net cash used in financing activities		(46,058,273)
NET CHANGE IN CASH AND CASH EQUIVALENTS		22,035
Cash and Cash Equivalents at December 31, 2008		104,823

Cash and Cash Equivalents at December 31, 2009	$	126,858
Supplemental cash flow information:		
Cash paid during the period for taxes	$	88,729

The accompanying notes are an integral part of these consolidated financial statements.

F-99

Table of Contents

MILBANK WINTHROP & CO., INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1. ORGANIZATION

Milbank Winthrop & Co., Inc. (Milbank) was incorporated in Delaware in 1980. Milbank conducts an investment advisory business in New York City and is registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940.

Milbank is the General Partner (the General Partner) of three investment partnerships, MW Global Partners, L.P., MW Small Cap, L.P. and MW Special Situations, L.P. (the Partnerships) which are consolidated in these financial statements (collectively the Company).

The Partnerships invest in a mix of securities and independent investment partnerships (the Funds).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Accounting

The Company follows the accrual method of accounting. Income is recorded when earned, and expenses are recorded when incurred in the period to which they pertain. Purchases and sales of securities are recorded on the trade date basis.

Basis of Consolidation

Milbank consolidates the Partnerships in which the General Partner is presumed to have control under Accounting Standards Codification (ASC) 810-20. Although Milbank holds non-substantive equity-at-risk in the Partnerships, Milbank s related parties, including its de facto agents, hold substantive equity-at-risk. Further, the limited partners do not have the right to dissolve the Partnerships or have substantive kick out rights or participating rights that would overcome the presumption of control by Milbank. Accordingly, Milbank consolidates the assets, liabilities and operating results of the Partnerships and records the minority interests held by the limited partners in the accompanying financial statements. All material intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes cash in banks and readily available money market funds in investment accounts.

Table of Contents

MILBANK WINTHROP & CO., INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009

(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidated Milbank Partnerships Cash and Cash Equivalents

Cash and cash equivalents held by the Partnerships are not available to fund any of the liquidity needs of Milbank.

Fair Value Measurements

GAAP establishes a framework for measuring fair value and requires disclosures about fair value measurements, including a fair value hierarchy that prioritizes the inputs to value techniques used to measure fair value into three broad levels explained below:

Level 1 Valuations based on quoted prices available in active markets for identical investments.

Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The inputs or methodology used for valuing investments are not necessarily an indication of the risks associated with investing in those investments.

Valuation and Revenue Recognition

Investments in securities, option contracts, and securities sold short which are traded on a national securities exchange or listed on NASDAQ are valued at the last reported sales price on the last business day of the year. Investments in securities and securities sold short which are traded in the over-the-counter market are valued at the last reported bid and ask prices, respectively.

Securities for which market quotations are not readily available are valued at their fair value as determined in good faith under consistently applied procedures established by the General Partner.

Although the General Partner and the Funds administrators use their best judgment in estimating the fair value of the investments in the Funds, there are inherent limitations in any estimation technique. Therefore, the values presented herein are not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effects of such events on the estimates of fair value could be material. The valuation of the Funds has been deemed reasonable based on inquiry and the documentation provided from the Funds general partners or administrators.

The Funds may carry investments for which market quotations are not readily available and are valued at their fair value as determined in good faith by their respective general partners or administrators. A change in the estimated value may occur in the near term.

Certain Funds invest in emerging markets. The risks of investments are often increased in developing countries. These risks include repatriation restrictions, foreign exchange fluctuations, low trading volume in securities markets of emerging countries, lack of uniform reporting standards, and political, economic and legal uncertainties.

Table of Contents

MILBANK WINTHROP & CO., INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009

(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation and Revenue Recognition (continued)

Milbank investment advisory fees are billed quarterly and recorded as revenue in the period earned. These fees are based on a percentage of assets under management.

Income from Funds is recognized based upon the Company s allocable share of the earnings of the Funds which carry their investments at fair value, which include unrealized gains and losses.

Accounts Receivable

Accounts Receivable consists of advisory fees due from clients and Funds

Redemptions Receivable from Investments in Funds

Redemptions receivable from investments in funds consists of withdrawal requests issued to the Funds, primarily to fund redemption requests of Fund partners.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are capitalized at cost. Depreciation is calculated using accelerated methods applied over the expected lives of the assets. The difference between these accelerated methods and the straight line depreciation required by GAAP is deemed immaterial in comparison to these financial statements taken as a whole.

Leases

The Company expenses payments on operating leases on a straight line basis over the term of the lease.

Income Taxes

The Company is subject to federal and state corporate income taxes. The Company calculates both current and deferred taxes based on the difference between the financial statement carrying value of assets and liabilities versus their tax basis. A provision for these taxes has been made and is reflected on the statement of income.

Management has determined that the Company has no uncertain tax positions that would require financial statement adjustment or disclosure. The tax years that remain subject to examination by taxing authorities are 2006, 2007 and 2008.

Foreign Securities

The value of securities and cash equivalents which are denominated in foreign currencies are stated using the exchange rate in effect on the last business day of the year. Purchases and sales of securities, interest and dividend income and expenses, which are denominated in foreign currencies, are recorded at the exchange rate as of date of the transactions. For financial statement purposes, the Company does not isolate that portion of the gain or loss on securities resulting from exchange rate fluctuation. Such changes are combined with changes in market prices and shown as realized or unrealized gain or loss.

Table of Contents

MILBANK WINTHROP & CO., INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009

(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Developments

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation Number (FIN) 48 which is part of ASC 740, Income Taxes. ASC 740 clarifies the accounting for income taxes recognized in financial statements. This interpretation prescribes a comprehensive model for how an entity should recognize, measure, present and disclose in its financial statements uncertain tax positions that the entity has taken or expects to take on a tax return. In February 2008, the FASB issued Staff Position FIN 48-2, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises, deferring the effective date for certain nonpublic enterprises, including the Company, to annual financial statements beginning after December 15, 2007. In January 2009, the FASB issued Staff Position FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises, to provide another one-year delay of the effective date for certain nonpublic entities including the Company. Eligible entities that elect the deferral will be required to apply the uncertain tax position guidance of ASC 740 to annual financial statements for fiscal years beginning after December 15, 2008. Effective January 1, 2009, the Company adopted the application of uncertain tax positions which did not have a material effect on its consolidated financial statements.

In May 2007, the FASB issued FASB Staff Position FIN 46(R)-7, Application of FIN 46(R) to Investment Companies (incorporated into ASC 810) (ASC 810 Interpretation) which amends ASC 810 to make permanent the temporary deferral of the application of ASC 810 to entities within the scope of the revised audit guide under Statement of Position (SOP) 07-1, Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies (formerly SOP 07-1 and now incorporated into ASC 946-10 Financial Services Investment Companies) (ASC 946-10). ASC 810 Interpretation is effective upon adoption of ASC 946-10. In February 2008, the FASB indefinitely deferred the effective date of ASC 946-10. The Company does not expect the adoption of ASC 810 Interpretation to have a material impact on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations, now ASC 805 (ASC 805). ASC 805 requires the acquiring entity in a business combination to recognize the full fair value of assets, liabilities, contractual contingencies and contingent consideration obtained in the transaction (whether for a full or partial acquisition); establishes the acquisition date fair value as the measurement objective for all assets acquired and liabilities assumed; requires expensing of most transaction and restructuring costs; and requires the acquirer to disclose to investors and other users all of the information needed to evaluate and understand the nature and financial effect of the business combination. ASC 805 applies to all transactions or other events in which the Company obtains control of one or more businesses, including those sometimes referred to as true mergers or mergers of equals and combinations achieved without the transfer of consideration, for example, by contract alone or through the lapse of minority veto rights. ASC 805 applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The adoption of ASC 805 did not have an impact on the Company s consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51, now incorporated into ASC 810. This pronouncement requires reporting entities to present non-controlling (minority) interests as equity (as opposed to as a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. This pronouncement applies prospectively as of January 1, 2009, except for the presentation and disclosure requirements which will be applied retrospectively for all periods presented. The adoption of this pronouncement did not have an impact on the Company s consolidated financial statements.

Table of Contents

MILBANK WINTHROP & CO., INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009

(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Developments (continued)

In April 2008, the FASB issued Staff Position Financial Accounting Standards (FAS) 142-3, Determination of the Useful Life of Intangible Assets (incorporated into ASC 350) (ASC 350 Interpretation). ASC 350 Interpretation amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under ASC 350, Goodwill and Other Intangible Assets. ASC 350 Interpretation affects entities with recognized intangible assets and is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The new guidance applies prospectively to (1) intangible assets that are acquired individually or with a group of other assets and (2) both intangible assets acquired in business combinations and asset acquisitions. The adoption of ASC 350 Interpretation by the Company did not have an impact on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R), which changes the approach to determining the primary beneficiary of a Variable Interest Entity (VIE) and requires companies to more frequently assess whether they must consolidate VIEs. This pronouncement is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. In November 2009, the FASB agreed to defer the effective date of this pronouncement for certain types of asset manager funds until the completion of its consolidation project. The Company is currently assessing the potential impacts, if any, on its consolidated financial statements and disclosures.

In July 2009, the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (the Codification) were issued. The Codification is effective for interim and annual periods ending after September 15, 2009. The Codification combines the previous GAAP hierarchy which included four levels of authoritative accounting literature distributed among a number of different sources. The Codification does not by itself create new accounting standards but instead reorganizes existing GAAP accounting rules into approximately 90 accounting topics. All existing accounting standard documents are superseded by the Codification and all other accounting literature not included in the Codification is now considered nonauthoritative. The Codification is now the single source of authoritative nongovernmental accounting standards in the United States of America.

In 2009, FASB amended ASC 855, Subsequent Events (ASC 855). ASC 855 establishes the period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. We have evaluated events that have occurred subsequent to December 31, 2009 as prescribed by the FASB.

In January 2010, the FASB issued Accounting Standards Update 2010-06, Improving Disclosures About Fair Value Measurements (ASU 2010-06). ASU 2010-06 requires disclosing separately the amount of significant transfers in and out of the Level 1 and Level 2 categories and the reasons for the transfers and it requires that Level 3 purchases, sales, issuances and settlements activity be reported on a gross rather than a net basis. ASU 2010-06 also requires fair value measurement disclosures for each class of assets and liabilities and disclosures about valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 and Level 3 measurements. These disclosures are effective for fiscal periods beginning after December 15, 2009, except for the Level 3 gross reporting which is effective for fiscal periods beginning after December 15, 2010. The Company is currently assessing the potential impacts, if any, on its consolidated financial statements and disclosures.

Table of Contents

MILBANK WINTHROP & CO., INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009

(continued)

NOTE 3. FAIR VALUE MEASUREMENTS

The following table summarizes the valuation of the Company s investments under the fair value hierarchy, as described above, as of December 31, 2009:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in securities and partnerships	$ 2,487	$	$ 22,173	$ 24,660
From Consolidated affiliated Partnerships:				
Investments in securities	99,416,010	10,239,480	2,461,545	112,117,035
Investments in Funds		18,051,193	165,909,703	183,960,896
Total	$ 99,418,497	$ 28,290,673	$ 168,393,421	$ 296,102,591
Liabilities				
Securities sold short	$ 1,844,370	$ 1,427,797	$ 71,500	$ 3,343,667

The following table discloses a reconciliation of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2009:

Assets	**Investments**
Beginning balance, December 31, 2008	$ 203,148,415
Total gains or (losses), realized and unrealized	51,669,953
Purchases and sales, net	(70,575,571)
Transferred in/out of Level 3	(15,849,376)
Ending balance, December 31, 2009	$ 168,393,421
The amount of gains (losses) included in income attributable to the change in unrealized gains (losses) relating to assets still held at December 31, 2009	$ 52,044,937

Liabilities	**Securities Sold Short**
Beginning balance, December 31, 2008	$ (179,100)
Total gains or (losses), realized and unrealized	52,368
Purchases and sales, net	55,232
Ending balance, December 31, 2009	$ (71,500)
	$ 7,300

The amount of gains (losses) included in income attributable to the change in unrealized gains (losses) relating to liabilities still held at December 31, 2009

Gains (losses), realized and unrealized, if any, are included in the net realized gain (loss) on investments or Funds and net change in unrealized gain (loss) on investments or Funds in the Statement of Income.

The Company values its Level 2 investments in securities based on the last price in non-active markets. The Company values its Level 2 and 3 investments in Funds based on their proportionate share of the net assets of the Funds. Transfers between levels are recognized at the end of the reporting period.

Table of Contents

MILBANK WINTHROP & CO., INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009

(continued)

NOTE 4. INVESTMENTS IN FUNDS

As of December 31, 2009, the Partnerships invested in other Funds, none of which were related parties. The investment objectives of the Funds primarily relate to the maximization of appreciation through the investments in equity, debt and related instruments. The Funds utilize one of the following strategies:

a Long Only Strategy This category includes Funds that invest in long positions only, primarily in common stocks. Management of the Funds has the ability to shift the investments from value to growth strategies and from small to large capitalization stocks.

b Equity Long/Short Strategy This category includes Funds that invest both long and short, primarily in common stocks. Management of the Funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.

c Multi-strategy Funds This category includes Funds that pursue multiple strategies to diversify risks and reduce volatility. The Funds composite portfolio for this category includes investments in U.S. common stocks, non-U.S. common stocks, distressed debt, commodities and arbitrage investments. In addition, some of the Funds invest in various special situation investments.

d Global Strategy Funds This category includes Funds that hold investments in non-U.S. common stocks, primarily in the energy, information technology, utilities, and telecommunications sectors. They also hold investments in emerging markets and real estate sectors as well as investments in diversified currencies.

Cost is determined based on capital contributions to, and withdrawals from, the Funds, plus reinvested realized net income.

Substantially all of the Funds in which the Partnerships invest are charged management fees at varying rates, principally 0.75% to 2% annually of periodic net asset values.

Substantially all of the Funds in which the Partnerships invest provide for a specific allocation or fee to their respective general partner or affiliate, which is calculated at various rates, primarily 20% of appreciation, as defined in their respective partnership agreements.

Some of the Funds permit partial withdrawals during the year on either a monthly, quarterly or semiannual basis; however, substantially all of the Funds permit full withdrawals only at the end of the year.

The activities of certain Funds include the purchase and sale of a variety of derivative financial instruments such as equity options, index options, swap agreements, futures and forward contracts, and other similar instruments. These derivatives are used for trading purposes and for managing risk associated with their portfolio of securities and securities sold short. The use of derivative instruments may involve elements of market risk in excess of the amount recognized in the statement of assets and liabilities of these Funds. In many cases, these Funds limit their risk by holding offsetting security or option positions.

The Partnerships, through their investment in other Funds, are subject to certain inherent risks arising from their investing activities of short selling and entering into forward contracts. The ultimate cost to acquire these securities or settle these contracts may exceed the liability reflecting in their financial statements.

Table of Contents

MILBANK WINTHROP & CO., INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009

(continued)

NOTE 5. LEASE COMMITMENT

The Company is subject to a lease for office space in New York City through April 30, 2012. The base rent is $149,400 per year and includes electricity. It is also subject to real estate tax and operating cost escalations. Future minimum lease commitments for the year ending December 31 are as follows:

2010	$ 149,400
2011	149,400
2012	49,800
	$ 348,600

Total rent expense for the year ended December 31, 2009 was $164,251.

NOTE 6. PENSION PLAN

The Company sponsors a 401(k) retirement plan for its employees. The Company contributes 3% of eligible employee s compensation. The plan also permits elective deferrals by employees.

Total Pension costs for the year ended December 31, 2009 were $15,150.

NOTE 7. PREPAID EXPENSES AND OTHER

The details of Milbank s prepayments at December 31, 2009 are as follows:

Insurance	$ 84,116
Rent	12,450
Other	11,000
	$ 107,566

NOTE 8. RELATED PARTY TRANSACTIONS

Milbank earns advisory fees for client assets invested with the Partnerships. It is also reimbursed for costs incurred in providing administrative services to the Partnerships. During 2009, Milbank earned $3,807,621 in advisory fees and $474,750 in administrative fees from the Partnerships.

These intercompany fees have been fully eliminated in the consolidated financial statements.

Table of Contents

MILBANK WINTHROP & CO., INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009

(continued)

NOTE 9. INCOME TAXES

The Company s income tax expense for the year ended December 31, 2009 has been determined as follows:

Current taxes	
Federal	$ 14,347
State and local	68,100
	82,447
Deferred taxes	
Federal	56,222
	$ 138,669

Current taxes are provided using statutory tax rates as applied to taxable income. Deferred taxes are provided at approximately 35% of unrealized appreciation of investments in excess of tax basis.

NOTE 10. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation. As discussed in Note 2, the Company applies accelerated methods of depreciation over the estimated useful lives of the assets.

Assets at cost:	
Furniture and equipment	$ 214,916
Leasehold improvement	90,698
Total cost	305,614
Less accumulated depreciation	(277,417)
Net fixed assets	$ 28,197

Depreciation expense for the year ended December 31, 2009 was $2,097.

NOTE 11. SHARES OF STOCK

Under the Certificate of Amendment of the Certificate of Incorporation dated January 9, 1997 (the Certificate), 7,000 shares of Class A Common Stock, having a par value of $0.05 per share, were authorized. Holders of Class A Common Stock are entitled to one vote per share. At December 31, 2009, 3,922 shares were issued and outstanding.

Also under the Certificate, 7,000 shares of Class B Common Stock, having a par value of $0.05 per share, were authorized. Class B Common Stock is non-voting stock. At December 31, 2009, 2,496 shares were issued and outstanding.

NOTE 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 30, 2011, which is the date the financial statements were available to be issued. The Company is engaged in negotiations to merge with an outside entity.

Table of Contents

INDEPENDENT AUDITORS REPORT

To the Member of

MW Commodity Advisors, LLC:

We have audited the accompanying consolidated statement of financial condition of MW Commodity Advisors, LLC (the Company), as of December 31, 2011, and the related consolidated statements of operations, changes in member s equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MW Commodity Advisors, LLC as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Fulvio & Associates, LLP

New York, New York

March 15, 2012

Table of Contents

MW COMMODITY ADVISORS, LLC

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011

ASSETS		
Cash and cash equivalents		$ 2,919
Accounts receivable		4,000
MW Commodity Strategies, L.P.:		
Cash and cash equivalents	$ 141,356	
Investments in Funds	29,919,624	
Other assets	488	30,061,468
TOTAL ASSETS		$ 30,068,387
LIABILITIES AND MEMBER S EQUITY		
Liabilities:		
Professional fees payable		$ 4,915
MW Commodity Strategies, L.P.:		
Redemptions payable	194,946	
Professional fees payable	27,325	
Other liabilities	20,614	242,885
Total Liabilities		247,800
Member s Equity:		
Member s Equity		71,811
Minority interests in MW Commodity Strategies, L.P.		29,748,776
Total Member s Equity		29,820,587
TOTAL LIABILITIES AND MEMBER S EQUITY		$ 30,068,387

The accompanying notes are an integral part of these consolidated financial statements.

F-110

Table of Contents

MW COMMODITY ADVISORS, LLC

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2011

REVENUES:		
MW Commodity Strategies, L.P.:		
Interest		$ 203
Total revenues		203
EXPENSES:		
Account fees		27,164
Other		9,703
MW Commodity Strategies, L.P.:		
Professional fees	$ 41,138	
Other	17,031	58,169
Total expenses		95,036
LOSS BEFORE NET GAINS (LOSS) FROM MW COMMODITY STRATEGIES, L.P.		(94,833)
Net loss from MW Commodity Strategies, L.P.:		
Realized loss on investments in Funds, net	(288,915)	
Unrealized loss on investments in Funds, net change	(2,287,676)	(2,576,591)
NET LOSS		(2,671,424)
Minority Interests in MW Commodity Strategies, L.P.		2,793,270
NET INCOME ATTRIBUTABLE TO MW COMMODITY ADVISORS, LLC		$ 121,846

The accompanying notes are an integral part of these consolidated financial statements.

F-111

Table of Contents

MW COMMODITY ADVISORS, LLC

CONSOLIDATED STATEMENT OF CHANGES IN MEMBER S EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

	MW Commodity Advisors, LLC Sole Member	Minority Interests in MW Commodity Strategies, L.P.	Total
Member s Equity December 31, 2010	$ 169,965	$ 27,650,761	$ 27,820,726
Contributions-		5,650,000	5,650,000
Withdrawals	(220,000)	(758,715)	(978,715)
Net Income (Loss)	121,846	(2,793,270)	(2,671,424)
Member s Equity December 31, 2011	$ 71,811	$ 29,748,776	$ 29,820,587

The accompanying notes are an integral part of these consolidated financial statements.

F-112

Table of Contents

MW COMMODITY ADVISORS, LLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income		$ 121,846
Adjustments to reconcile net income to net cash used in operating activities:		
MW Commodity Strategies, L.P.:		
Net loss	$ (2,793,270)	
Realized loss on investments in Funds, net	288,915	
Unrealized loss on investments in Funds, net change	2,287,676	
Purchase of investments in Funds	(8,500,000)	
Proceeds from investments in Funds	4,273,076	
(Increase) decrease in operating assets:		
Accounts receivable	(4,000)	
MW Commodity Strategies, L.P.:		
Cash and cash equivalents	909,153	
Redemptions receivable from investments in Funds	100,000	
Other assets	6,893	
Increase (decrease) in operating liabilities:		
Professional fees payable	4,915	
MW Commodity Strategies, L.P.:		
Professional fees payable	(46,575)	
Other liabilities	7,857	
Total adjustments		(3,465,360)
Net Cash Used in Operating Activities		(3,343,514)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Withdrawals	(220,000)	
MW Commodity Strategies, L.P.:		
Contributions	5,650,000	
Withdrawals	(2,155,810)	
Net Cash Provided by Financing Activities		3,274,190
NET CHANGE IN CASH AND CASH EQUIVALENTS		(69,324)
Cash and Cash Equivalents at December 31, 2010		72,243
Cash and Cash Equivalents at December 31, 2011		$ 2,919

The accompanying notes are an integral part of these consolidated financial statements.

F-113

Table of Contents

MW COMMODITY ADVISORS, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE 1. ORGANIZATION

MW Commodity Advisors, LLC (Advisors), a single member limited liability company formed in Delaware on June 17, 2005, conducts an investment advisory business in New York City and is an affiliate of Milbank Winthrop & Co., an investment advisor registered under the Investment Advisers Act of 1940, as amended.

Advisors is the general partner (the General Partner) of MW Commodity Strategies, L.P., an investment partnership (the Partnership) which is consolidated in these financial statements (collectively, the Company).

The Partnership invests in various independent investment partnerships (the Funds).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Accounting

The Company follows the accrual method of accounting. Income is recorded when earned, and expenses are recorded when incurred in the period to which they pertain. Purchases and sales of securities are recorded on the trade date basis. Purchases and sales of Funds are recorded on the effective date as specified in the Funds investment agreements.

Use of Estimates

The presentation of financial statements in conformity with GAAP may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and liquid investments with maturities of less than 90 days. For purposes of the statement of cash flows, cash and cash equivalents includes cash in banks and readily available money market funds in investment accounts.

Basis of Consolidation

Advisors consolidates the Partnership in which the General Partner is presumed to have control under Accounting Standards Codification (ASC) 810-20. Although Advisors holds non-substantive equity-at-risk in the Partnership, Advisors related parties, including its de facto agents, hold substantive equity-at-risk. Further, the limited partners do not have the right to dissolve the Partnership or have substantive kick out rights or participating rights that would overcome the presumption of control by Advisors. Accordingly, Advisors consolidates the assets, liabilities and operating results of the Partnership and records the minority interests held by the limited partners in the accompanying financial statements. All material intercompany transactions and balances have been eliminated.

Table of Contents

MW COMMODITY ADVISORS, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

MW Commodity Strategies, L.P. Cash and Cash Equivalents

Cash and cash equivalents held by the Partnership are not available to fund any of the liquidity needs of Advisors.

Fair Value Measurements

GAAP establishes a framework for measuring fair value and requires disclosures about fair value measurements, including a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels explained below:

Level 1 - Valuations based on quoted prices available in active markets for identical investments.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The inputs or methodology used for valuing investments are not necessarily an indication of the risks associated with holding those investments.

Valuation and Revenue Recognition

Investments in securities, option contracts, and securities sold short which are traded on a national securities exchange or listed on NASDAQ are valued at the last reported sales price on the last business day of the year. Investments in securities and securities sold short which are traded in the over-the-counter market are valued at the last reported bid and ask prices, respectively.

Securities for which market quotations are not readily available are valued at their fair value as determined in good faith under consistently applied procedures established by the General Partner.

Although the General Partner and the Funds administrators use their best judgment in estimating the fair value of the investments in the Funds, there are inherent limitations in any estimation technique. Therefore, the values presented herein are not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effects of such events on the estimates of fair value could be material. The valuation of the Funds has been deemed reasonable based on inquiry and the documentation provided from the Funds general partners or administrators.

The Funds may carry investments for which market quotations are not readily available and are valued at their fair value as determined in good faith by their respective general partners or administrators. A change in the estimated value may occur in the near term.

Certain Funds invest in emerging markets. The risks of investments are often increased in developing countries. These risks include repatriation restrictions, foreign exchange fluctuations, low trading volume in securities markets of emerging countries, lack of uniform reporting standards, and political, economic and legal uncertainties.

Table of Contents

MW COMMODITY ADVISORS, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation and Revenue Recognition (continued)

Income from Funds is recognized based upon the Company s allocable share of the earnings of the Funds which carry their investments at fair value, which include unrealized gains and losses.

The Funds generally value their investments according to the following guidelines:

Short-term investments are valued at amortized cost, which approximates fair value.

Securities held and sold short listed on a national securities exchange are valued at the last sale price on the date of valuation, or if no sale occurred on such date, at the last bid or ask price thereon or at an appropriate discount from such price if such securities are restricted.

Non-marketable securities are carried at estimated fair value as determined by the management of the Funds. Trade debt, bank debt, and warrants for which market quotations are not readily available are generally valued by the management of the Funds at fair value after consideration of a variety of factors including quotations available from dealers who make a market in these financial instruments and model produced valuations. Private equity investments are carried at fair value, which may be estimated using methods such as comparable companies earnings multiples, cash flow analyses, and review of underlying financial conditions. Loan participations are interests in short-term loans valued at fair value, which generally approximates cost plus accrued interest.

Options for the purchase or sale of securities traded on an exchange are valued at the mean of the last report bid and ask prices. Forward contracts are valued by adjusting the spot market price of the underlying security for the cost of carrying from the trade date to the settlement date.

All other securities are valued initially at cost, with subsequent adjustment to value which reflect either the basis of meaningful third party transactions in the private market or the fair value deemed appropriate by the general partner of each of the Funds. In such instances, consideration is also given to the financial condition and operating results of the issuer, the amount that Funds can reasonably expect to realize upon the sale of the securities and any other factors deemed relevant.

The Fund s general partners estimates and assumptions of fair value of the non-marketable securities may differ significantly from the values that would have been used had a ready market existed, and the differences could be material.

Interest and Dividends

Interest income is recognized on an accrual basis. Dividend income is recognized on the ex-dividend date.

Income Taxes

Advisors and the Partnership themselves are not subject to U.S. Federal income taxes. Each member/partner is individually liable for income taxes, if any, on its share of the entity s net taxable income. Interest, dividends and other income realized by the Partnership from non-U.S. sources and capital gains realized on the sale of securities of non-U.S. issuers may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced.

The General Partner determined that there are no uncertain tax positions which would require adjustments or disclosures on the financial statements. The tax years that remain subject to examination by taxing authorities are 2008, 2009 and 2010.

Table of Contents

MW COMMODITY ADVISORS, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Developments

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 167, Amendments to FASB Interpretation No. 46(R), which changes the approach to determining the primary beneficiary of a Variable Interest Entity (VIE) and requires companies to more frequently assess whether they must consolidate VIEs. This pronouncement is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. In November 2009, the FASB agreed to defer the effective date of this pronouncement for certain types of asset manager funds until the completion of its consolidation project. The Company is currently assessing the potential impacts, if any, on its consolidated financial statements and disclosures.

In January 2010, the FASB issued. Accounting Standards Update 201006, Improving Disclosures About Fair Value Measurements (ASU 2010-06). ASU 2010-06 requires disclosing separately the amount of significant transfers in and out of the Level 1 and Level 2 categories and the reasons for the transfers and it requires that Level 3 purchases, sales, issuances and settlements activity be reported on a gross rather than a net basis. ASU 2010-06 also requires fair value measurement disclosures for each class of assets and liabilities and disclosures about valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 and Level 3 measurements. These disclosures are effective for fiscal periods beginning after December 15, 2009, except for the Level 3 gross reporting which is effective for fiscal periods beginning after December 15, 2010. The Company does not anticipate that the adoption of ASU 2010-06 will have a material impact on its consolidated financial statements.

In May 2011, the FASB issued amended guidance on fair value measurements to achieve common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards. The amended guidance specifies that the concepts of highest and best use and valuation premise in a fair value measurement are relevant only when measuring the fair value of nonfinancial assets and are not relevant when measuring the fair value of financial assets or liabilities. The amendments include requirements specific to measuring the fair value of those instruments, such as equity interests used as consideration in a business combination. An entity should measure the fair value of its own equity instrument from the perspective of a market participant that holds the instrument as an asset. With respect to financial instruments that are managed as part of a portfolio, an exception to fair value requirements is provided. That exception permits a reporting entity to measure the fair value of such financial assets and liabilities at the price that would be received to sell a net asset position for a particular risk or to transfer a net liability position for a particular risk in an orderly transaction between market participants at the measurement date. The amendments also clarify that premiums and discounts should only be applied if market participants would do so when pricing the asset or liability. Premiums and discounts related to the size of an entity s holding (e.g., a blockage factor) rather than as a characteristic of the asset or liability (e.g., a control premium) are not permitted in a fair value measurement. The guidance also requires enhanced disclosures about fair value measurements, including, among other things, (a) for fair value measurements categorized within Level III of the fair value hierarchy, (1) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, (2) the valuation process used by the reporting entity, and (3) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any, and (b) the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial condition but for which the fair value is required to be disclosed (for example, a financial instrument that is measured at amortized cost in the statement of financial condition but for which fair value is disclosed). The guidance also amends disclosure requirements for significant transfers between Level I and Level II and now

Table of Contents

MW COMMODITY ADVISORS, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Developments (continued)

requires disclosure of all transfers between Levels I and II in the fair value hierarchy. The amended guidance is effective for interim and annual periods beginning after December 15, 2011. As the impact of the guidance is primarily limited to enhanced disclosures, adoption is not expected to have a material impact on the Company s consolidated financial statements.

In December 2011, the FASB issued a deferral of the effective date for certain disclosures relating to the comprehensive income, specifically with respect to the presentation of reclassifications of items out of accumulated other comprehensive income. The deferral is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. As the amendments are limited to presentation only, adoption is not expected to have a material impact on the Company s financial statements.

NOTE 3. INVESTMENTS IN FUNDS

As of December 31, 2011, the Company was invested in 13 Funds, none of which are related parties. The Funds employ, to varying degrees, directional, volatility and relative value based strategies for investments in the commodity and macro markets. See detailed descriptions of the Fund strategies below.

The partnership agreements of the Funds provide for compensation to the investment managers in the form of management fees ranging from 0% to 2% annually of net assets and an incentive allocation not exceeding 30% of net new profits earned.

Fund and (Strategy)	**Fair Value at December 31, 2011**	**Capital Liquidity**
Covepoint Emerging Markets Macro Fund, L.P. CI. A. (d)	$ 2,258,119	Quarterly
Covepoint Emerging Markets Macro Fund, L.P. CI. B. (d)	448,619	Quarterly
Dynamic Domestic Fund L.P. (d)	2,898,050	Monthly
Goldfinch Capital Management, L.P. (b)	1,939,801	Monthly
Hard Assets Partners 2X L.P. (d)	2,112,717	Quarterly
Peak Partners, L.P. (d)	1,922,912	Monthly
Tiverton Investments, LLC (d)	4,432,502	Monthly
Vardana Partners, LP (d)	2,728,342	Quarterly
Wexford Catalyst Fund, L.P. (d)	3,180,816	Quarterly
Bocage Global Resource Fund, L.P. (b)	4,257,486	Monthly
Taylor Woods (b)	3,250,111	Quarterly
Other Funds (a), (c)	490,149	
Total Investments in Funds	$ 29,919,624	

As of December 31, 2011, the investments in Funds had no remaining significant lockups and all Funds qualified as Level 2 investments. The Partnership values Level 2 investments based on its proportionate share of the net asset value of the Funds. Gains and losses (realized and unrealized), if any, are included in the net realized gain (loss) on investments in Funds and net change in unrealized gain (loss) on investments in Funds in the statement of operations. Transfers between levels are recognized at the end of the reporting period.

Table of Contents

MW COMMODITY ADVISORS, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

(continued)

NOTE 3. INVESTMENTS IN FUNDS (continued)

The Fund investment strategies are as follows:

a) Equity Long/Short Funds:

This category includes investments in Funds that invest both long and short primarily in U.S. common stocks. Portfolio managers have the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund s associated administrators.

b) Futures and Derivatives Funds:

This category includes investments in Funds that invest primarily in commodity futures and derivatives. The Portfolio manager s investment strategy may use fundamental analysis, technical analysis or a combination of the two. Investment decisions target both short and long term price movement in the commodity and associated markets. In certain instances, managers may use relative value based strategies, weighing different time horizons or commodities against each other. The fair values of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund s associated administrators.

c) Macro Funds:

The category is similar to Futures and Derivatives Funds above but with a focus on using macro-based strategies, which may include commodity futures and derivatives, currencies (including commodity currencies), fixed income instruments and securities. The economics of the commodity markets may influence the portfolio manager s decisions in this category. The fair value of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund s associated administrators.

d) Multi-Strategy Funds:

This category includes investments in Funds which utilize a combination of the preceding Equity Long/Short, Futures and Derivatives and Macro Funds approaches. Portfolio managers will determine allocations to such strategies based on their expectations of return and risk. The fair values of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund s associated administrators.

NOTE 4. OFF-BALANCE SHEET RISK, CONCENTRATION OF CREDIT RISK, AND OTHER RISKS

In the normal course of business, the Funds in which the Partnership invests trade various financial instruments and enter into various investment activities with off-balance sheet risk. These include, but are not limited to, short selling activities, writing option contracts, and equity swaps. To the extent that the Partnership s investment activity is limited to making investments in Funds via limited partnership interests or limited liability company holdings, the Partnership s risk of loss in these Funds is generally limited to the value of these investments reported by the Partnership. To date, the Partnership has only invested in such limited partnership interests and limited liability company holdings.

Table of Contents

MW COMMODITY ADVISORS, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

(continued)

NOTE 4. OFF-BALANCE SHEET RISK, CONCENTRATION OF CREDIT RISK, AND OTHER RISKS (continued)

There are a number of other risks to the Partnership. Three principal types of risk that can adversely affect the Partnership s investment approach are market risk, strategy risk, and manager risk. The Partnership is also subject to multiple manager risks, possible limitations in investment opportunities, allocation risks, illiquidity, lack of diversification, and other risks for the Partnership and potentially for each Fund.

NOTE 5. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The general indemnifications apply not only to the extent such representations and warranties are untrue but also may cover third parties such as the Partnership s Administrator for claims related to the services performed for the Partnership. The Company s maximum exposure under any such arrangements are unknown, as exposure only arises to the extent further claims that have not yet occurred are made against the Company.

NOTE 6. RELATED PARTY TRANSACTIONS

Advisors earned $158,015 in management fees from the Partnership during 2011. These intercompany fees have been fully eliminated in these consolidated financial statements.

NOTE 7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 15, 2012, which is the date the consolidated financial statements were available to be issued. In January, 2012, Advisors signed an agreement to sell its assets to Silvercrest Asset Management Group LLC on March 31, 2012.

F-120

Table of Contents

INDEPENDENT AUDITORS REPORT

To the Member of

MW Commodity Advisors, LLC:

We have audited the accompanying consolidated statement of financial condition of MW Commodity Advisors, LLC (the Company), as of December 31, 2010, and the related consolidated statements of income, changes in member s equity and cash flows for the year then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MW Commodity Advisors, LLC as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Fulvio & Associates, LLP

New York, New York

October 28, 2011

Table of Contents

MW COMMODITY ADVISORS, LLC

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2010

ASSETS		
Cash and cash equivalents		$ 72,243
MW Commodity Strategies, L.P.:		
Cash and cash equivalents	$ 1,050,509	
Investments in Funds	28,269,291	
Redemptions receivable	100,000	
Other assets	7,381	29,427,181
TOTAL ASSETS		$ 29,499,424
LIABILITIES AND MEMBER S EQUITY		
Liabilities:		
MW Commodity Strategies, L.P.:		
Redemptions payable	$ 1,592,041	
Professional fees payable	73,900	
Other liabilities	12,757	
Total Liabilities		$ 1,678,698
Member s Equity:		
Member s Equity		169,965
Minority interests in MW Commodity Strategies, L.P.		27,650,761
Total Member s Equity		27,820,726
TOTAL LIABILITIES AND MEMBER S EQUITY		$ 29,499,424

The accompanying notes are an integral part of these consolidated financial statements.

F-122

Table of Contents

MW COMMODITY ADVISORS, LLC

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2010

REVENUES:		
MW Commodity Strategies, L.P.:		
Interest		$ 679
Total revenues		679
EXPENSES:		
Account fees		26,384
Liability fees		18,648
Filing fees		783
Other		2,211
MW Commodity Strategies, L.P.:		
Professional fees	$ 86,482	
Other	14,510	100,992
Total expenses		149,018
LOSS BEFORE NET GAINS FROM MW COMMODITY STRATEGIES, L.P.		(148,339)
Net gains from investment activities of MW Commodity Strategies, L.P.:		
Realized gain on investments in Funds, net	84,434	
Unrealized gain on investments in Funds, net change	1,125,925	1,210,359
NET INCOME		$ 1,062,020
Minority Interests in MW Commodity Strategies, L.P.		(939,734)
NET INCOME ATTRIBUTABLE TO MW COMMODITY ADVISORS, LLC		$ 122,286

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MW COMMODITY ADVISORS, LLC

CONSOLIDATED STATEMENT OF CHANGES IN MEMBER S EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2010

	MW Commodity Advisors, LLC Sole Member	Minority Interests in MW Commodity Strategies, L.P.	Total
Member s Equity December 31, 2009	$ 167,590	$ 26,957,046	$ 27,124,636
Contributions		4,708,688	4,708,688
Withdrawals	(119,911)	(4,954,707)	(5,074,618)
Net Income	122,286	939,734	1,062,020
Member s Equity December 31, 2010	$ 169,965	$ 27,650,761	$ 27,820,726

The accompanying notes are an integral part of these consolidated financial statements.

F-124

Table of Contents

MW COMMODITY ADVISORS, LLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income		$ 122,286
Adjustments to reconcile net income to net cash provided by operating activities:		
MW Commodity Strategies, L.P.:		
Net income	$ 939,734	
Proceeds from investments	69,911	
Realized gain on investments in Funds, net	(84,434)	
Unrealized gain on investments in Funds, net change	(1,125,925)	
Purchase of investments in Funds	(4,000,000)	
Proceeds from investments in Funds	2,018,051	
(Increase) decrease in operating assets:		
Accounts receivable	8,669	
MW Commodity Strategies, L.P.:		
Cash and cash equivalents	9,101,694	
Redemptions receivable from investments in Funds	1,235,938	
Other assets	6,887	
Increase (decrease) in operating liabilities:		
MW Commodity Strategies, L.P.:		
Professional fees payable	(92,106)	
Other liabilities	5,435	
Total adjustments		8,083,854
Net Cash Flows Provided by Operating Activities		8,206,140
CASH FLOWS FROM FINANCING ACTIVITIES:		
Withdrawals	(119,911)	
MW Commodity Strategies, L.P.:		
Contributions	2,408,688	
Withdrawals	(10,464,144)	
Net Cash Used in Financing Activities		(8,175,367)
NET CHANGE IN CASH AND CASH EQUIVALENTS		30,773
Cash and Cash Equivalents at December 31, 2009		41,470
Cash and Cash Equivalents at December 31, 2010		$ 72,243

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MW COMMODITY ADVISORS, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 1. ORGANIZATION

MW Commodity Advisors, LLC (Advisors), a single member limited liability company formed in Delaware on June 17, 2005, conducts an investment advisory business in New York City and is an affiliate of Milbank Winthrop & Co., an investment advisor registered under the Investment Advisors Act of 1940, as amended.

Advisors is the general partner (the General Partner) of MW Commodity Strategies, L.P., an investment partnership (the Partnership) which is consolidated in these financial statements (collectively, the Company).

The Partnership invests in various independent investment partnerships (the Funds).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Accounting

The Company follows the accrual method of accounting. Income is recorded when earned, and expenses are recorded when incurred in the period to which they pertain. Purchases and sales of securities are recorded on the trade date basis. Purchases and sales of Funds are recorded on the effective date as specified in the Funds investment agreements.

Use of Estimates

The presentation of financial statements in conformity with GAAP may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and liquid investments with maturities of less than 90 days. For purposes of the statement of cash flows, cash and cash equivalents includes cash in banks and readily available money market funds in investment accounts.

Basis of Consolidation

Advisors consolidates the Partnership in which the General Partner is presumed to have control under Accounting Standards Codification (ASC) 810-20. Although Advisors holds non-substantive equity-at-risk in the Partnership, Advisors related parties, including its de facto agents, hold substantive equity-at-risk. Further, the limited partners do not have the right to dissolve the Partnership or have substantive kick out rights or participating rights that would overcome the presumption of control by Advisors. Accordingly, Advisors consolidates the assets, liabilities and operating results of the Partnership and records the minority interests held by the limited partners in the accompanying financial statements. All material intercompany transactions and balances have been eliminated.

Table of Contents

MW COMMODITY ADVISORS, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

MW Commodity Strategies, L.P. Cash and Cash Equivalents

Cash and cash equivalents held by the Partnership are not available to fund any of the liquidity needs of Advisors.

Fair Value Measurements

GAAP establishes a framework for measuring fair value and requires disclosures about fair value measurements, including a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels explained below:

Level 1 Valuations based on quoted prices available in active markets for identical investments.

Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The inputs or methodology used for valuing investments are not necessarily an indication of the risks associated with holding those investments.

Valuation and Revenue Recognition

Investments in securities, option contracts, and securities sold short which are traded on a national securities exchange or listed on NASDAQ are valued at the last reported sales price on the last business day of the year. Investments in securities and securities sold short which are traded in the over-the-counter market are valued at the last reported bid and ask prices, respectively.

Securities for which market quotations are not readily available are valued at their fair value as determined in good faith under consistently applied procedures established by the General Partner.

Although the General Partner and the Funds administrators use their best judgment in estimating the fair value of the investments in the Funds, there are inherent limitations in any estimation technique. Therefore, the values presented herein are not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effects of such events on the estimates of fair value could be material. The valuation of the Funds has been deemed reasonable based on inquiry and the documentation provided from the Funds general partners or administrators.

The Funds may carry investments for which market quotations are not readily available and are valued at their fair value as determined in good faith by their respective general partners or administrators. A change in the estimated value may occur in the near term.

Certain Funds invest in emerging markets. The risks of investments are often increased in developing countries. These risks include repatriation restrictions, foreign exchange fluctuations, low trading volume in securities markets of emerging countries, lack of uniform reporting standards, and political, economic and legal uncertainties.

F-127

Table of Contents

MW COMMODITY ADVISORS, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation and Revenue Recognition (continued)

Income from Funds is recognized based upon the Company s allocable share of the earnings of the Funds which carry their investments at fair value, which include unrealized gains and losses.

The Funds generally value their investments according to the following guidelines:

Short-term investments are valued at amortized cost, which approximates fair value.

Securities held and sold short listed on a national securities exchange are valued at the last sale price on the date of valuation, or if no sale occurred on such date, at the last bid or ask price thereon or at an appropriate discount from such price if such securities are restricted.

Non-marketable securities are carried at estimated fair value as determined by the management of the Funds. Trade debt, bank debt, and warrants for which market quotations are not readily available are generally valued by the management of the Funds at fair value after consideration of a variety of factors including quotations available from dealers who make a market in these financial instruments and model produced valuations. Private equity investments are carried at fair value, which may be estimated using methods such as comparable companies earnings multiples, cash flow analyses, and review of underlying financial conditions. Loan participations are interests in short-term loans valued at fair value, which generally approximates cost plus accrued interest.

Options for the purchase or sale of securities traded on an exchange are valued at the mean of the last report bid and ask prices. Forward contracts are valued by adjusting the spot market price of the underlying security for the cost of carrying from the trade date to the settlement date.

All other securities are valued initially at cost, with subsequent adjustment to value which reflect either the basis of meaningful third party transactions in the private market or the fair value deemed appropriate by the general partner of each of the Funds. In such instances, consideration is also given to the financial condition and operating results of the issuer, the amount that Funds can reasonably expect to realize upon the sale of the securities and any other factors deemed relevant.

The Fund s general partners estimate and assumption of fair value of the non-marketable securities may differ significantly from the values that would have been used had a ready market existed, and the differences could be material.

Interest and Dividends

Interest income is recognized on an accrual basis. Dividend income is recognized on the ex-dividend date.

Income Taxes

Advisors and the Partnership themselves are not subject to U.S. Federal income taxes. Each member/partner is individually liable for income taxes, if any, on its share of the entity s net taxable income. Interest, dividends and other income realized by the Partnership from non-U.S. sources and capital gains realized on the sale of securities of non-U.S. issuers may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced.

Table of Contents

MW COMMODITY ADVISORS, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

The General Partner determined that there are no uncertain tax positions which would require adjustments or disclosures on the financial statements. The tax years that remain subject to examination by taxing authorities are 2007, 2008 and 2009.

Accounting Developments

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 167, Amendments to FASB Interpretation No. 46(R), which changes the approach to determining the primary beneficiary of a Variable Interest Entity (VIE) and requires companies to more frequently assess whether they must consolidate VIEs. This pronouncement is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. In November 2009, the FASB agreed to defer the effective date of this pronouncement for certain types of asset manager funds until the completion of its consolidation project. The Company is currently assessing the potential impacts, if any, on its consolidated financial statements and disclosures.

In January 2010, the FASB issued Accounting Standards Update 2010-06, Improving Disclosures About Fair Value Measurements (ASU 2010-06). ASU 2010-06 requires disclosing separately the amount of significant transfers in and out of the Level 1 and Level 2 categories and the reasons for the transfers and it requires that Level 3 purchases, sales, issuances and settlements activity be reported on a gross rather than a net basis. ASU 2010-06 also requires fair value measurement disclosures for each class of assets and liabilities and disclosures about valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 and Level 3 measurements. These disclosures are effective for fiscal periods beginning after December 15, 2009, except for the Level 3 gross reporting which is effective for fiscal periods beginning after December 15, 2010. We do not anticipate that the adoption of ASU 2010-06 will have a material impact on the Company s financial statements.

Table of Contents

MW COMMODITY ADVISORS, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

(continued)

NOTE 3. INVESTMENTS IN FUNDS

As of December 31, 2010, the Partnership was invested in 12 Funds, none of which are related parties. The Funds employ to varying degrees directional, volatility and relative value based strategies for investment in the commodity and macro markets. See detailed descriptions of the Fund strategies below.

The partnership agreements of the Funds provide for compensation to the investment managers in the form of management fees ranging from 0% to 2% annually of net assets and an incentive allocation not exceeding 30% of net new profits earned.

Fund and (Strategy)	Fair Value at December 31, 2010	Liquidity Capital
Covepoint Emerging Markets Macro Fund, L.P. (d)	$ 4,005,911	Quarterly
Dynamic Domestic Fund L.P. (d)	2,711,778	Monthly
Goldfinch Capital Management, L.P. (b)	1,611,218	Monthly
Hard Assets Partners 2X L.P. (d)	2,440,332	Quarterly
Peak Partners, L.P. (d)	2,941,146	Monthly
Quantitative Global 1X Fund LLC (b)	2,795,278	Monthly
Tiverton Investments, LLC (d)	4,606,234	Monthly
Vardana Partners, LP (d)	1,731,625	Quarterly
Wexford Catalyst Fund, L.P. (d)	3,442,623	Quarterly
Other Investments (a), (c)	1,983,146	
	$ 28,269,291	

As of December 31, 2010, the investments in the Funds had no remaining significant lockups.

The Fund investment strategies are as follows:

a) Equity Long/Short Funds:

This category includes investments in Funds that invest both long and short primarily in U.S. common stocks. Portfolio managers have the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund s associated administrators.

b) Futures and Derivatives Funds:

This category includes investments in Funds that invest primarily in commodity futures and derivatives. The Portfolio manager s investment strategy may use fundamental analysis, technical analysis or a combination of the two. Investment decisions target both short and long term price movement in the commodity and associated markets. In certain instances, managers may use relative value based strategies, weighing different time horizons or commodities against each other. The fair values of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund s associated administrators.

c) Macro Funds:

The category is similar to Futures and Derivatives Funds above but with a focus on using macro-based strategies, which may include commodity futures and derivatives, currencies (including commodity

F-130

Table of Contents

MW COMMODITY ADVISORS, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

(continued)

NOTE 3. INVESTMENTS IN FUNDS (continued)

currencies), fixed income instruments and securities. The economics of the commodity markets may influence the portfolio manager s decisions in this category. The fair value of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund s associated administrators.

d) Multi-Strategy Funds:

This category includes investments in Funds which utilize a combination of the preceding Equity Long/Short, Futures and Derivatives and Macro Funds approaches. Portfolio managers will determine allocations to such strategies based on their expectations of return and risk. The fair values of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund s associated administrators.

NOTE 4. FAIR VALUE MEASUREMENTS

The following table discloses a reconciliation of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2010:

	Investments in Funds
Beginning balance, December 31, 2009	$ 25,076,983
Total gains or losses (realized and unrealized)	1,210,359
Purchases and sales, net	1,981,949
Transfer in (out) of Level 3	(28,269,291)
Ending balance, December 31, 2010	$
The amount of gains (losses) included in income attributable to the change in unrealized gains (losses) relating to assets still held at December 31, 2010	$

Gains and losses (realized and unrealized), if any, are included in the net realized gain on investments in Funds and net change in unrealized gain on investments in Funds in the statement of income.

The Partnership values Level 2 investments based on its proportionate share of the net asset value of the Funds. At December 31, 2010, all investments were valued using Level 2 inputs. Transfers between levels are recognized at the end of the reporting period.

NOTE 5. OFF-BALANCE SHEET RISK, CONCENTRATION OF CREDIT RISK, AND OTHER RISKS

In the normal course of business, the Funds in which the Partnership invests trade various financial instruments and enter into various investment activities with off-balance sheet risk. These include, but are not limited to, short selling activities, writing option contracts, and equity swaps. To the extent that the Partnership s investment activity is limited to making investments in Funds via limited partnership interests or limited liability company holdings, the Partnership s risk of loss in these Funds is generally limited to the value of these investments reported by the Partnership. To date, the Partnership has only invested in such limited partnership interests and limited liability company holdings.

F-131

Table of Contents

MW COMMODITY ADVISORS, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

(continued)

NOTE 5. OFF-BALANCE SHEET RISK, CONCENTRATION OF CREDIT RISK, AND OTHER RISKS (continued)

There are a number of other risks to the Partnership. Three principal types of risk that can adversely affect the Partnership s investment approach are market risk, strategy risk, and manager risk. The Partnership is also subject to multiple manager risks, possible limitations in investment opportunities, allocation risks, illiquidity, lack of diversification, and other risks for the Partnership and potentially for each Fund.

NOTE 6. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The general indemnifications apply not only to the extent such representations and warranties are untrue but also may cover third parties such as the Partnership s Administrator for claims related to the services performed for the Partnership. The Company s maximum exposure under any such arrangements is unknown, as exposure only arises to the extent further claims that have not yet occurred are made against the Company.

NOTE 7. RELATED PARTY TRANSACTIONS

Advisors earned $132,685 in management fees from the Partnership during 2010. These intercompany fees have been fully eliminated in these consolidated financial statements.

NOTE 8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 28, 2011, which is the date the financial statements were available to be issued. The Company is in negotiations to merge with an outside entity.

F-132

Table of Contents

4,790,684 Shares

Silvercrest Asset Management Group Inc.

PRELIMINARY PROSPECTUS

SANDLER O NEILL + PARTNERS, L.P.

RAYMOND JAMES

, 2013

Until , all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

Table of Contents

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the estimated expenses payable by the registrant in connection with the sale and distribution of the securities registered hereby. All amounts are estimates except for the SEC registration fee, the FINRA filing fee and Nasdaq listing fee.

SEC Registration Fee	$ 8,184
FINRA Filing Fee	9,500
Nasdaq Listing Fee	25,000
Accounting Fees and Expenses	220,000
Legal Fees and Expenses	275,000
Printing Fees and Expenses	50,000
Miscellaneous	12,316
Total:	$ 600,000

Item 14. Indemnification of Directors and Officers.

Our second amended and restated certificate of incorporation provides that we, to the full extent permitted by Section 145 of the DGCL, as amended from time to time, shall indemnify all persons whom it may indemnify pursuant thereto. It further provides that expenses (including attorneys fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit or proceeding for which such officer or director may be entitled to indemnification hereunder shall be paid by us in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by us as authorized thereby.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment of expenses incurred or paid by a director, officer or controlling person in a successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to the court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Item 15. Recent Sales of Unregistered Securities.

On May 7, 2012, the Registrant issued 10 shares of its Class A common stock, par value $0.01 per share, to Mr. Cochran in exchange for $100. The issuance was exempt from registration under Section 4(2) of the Securities Act, as a transaction by an issuer not involving any public offering.

Table of Contents

Item 16. Exhibits and Financial Statements Schedules.

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement.
3.1	Second Amended and Restated Certificate of Incorporation of Silvercrest Asset Management Group Inc.
3.2	Amended and Restated Bylaws of Silvercrest Asset Management Group Inc.
4.1	Specimen stock certificate for shares of Class A common stock.
4.2	Exchange Agreement.
4.3	Resale and Registration Rights Agreement.
4.4	2012 Equity Incentive Plan.
4.5	Class B Stockholders Agreement.
4.6	Form of February 2010 Deferred Equity Unit Award Agreement.
5.1*	Opinion of Bingham McCutchen LLP.
10.1	Form of Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.
10.2	Tax Receivable Agreement.
10.3	Form of Indemnification Agreement with directors.
10.4	Form of Purchase and Sale Agreement.
21.1	List of Subsidiaries.
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of Deloitte & Touche LLP.
23.3	Consent of Fulvio & Associates, LLP.
23.4*	Consent of Bingham McCutchen LLP (included as part of Exhibit 5.1).
23.5	Consent of Cerulli Associates.
24.1	Powers of Attorney (included in the Registration Statement filed April 18, 2013 under Signatures).

* To be filed by amendment.
Previously filed.

Item 17. Undertakings.

(1) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each person.

(2) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel, the matter has

been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Table of Contents

(3) The undersigned registrant hereby undertakes that:

(a) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 2 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of New York, state of New York on June 10, 2013.

SILVERCREST ASSET MANAGEMENT GROUP INC.

By: /s/ G. Moffett Cochran
G. Moffett Cochran
Chief Executive Officer

By: /s/ Scott A. Gerard
Scott A. Gerard
Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 to the Registration Statement has been signed by the following persons in the capacities indicated on the 10th day of June, 2013:

Signature	Title	Date
/s/ G. Moffett Cochran **G. Moffett Cochran**	(Principal Executive Officer) and Director	June 10, 2013
/s/ Scott A. Gerard **Scott A. Gerard**	(Principal Financial and Accounting Officer)	June 10, 2013
/s/ Richard R. Hough III **Richard R. Hough III**	Director	June 10, 2013
* **Winthrop B. Conrad, Jr.**	Director	June 10, 2013
* **Wilmot H. Kidd III**	Director	June 10, 2013
* **Richard S. Pechter**	Director	June 10, 2013

*By: /s/ G. Moffett Cochran
G. Moffett Cochran
as attorney-in-fact

II-4

Table of Contents

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement.
3.1	Second Amended and Restated Certificate of Incorporation of Silvercrest Asset Management Group Inc.
3.2	Amended and Restated Bylaws of Silvercrest Asset Management Group Inc.
4.1	Specimen stock certificate for shares of Class A common stock.
4.2	Exchange Agreement.
4.3	Resale and Registration Rights Agreement.
4.4	2012 Equity Incentive Plan.
4.5	Class B Stockholders Agreement.
4.6	Form of February 2010 Deferred Equity Agreement.
5.1*	Opinion of Bingham McCutchen LLP.
10.1	Form of Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.
10.2	Tax Receivable Agreement.
10.3	Form of Indemnification Agreement with directors.
10.4	Form of Purchase and Sale Agreement.
21.1	List of Subsidiaries.
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of Deloitte & Touche LLP.
23.3	Consent of Fulvio & Associates, LLP.
23.4*	Consent of Bingham McCutchen LLP (included as part of Exhibit 5.1).
23.5	Consent of Cerulli Associates.
24.1	Powers of Attorney (included in the Registration Statement filed April 18, 2013 under Signatures).

* To be filed by amendment.
Previously filed.