

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

PASHA S. ANWAR, *et al.*,

Plaintiffs,

v.

FAIRFIELD GREENWICH LIMITED, *et al.*,

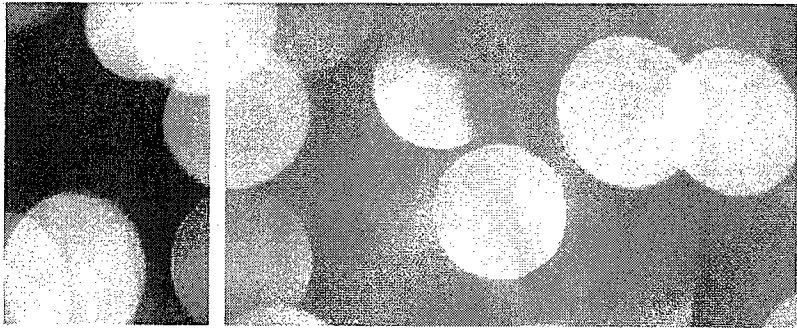
Defendant.

Master File No. 09-cv-118 (VM)

This Document Relates To: All Actions

**DECLARATION OF HOWARD L. VICKERY
IN SUPPORT OF PLAINTIFFS'
OPPOSITION TO MOTIONS TO DISMISS OF
PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V.,
PRICEWATERHOUSECOOPERS LLP, AND
PRICEWATERHOUSECOOPERS INTERNATIONAL LIMITED**

Exhibit 10

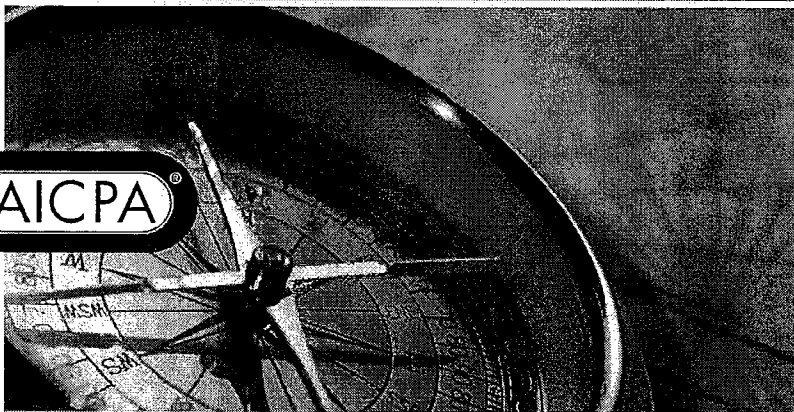


AUDIT & ACCOUNTING GUIDE

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Investment Companies

MAY 1, 2008



AICPA®

asset value per share, total shares outstanding, and the components of net assets should be reported. Should the feeder fund have a multiple-class structure, it would report the multiple-class information specified in this chapter.

5.36 Master funds are usually organized as trusts with flow-through accounting treatment to their feeder funds. As such, the statement of assets and liabilities of the master fund usually does not report the components of net assets, shares outstanding, or net asset value per share.

5.37 The portfolio of investments is included only in the master fund's financial statements.

5.38 Statement of operations. The statement of operations reports details of the *feeder fund's* allocated share of net investment income from the master fund (that is, separate disclosure of allocated interest, dividends, and expenses). The statement also reports separately the feeder's allocated share of the master fund's realized and unrealized gains and losses. The total of all feeders' income, expense, and realized and unrealized gain or loss components should agree to the corresponding totals of the master fund. Feeder funds should disclose their fund-specific expenses, such as transfer agent, distribution, legal and audit expenses, and registration and directors' fees. Additionally, any fee waivers or reimbursements at the feeder-fund level should be reported.

5.39 For master funds, the standard reporting format for investment companies with simple capital structures is used.

5.40 Statement of changes in net assets. For *feeder funds*, the standard reporting format for investment companies with simple capital structures is used. If the feeder fund is a multiple-class fund, the guidance of paragraphs 5.28-.33 generally should be followed.

5.41 The statement of changes in net assets of a master fund generally should report capital transactions from or to feeder funds as contributions and withdrawals, respectively. Dividend distributions are normally not made by the master fund when the master fund is treated as a partnership for tax purposes. In those situations where the master fund is treated as a RIC and is taxed either as a corporation or trust, there may be distributions to the feeder funds to eliminate any accumulated taxable income at the master fund level.

5.42 Notes to financial statements. Notes to the financial statements of each *feeder fund* should include

- a general description of the master and feeder structure.
- the feeder's percentage ownership share of the particular master fund at the reporting date.
- a statement that the feeder invests all of its investable assets in a corresponding open-end management investment company having the same investment objectives as the feeder, and a reference to the financial statements of the master fund, including the portfolio of investments.

5.43 The notes should disclose or refer to the accounting policies of the master fund that affect the feeders (such as valuation of investments of the master fund). Information concerning the purchases and sales of investments and gross unrealized appreciation or depreciation of investments on a tax basis (required by Regulation S-X) is not applicable to the feeder's financial statements.

5.44 Financial highlights. The feeder fund's ratios of expenses and net investment income to average net assets should include the expenses of both the feeder and the master fund. Balance credits earned by the master fund should be reflected in the feeder fund ratios as if they had been earned by the feeder fund directly. *Feeder funds* need not disclose a portfolio turnover rate because feeders invest all their assets in the master fund. However, to the extent the financial highlights table conforms to the instructions of Form N-14, it should report the portfolio turnover rate experienced by the master. The financial highlights of feeder funds that are registered investment companies generally should comply with the same requirements as for registered investment companies not organized in a master-feeder structure (see paragraphs 7.76-.79).

5.45 The financial highlights section of the master fund organized as a partnership is substantially modified, because per share information is not applicable. The master fund financial highlights section should include the total return, ratios of expenses and net investment income to average net assets, and portfolio turnover rate.³ Master funds not organized as partnerships generally should report normal per share data in the financial highlights section.

5.46 Auditor's report. The auditor's report for the feeder fund is modified to exclude the phrase "including the portfolio of investments" because the portfolio of investments is not part of the feeder fund's financial statements.

Funds of Funds

5.47 Example financial statements. Exhibit 5-6 contains illustrations of relevant fund of funds financial statements. Items discussed in the following paragraphs refer to this exhibit.

5.48 Statement of assets and liabilities. The reporting fund may list the investee (portfolio) funds directly on the statement of assets and liabilities. Additional disclosures may be required for those funds that hold a mixture of investments in other investment companies and direct investments in securities. However, there is usually no need for a separate schedule of investments. For registered investment companies, investments in affiliated funds are considered investments in affiliates subject to Rule 12-14 of Regulation S-X. Such investments may not be reported using the summary portfolio schedules permitted under Regulation S-X Rule 12-12C. (Refer to chapter 7 in this guide for further discussion of generally accepted accounting principles applicable for the preparation of financial statements of investment companies.)

5.49 Fund management generally should consider whether an investment in a single underlying fund is so significant to the fund of funds as to make the presentation of financial statements in a manner similar to a master-feeder fund (exhibits 5-4-5-5) more appropriate.

5.50 Statement of operations. Income reflected on the statement of operations normally should represent the net earnings received from investee funds. For example, if the investee funds are all registered investment companies (as in the example in the exhibit), then the income would represent the dividends received from such investee funds. The investor fund may not reflect any operating expenses if the investee funds have agreed to assume certain of the

³ See footnote 1.

Planning

5.60 The feeder fund auditor should discuss with the master fund's independent auditor the results of the most recent audit of the master fund.

5.61 The feeder fund auditor should inquire of feeder fund and master fund management as to any changes in fee structures, affiliated transactions, significant contingencies, results of regulatory reviews, or proposed transactions since the previous feeder fund and master fund audits. Consideration should be given to the implications of such changes on the nature, scope, and timing of audit testing and feeder fund financial statement presentation and disclosure.

5.62 Timing and logistics considerations will make planning and coordination among the management and auditors of the master and feeder funds necessary.

Control Environment

5.63 Feeder fund auditors should obtain sufficient knowledge of the control environment to understand the attitudes, awareness, and actions of those charged with governance concerning the entity's internal control and its importance in achieving reliable financial reporting. Auditors must also consider the guidance in paragraph 5.49, AU section 316, *Consideration of Fraud in a Financial Statement Audit* (AICPA, *Professional Standards*, vol. 1), must also be considered.

5.64 Paragraph .08 of AU section 314, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* (AICPA, *Professional Standards*, vol. 1), states that although much of the information the auditor obtains by inquiries can be obtained from management and those responsible for financial reporting, inquiries of others within the entity, such as production and internal audit personnel, and other employees with different levels of authority, may be useful in providing the auditor with a different perspective in identifying risks of material misstatement. The feeder fund auditor also may review the master fund auditor's audit documentation related to the evaluation and testing of the master fund's control environment.

5.65 Paragraph .11 of AU section 324, *Service Organizations* (AICPA, *Professional Standards*, vol. 1), states the auditor uses his or her understanding of internal control to assess control risk for the assertions embodied in the account balances and classes of transactions, including those that are affected by the activities of the service organization. In doing so, the user auditor may identify certain user organization controls that, if effective, would permit the user auditor to assess control risk as low or moderate for particular assertions. Such controls may be applied at either the user organization or the service organization. The feeder fund auditor should consider the control and monitoring procedures performed by the feeder fund's management over its investment in the master fund. Tests of these control procedures could also be considered.

5.66 Inquiries should be made of the master fund's management and auditors with respect to changes or issues in the control environment since the last fiscal year end of the master fund or since the performance of the most recent tests of controls.

5.67 Based upon the results of the feeder fund auditor's evaluation of the control environment at the master fund, the feeder fund auditor should consider requesting the master fund auditor to perform, or directly perform, additional tests of controls.

Investment in Master Fund and Income-Gain Allocations

5.68 The auditor should obtain, as of the date of the feeder fund's financial statements, an understanding of the nature of securities held by the master fund and the procedures used to value these securities. Consideration should be given to requesting the master fund auditor to perform, or directly perform, additional procedures, particularly related to fair valued⁴ illiquid, or difficult-to-price securities. This may be particularly relevant if the feeder fund has a different year end from the master fund.

5.69 The auditor should consider requesting the master fund auditor to review the master fund's reconciliation of portfolio securities with the custodian bank and brokers as of the date of the feeder fund's financial statements. Based upon the results of these procedures, the auditor might request the master fund auditor to confirm, or directly confirm, the existence of the master fund's investments in securities with the custodian and brokers as of the date of the feeder fund's financial statements.

5.70 The feeder fund auditor might review the master fund auditor's audit documentation related to valuation testing, existence testing, or both types of testing, as of the most recent master fund audit.

5.71 The auditor may obtain confirmation from master fund management, as of the date of the feeder fund financial statements, of: (a) the value of the feeder fund's investment in the master fund; (b) the feeder fund's percentage ownership in the master fund; and (c) allocations of income or gain from the master fund to the feeder fund during the period under audit.

Other Transactions

5.72 Through discussions with feeder fund and master fund management and review of accounting records, the auditor should consider whether significant transactions of the master fund have been accounted for properly and disclosed properly in the feeder fund's financial statements.

Prospectus Restrictions and Compliance

5.73 The auditor should consider making inquiries of master fund management with respect to the results of investment restrictions compliance monitoring, including any detected compliance violations and related resolutions during the period of the feeder fund financial statements.

5.74 The auditor should consider requesting the master fund auditor to review, or directly reviewing, the analyses and documentation with respect to the master fund's investment restrictions compliance.

⁴ AU section 328, *Auditing Fair Value Measurements and Disclosures* (AICPA, *Professional Standards*, vol. 1), contains expanded guidance on the audit procedures for fair value measurements and disclosures. Under AU section 328, the auditor's substantive tests of fair value measurements involve (a) testing management's significant assumptions, the valuation model, and the underlying data; (b) developing independent fair value estimates for corroborative purposes; or (c) examining subsequent events and transactions that confirm or disconfirm the estimate.