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# INDEPENDENT AUDITORS' REPORT

To the Partners of
J. Deal Partnership I, L.P.

We have audited the accompanying financial statements of J. Deal Partnership I, L.P. (the "Master Fund"), which comprise the statement of financial condition, including the condensed schedule of investments, as of December 31, 2018 and the related statements of operations and changes in partners' capital for the year then ended and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Master Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Master Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of J. Deal Partnership I, L.P. as of December 31, 2018 and the results of its operations and changes in partners' capital for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Spicer Jeffries LLP

Denver, Colorado
January 22, 2019

Member of msi Global Alliance Independent Legal & Accounting Firms

**J. DEAL PARTNERSHIP I, L.P.**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**

**J. DEAL PARTNERSHIP I, L.P.**

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**J. DEAL PARTNERSHIP I, L.P.**

**STATEMENT OF FINANCIAL CONDITION**
**DECEMBER 31, 2018**

## ASSETS

| | |
|---|---|
| **INVESTMENTS**, at fair value (cost of $15,774,018) | $ 12,917,528 |
| **CASH** | 393,308 |
| **DIVIDENDS RECEIVABLE** | 135 |
| | **$ 13,310,971** |

## LIABILITIES AND PARTNERS' CAPITAL

| | |
|---|---|
| **LIABILITIES:** | |
| Due to Broker (Note 4) | $ 1,095,810 |
| Accrued expenses | 31,628 |
| ***Total liabilities*** | 1,127,438 |
| **PARTNERS' CAPITAL** | 12,183,533 |
| | **$ 13,310,971** |

The accompanying notes are an integral part of this statement.

## J. DEAL PARTNERSHIP I, L.P.

## CONDENSED SCHEDULE OF INVESTMENTS
## DECEMBER 31, 2018

| | Fair Value | Percent of Partners' Capital |
|---|---|---|
| **Investments in marketable securities,** at fair value: | | |
| **Common Stocks:** | | |
| *United States:* | | |
| Public Utilities | $ 3,692,400 | 30.31 |
| Consumer Services | 3,391,360 | 27.84 |
| Financials | 2,138,070 | 17.55 |
| Technology | 2,009,600 | 16.49 |
| ***Total common stock,*** at fair value (cost of $14,059,508) | 11,231,430 | 92.19 |
| **Warrants:** | | |
| **United States** | | |
| Financials (cost of $617,986) | 1,280,000 | 10.51 |
| **Options:** | | |
| **United States** | | |
| Consumer Services (cost of $596,524) | 40,320 | 0.33 |
| ***Total investments in marketable securities,*** at fair value (cost of $15,274,018) | 12,551,750 | 103.03 |
| **Investments in private investment funds,** at fair value: | | |
| *United States* (cost of $500,000) | 365,778 | 3.00 |
| **Total Investments,** at fair value as fair value (cost of $15,774,018) | **$ 12,917,528** | **106.03** |

The accompanying notes are an integral part of this statement.

**J. DEAL PARTNERSHIP I, L.P.**

**STATEMENT OF OPERATIONS**
**YEAR ENDED DECEMBER 31, 2018**

| | |
|---|---|
| **INVESTMENT INCOME:** | |
| Dividend income (net of withholding tax of $3,353) | $ 197,995 |
| Interest Income | 918 |
| ***Total investment income*** | 198,913 |
| **EXPENSES:** | |
| Management fees (Note 3) | 211,875 |
| Professional fee and other expenses (Note 2) | 25,080 |
| Interest expense | 20,648 |
| ***Total expenses*** | 257,603 |
| ***Net investment loss*** | (58,690) |
| **NET REALIZED GAIN AND CHANGE IN UNREALIZED DEPRECIATION OF INVESTMENTS:** | |
| Net realized gain on investments | 1,418,341 |
| Change in unrealized depreciation of investments | (7,884,801) |
| ***Net realized and unrealized loss on investments*** | (6,466,460) |
| **NET DECREASE IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS** | **$ (6,525,150)** |

The accompanying notes are an integral part of this statement.

**J. DEAL PARTNERSHIP I, L.P.**

**STATEMENT OF CHANGES IN PARTNERS' CAPITAL**
**YEAR ENDED DECEMBER 31, 2018**

| | General Partner | Limited Partners | Total Partners' Capital |
|---|---|---|---|
| **BALANCES**, at December 31, 2017 | $ 1,970,130 | $ 11,893,367 | $ 13,863,497 |
| Contributions | 170,011 | 4,961,010 | 5,131,021 |
| Increase resulting from operations: | | | |
| Net investment loss | 18,042 | (76,732) | (58,690) |
| Net realized gain | 145,681 | 1,272,660 | 1,418,341 |
| Change in unrealized depreciation | (809,866) | (7,074,935) | (7,884,801) |
| Performance Allocation (Note 2) | 1,184 | (1,184) | - |
| Redemptions | (240,105) | (45,730) | (285,835) |
| **BALANCES**, December 31, 2018 | **$ 1,255,077** | **$ 10,928,456** | **$ 12,183,533** |

The accompanying notes are an integral part of this statement.

## *NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

### Organization

J. Deal Partnership I, L.P. (the "Master Fund") is a limited partnership organized on February 14, 2008 under the laws of the State of California for the purpose to trade and invest in a wide range of investments, including options and other kinds of investments. The Master Fund commenced operations on October 3, 2011. The Master Fund's activities are managed by JDP Capital Management (the "General Partner"), a California limited liability company.

The Master Fund is research-based and value-oriented. It has three primary objectives: capital preservation, long-term capital appreciation in excess of market indices (S&P 500), and limitation of downside risk. This might involve a highly concentrated portfolio and acting as an activist shareholder to invoke change in a portfolio company to unlock value.

The term of the Master Fund shall continue indefinitely unless dissolved as described in the Master Fund's limited partnership agreement.

Interests offered to investors are without registration under the Securities Act of 1933, as amended, or the securities laws of any state, in reliance on the private offering exemption contained in Rule 506 of Regulation D issued under the Securities Act of 1933 and in reliance on similar exemption under applicable state laws. Under Rule 506 and certain state laws, the Master Fund must determine that a person, or a person together with a purchaser representative, meets certain suitability requirements before offering to sell interests to such an individual.

The Master Fund is also the investment vehicle for JDP Offshore Limited (the "Offshore Fund"), a British Virgin Islands company. The Offshore Fund invests substantially all of its assets in the Master Fund and records its proportionate share of the Master Fund's income, expenses, and realized and unrealized gains and losses. The Offshore Fund and any other investment vehicles that invest substantially all of their assets in a fund are considered feeder funds. As of December 31, 2018 the Offshore Fund owned approximately 8% of the Master Fund. The Master Fund also accepts direct investments from other investors.

### Basis of Presentation

J. Deal Partnership I, L.P. is an investment company and follows the accounting and reporting guidance in FASB Topic 946

***NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)*

**Basis of Accounting and Trading and Valuation of Securities**

The Master Fund records its securities transactions on a trade-date basis. Realized gains or losses are recorded upon disposition of investments calculated based upon the difference between the proceeds and the cost basis determined using the specific identification method. All other changes in the valuation of portfolio investments are included as changes in the unrealized appreciation or depreciation of investments in the statement of operations. Dividend income and expense are recorded on the ex-dividend date and interest income and expense are recorded on the accrual basis.

The Master Fund values its investments in accordance with Accounting Standards Codification 820 – Fair Value Measurements ("ASC 820"). Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants and the measurement date.

In determining fair value, the Master Fund uses various valuation approaches. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Master Fund. Unobservable inputs reflect the Master Fund's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Master Fund has the ability to access. Valuation adjustments and blockage discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

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.

***NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)*

**Basis of Accounting and Trading and Valuation of Securities** *(continued)*

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

Accordingly, the degree of judgment exercised by the Master Fund in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Master Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Master Fund uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

The Master Fund values investments in securities that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

***NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)*

**Basis of Accounting and Trading and Valuation of Securities** *(concluded)*

Investments in private investment funds are valued by the Master Fund at fair value utilizing the net asset valuations provided by the limited partnerships, unless the Master Fund determines another valuation method to be more appropriate. Substantially all of the underlying investments of the private investment funds are comprised of cash and cash equivalents and readily marketable securities. Accounting Standards Codification ("ASC") 2015-07 – Fair Measurements (Topic 820): Disclosures for Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) permits a reporting entity using the practical expedient to measure the fair value of certain investments using the net asset value per share (or its equivalent) of the investment. ASC 2015-07 eliminates investments valued using the practical expedient from the fair value hierarchy.

Many cash and over-the-counter (OTC) contracts have bid-and-ask prices that can be observed in the marketplace. Bid prices reflect the highest price that the marketplace participants are willing to pay for an asset. Ask prices represent the lowest price that the marketplace participants are willing to accept for an asset. For securities whose inputs are based on bid-ask prices, the Master Fund's valuation policies require that fair value be within the bid-ask range. The Master Fund's policy for securities traded in the OTC markets and listed securities for which no sale was reported on that date are valued at their last reported "bid" price if held long, and last reported "ask" price if sold short. The Master Fund considers these investments as Level 1 securities for active markets and Level 2 securities for thinly traded markets.

The industry classifications included in the condensed schedule of investments represent the General Partner's belief as to the most meaningful presentation of the classification of the Master Fund's investments.

**Short Sales**

The Master Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Master Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. A gain, limited to the price at which the Master Fund sold the security short, or a loss, unlimited in amount, will be recognized upon the termination of the short sale.

## *NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)*

### Foreign Currency Transactions

Investment and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investments, and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

The Master Fund does not isolate that portion of the results from operations resulting from changes in foreign exchange rates from fluctuations arising from changes in market prices of securities held.

### Income Taxes

The financial statements do not include a provision for income taxes because the Master Fund is not a taxable entity and its partners are taxed on their respective share of the Master Fund's earnings.

The Master Fund is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any tax related appeals or litigation processes, based on the technical merits of the position. The Master Fund files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states. The Master Fund is not subject to income tax return examinations by major taxing authorities for years before 2015. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized results in the Master Fund recording a tax liability that reduces net assets. However, the Master Fund's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. The Master Fund recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in income taxes payable, if assessed. No interest expense or penalties have been recognized as of and for the year ended December 31, 2018.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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.

## *NOTE 2 - LIMITED PARTNERSHIP AGREEMENT*

### Allocation of Partnership Income

Net profits and losses are allocated to all partners in proportion to their relative beginning capital balances, as defined. If such allocations of net losses would result in a negative capital balance in the account of any limited partner, such losses will be allocated to the General Partner. At the end of each fiscal year (or a shorter period in certain circumstances), the General Partner receives a performance allocation equal to 25% of each limited partner's share of net profits for such year. However, the performance allocation is subject to both a 6% annualized hurdle rate and a high water-mark. If a limited partner has any prior net losses from previous periods, the General Partner will not receive a performance allocation until such limited partner is allocated net profits to recoup the net losses. The General Partner may waive or reduce the performance allocation at its discretion. The General Partner earned a $1,184 performance allocation for the year ended December 31, 2018.

### Capital Contributions and Withdrawals

Capital contributions may be made as of the first business day of each calendar quarter or at any other time in the General Partner's discretion. The minimum initial contribution to the Master Fund is $250,000 and the minimum additional investment is $50,000. The General Partner, in its sole discretion, may waive the minimum initial or additional contribution amounts. A limited partner may, subject to certain conditions, and on at least sixty (60) calendar days written notice to the General Partner, withdraw all or part of its capital account as of the last day of any fiscal year, or at other times with the consent of the General Partner. If a limited partner is making a complete withdrawal, they are subject to a 10% withholding, pending the audit of the financial statements.

The General Partner may waive the withdrawal restrictions for any limited partner at its discretion. The General Partner also may suspend the limited partners' withdrawal rights under certain circumstances.

### Fund Expenses

Professional fee and other expenses represent services for audit, tax, accounting, investment research, and legal. This fee also includes the expense for the preparation of quarterly investor statements, organization costs, broker clearing, and bank fees.

## *NOTE 3 - RELATED PARTIES*

The Master Fund pays a quarterly management fee of 1.5% per annum to the General Partner based upon each limited partner's capital account balance. The management fee is computed and payable quarterly in advance on the first business day of each fiscal quarter. The General Partner, in its sole discretion, may agree to waive or reduce the management fee rate for certain partners. The Master Fund incurred management fees of $211,875 for the year ended December 31, 2018.

Certain limited partners are affiliated with the General Partner. The aggregate value of the General Partner's and affiliated limited partners' share of the Master Fund's capital as of December 31, 2018 was $7,828,487.

Certain members of the Investment Manager serve as members of the Board of Directors of Enterprise Diversified Inc. and joined such board subsequent to the Master Fund making investments in the entity with the intention of improving the future prospects of the investment.

## *NOTE 4 - DUE TO BROKER*

Due to broker represents monies due to the custodian broker from settled and unsettled trades. The Master Fund has a policy of reviewing, as considered necessary, the credit standing of each broker with which it conducts business. The due to broker amount is subject to interest at the prevailing interest rates charged to the custodian broker and may be partially restricted at any time for the market value of marketable securities sold, not yet purchased, until the Master Fund purchases the securities sold.

## *NOTE 5 - FAIR VALUE MEASUREMENTS*

The Master Fund's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 1 for a discussion of the Master Fund's policies.

The following table presents information about the Master Fund's assets measured at fair value as of December 31, 2018:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Valued at NAV | Balances as of December 31, 2018 |
|---|---|---|---|---|---|
| **Investments, at fair value:** | | | | | |
| *Common stocks:* | | | | | |
| Public Utilities | $ 3,692,400 | $ - | $ - | $ - | $ 3,692,400 |
| Consumer Services | 3,391,360 | - | - | - | 3,391,360 |
| Financial | 1,776,150 | 361,920 | - | - | 2,138,070 |
| Technology | 2,009,600 | - | - | - | 2,009,600 |
| *Warrant* | | | | | |
| Financial | 1,280,000 | - | - | - | 1,280,000 |
| *Investments in private investment funds* | | | | | |
| Private investment funds | - | - | - | 365,778 | 365,778 |
| *Options* | | | | | |
| Public Utilities | 40,320 | - | - | - | 40,320 |
| | **$ 12,189,830** | **$ 361,920** | **$ -** | **$ 365,778** | **$ 12,917,528** |

The Master Fund did not have any significant transfers between Level 1 and Level 2 during the year ended December 31, 2018.

*NOTE 5 - FAIR VALUE MEASUREMENTS (continued)*

The Master Fund holds investments that exceed 5% of partners' capital. The Master Fund's investments that constitute more than 5% of partners' capital as follows:

| Investment | Number of shares/warrants | Fair Value | Percentage of Partners' Capital |
|---|---|---|---|
| TerraForm Power Inc | 200,000 | $ 2,244,000 | 18.42 |
| XPO Logistics Inc | 34,000 | 1,939,360 | 15.92 |
| Tenecent Holdings Limited | 45,000 | 1,776,150 | 14.58 |
| Teekay Offshore Partners, LP | 1,200,000 | 1,452,000 | 11.92 |
| California Resources Corp | 85,000 | 1,448,400 | 11.89 |
| Bank of America A - warrants | 100,000 | 1,280,000 | 10.51 |
| EchoStar | 30,000 | 1,101,600 | 9.04 |
| Spotify Technology | 8,000 | 908,000 | 7.45 |
| Total investments in excess of 5% of partners' capital | | 12,149,510 | 99.73 |
| Total investments not in excess of 5% of partners' capital | | 768,018 | 6.30 |
| ***Total investments in marketable securities,*** at fair value | | **$ 12,917,528** | **106.03** |

## Impact of Derivatives on the Statement of Operations

The following table identifies the fair value amounts of derivative instruments included in the statement of financial condition as Investments, at fair value, categorized by primary underlying risk, at December 31, 2018. Balances are presented on a gross basis, prior to the application of the impact of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of master netting arrangements and have been adjusted by the application of cash collateral receivables and payables with its counterparties. The following table also identifies the net gain and loss amounts included in the statement of operations as net realized gain on investments and change in unrealized depreciation of investments, categorized by primary underlying risk, for the year ended December 31, 2018.

| Primary underlying risk | Derivative assets | Derivative liabilities | Realized gain on derivatives | Unrealized depreciation on derivatives |
|---|---|---|---|---|
| Equity Price | | | | |
| Options | $ 40,320 | $ - | $ - | $ (533,470) |
| Warrants | 1,280,000 | - | 3,535,576 | (2,083,341) |
| Total | $ 1,320,320 | $ - | $ 3,535,576 | $ (2,616,811) |

*(continued)*

***NOTE 5 - FAIR VALUE MEASUREMENTS** (concluded)*

**Impact of Derivatives on the Statement of Operations** *(concluded)*

At December 31, 2018, the volume of the Master Fund's derivative activities based on their notional amounts and number of contracts, categorized by primary underlying risk, are as follows:

| | Long Exposure | | Short Exposure | |
|---|---|---|---|---|
| Primary Underlying Risk | Notional Amounts | Number of Contracts | Notional Amounts | Number of Contracts |
| Equity Price | | | | |
| Options | $ 726,000 | 6,000 | $ - | - |
| Warrants | 2,464,000 | 100,000 | - | - |
| Total | $ 3,190,000 | $ 106,000 | $ - | $ - |

## *NOTE 6- FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS AND CONTINGENCIES*

In the normal course of business, the Master Fund enters into various financial transactions. The execution of these transactions may result in off-balance sheet risk or concentration of credit and price risk. The Master Fund records securities transactions on a trade-date basis and, therefore, is exposed to credit risk in the event that the Master Fund's counterparties are unable to fulfill contractual agreements on the date of settlement.

Price risk is comprised of interest rate, market and currency risk. Interest rate risk is the risk that the value of financial instruments (mainly investments) may fluctuate as a result of changes in market interest rates. Market risk is the risk that the market values of investments change due to changes in market conditions. Investments in equities are subject to market and interest rate risk. Currency risk is the risk that the value of instruments may fluctuate as a result of changes in foreign exchange rates. As of December 31, 2018, substantially all assets and liabilities of the Master Fund were denominated in United States dollars.

The Master Fund may engage in short selling activities, wherein it borrows securities and sells them to third parties. Until the Master Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require securities sold, not yet purchased, to be acquired at prices which may be significantly higher than the market value reflected in the statement of financial condition.

All securities transactions of the Master Fund are cleared by one United States registered broker-dealers. At December 31, 2018, all investments and due from broker are positions with these brokers and the Master Fund had all its individual counterparty concentration with these brokers.

The Master Fund's financial instruments, including cash, dividends receivable, due to broker and accrued expenses are carried at amounts which approximate fair value due to the short-term nature of these instruments. Investments are valued as described in Note 1.

*(concluded)*

## *NOTE 7 - FINANCIAL HIGHLIGHTS*

The information presented below represents the financial highlights applicable to the limited partners of the Master Fund taken as a whole for the year ended December 31, 2018.

**Operating Performance:**

| | |
|---|---|
| Total return before performance allocation to General Partner | (34.55) % |
| Performance allocation to General Partner | (0.01) |
| Net return after performance allocation to General Partner | **(34.56) %** |

**Ratios to Average Limited Partners' Capital:**

| | |
|---|---|
| Total expenses | 1.66 **%** |
| Performance allocation to General Partner | (0.01) |
| Total expense and performance allocation to General Partner | **1.65 %** |
| Net investment loss | **(0.50) %** |

The above return calculations assume that a partner's capital interest was invested for the entire period indicated above. An individual's total return and ratios may vary from these returns and ratios based on the timing of capital transactions and variations in management fees and incentive arrangements.

## *NOTE 8 - SUBSEQUENT EVENTS*

The Master Fund has performed an evaluation of subsequent events through January 22, 2019 which is the date the financial statements were available to be issued. The evaluation did not result in any subsequent events that requited disclosure and/or adjustments.

SPICER JEFFRIES LLP
Certified Public Accountants

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DENVER, COLORADO 80237
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# INDEPENDENT AUDITORS' REPORT

To the Members of
JDP Offshore Limited

We have audited the accompanying financial statements of JDP Offshore Limited (the "Offshore Fund"), which comprise the statement of financial condition as of December 31, 2018 and the related statements of operations and changes in shareholders' equity for the period from commencement of operations (April 1, 2018) through December 31, 2018 and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Offshore Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Offshore Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JDP Offshore Limited as of December 31, 2018, and the results of its operations and changes in shareholders' equity for the period from commencement of operations (April 1, 2018) through December 31, 2018 and the results of its operations and changes in shareholders' equity for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Spicer Jeffries LLP

Denver, Colorado
January 22, 2019

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**JDP OFFSHORE LIMITED**

**FINANCIAL STATEMENTS**

**PERIOD FROM COMMENCEMENT OF OPERATIONS (APRIL 1, 2018) THROUGH DECEMBER 31, 2018**

**JDP OFFSHORE LIMITED**

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Appendix:

Financial statements for J. Deal Partnership I, L.P., for the year ended December 31, 2018

**JDP OFFSHORE LIMITED**

**STATEMENT OF FINANCIAL CONDITION**
**DECEMBER 31, 2018**

## ASSETS

| | | |
|---|---|---|
| **INVESTMENT IN J. DEAL PARTNERSHIP I, LP** | $ | 969,250 |
| **CASH** | | 46,860 |
| | **$** | **1,016,110** |

## LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|---|---|
| **SHAREHOLDERS' EQUITY** | $ | 1,016,110 |
| | **$** | **1,016,110** |

The accompanying notes are an integral part of this statement.

**JDP OFFSHORE LIMITED**

**STATEMENT OF OPERATIONS**
**PERIOD FROM COMMENCEMENT OF OPERATIONS (APRIL 1, 2018)**
**THROUGH DECEMBER 31, 2018**

| | | |
|---|---|---|
| **NET INVESTMENT LOSS ALLOCATED FROM** | | |
| **J. DEAL PARTNERSHIP I, L.P.** | | |
| Dividend income | $ | 13,012 |
| Management fees | | (11,603) |
| Interest expense | | (1,620) |
| Other expenses | | (1,536) |
| ***Net investment loss allocated from J.Deal Partnership I, L.P.*** | | (1,747) |
| **FUND-LEVEL EXPENSES:** | | |
| Professional fees | | 3,140 |
| ***Net investment loss*** | | (4,887) |
| **REALIZED LOSSES AND CHANGE IN UNREALIZED** | | |
| **DEPRECIATION ALLOCATED FROM J. DEAL PARTNERSHIP I, L.P.** | | (479,003) |
| **NET DECREASE IN SHAREHOLDERS' EQUITY FROM OPERATIONS** | **$** | **(483,890)** |

The accompanying notes are an integral part of this statement.

**JDP OFFSHORE LIMITED**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
**PERIOD FROM COMMENCEMENT OF OPERATIONS (APRIL 1, 2018)**
**THROUGH DECEMBER 31, 2018**

| | |
|---|---|
| **OPERATIONS** | |
| Net investment loss allocated from J. Deal Partnership I, L.P. | $ (1,747) |
| Realized lesses and unrealized depreciation from J. Deal Partnership I, L.P. | (479,003) |
| Fund level expenses | (3,140) |
| Net decrease in shareholders' equity resulting from operations | (483,890) |
| **CAPITAL SHARE TRANSACTIONS** | |
| Issuance of shares | 1,500,000 |
| Net increase in shareholders' equity resulting from capital share trasactions | 1,500,000 |
| **NET INCREASE IN SHAREHOLDERS' EQUITY** | 1,016,110 |
| **SHAREHOLDERS' EQUITY,** beginning of period | - |
| **SHAREHOLDERS' EQUITY,** end of period | $ 1,016,110 |

The accompanying notes are an integral part of this statement.

## *NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

### ***Organization***

JDP Offshore Limited (the "Offshore Fund") was incorporated on October 19, 2016 in the British Virgin Islands, under the BVI Business Companies Act, 2004. The Offshore Fund commenced operations on April 1, 2018. The Offshore Fund's activities are managed by JDP Capital Management, LLC, a California limited liability company (the "Investment Manager"). The Investment Manager is responsible for all management decisions on behalf of the Offshore Fund and has discretionary authority over the Offshore Fund's assets. The Offshore Fund invests substantially all of its assets in J. Deal Partnership I, L.P. (the "Master Fund").

The Master Fund's financials statements, including the condensed schedules of investments, are included in the appendix to these financial statements and should be read in conjunction with the Offshore Fund's financial statements. The Offshore Fund owned approximately 8% of the Master Fund as of December 31, 2018.

Interests offered to investors are without registration under the Securities Act of 1933, as amended, or the securities laws of any state, in reliance on the private offering exemption contained in Rule 506 of Regulation D issued under the Securities Act of 1933 and in reliance on similar exemption under applicable state laws. Under Rule 506 and certain state laws, the Offshore Fund must determine that a person, or a person together with a purchaser representative, meets certain suitability requirements before offering to sell interests to such an individual.

The Master Fund was organized on February 14, 2008 under the laws of the State of California and commenced trading operations on October 3, 2011. The Master Funds' activities are managed by JDP Capital Management, LLC, a California limited liability company (the "Investment Manager"). The term of the Master Fund shall continue indefinitely until terminated as stated in the Limited Partnership Agreement. The Offshore Fund is one of the limited partners of the Master Fund and is subject to the terms of the respective Limited Partnership Agreement, private placement memorandum and other governing agreements of the Master Fund.

### **Basis of Presentation**

JDP Offshore Limited is an investment company and follows the accounting and reporting guidance in FASB Topic 946.

### ***Basis of Accounting and Trading and Valuation of Securities***

The Offshore Fund values its investments in accordance with Accounting Standards Codification 820 – Fair Value Measurements ("ASC 820"). Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants and the measurement date.

***NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)*

***Basis of Accounting and Trading and Valuation of Securities** (continued)*

In determining fair value, the Offshore Fund uses various valuation approaches. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Offshore Fund. Unobservable inputs reflect the Offshore Fund's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Offshore Fund has the ability to access. Valuation adjustments and blockage discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

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 availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Offshore Fund in determining fair value is greatest for securities categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

## *NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

***Basis of Accounting and Trading and Valuation of Securities*** *(continued)*

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Offshore Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Offshore Fund uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

The Offshore Fund's investment in the Master Fund is valued by management at fair value utilizing the net asset valuation provided by the Master Fund, unless management determines another valuation method to be more appropriate. Substantially all of the underlying investments of the Master Fund are comprised of cash and cash equivalents and readily marketable securities. Accounting Standards Codification ("ASC") 2015-07 – Fair Measurements (Topic 820): Disclosures for Certain Entities That Calculate Net Assets Value per Share (or Its Equivalent) permits a reporting entity using the practical expedient to measure the fair value of certain investments using the net asset value per share (or its equivalent) of the investment. ASC 2015-07 eliminates investments valued using the practical expedient from the fair value hierarchy.

***Income Allocated from the Master Fund***

The Offshore Fund records its proportionate share of the Master Fund's investment income, expenses, realized and unrealized gains or losses on a monthly basis. In addition, the Offshore Fund accrues its own expenses.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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.

***Income Taxes***

The financial statements do not include a provision for income taxes because the Offshore Fund is not a taxable entity and its partners are taxed on their respective share of Offshore Fund earnings.

## *NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

***Income Taxes*** *(concluded)*

The Offshore Fund is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any tax related appeals or litigation processes, based on the technical merits of the position. The Offshore Fund files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states. The Offshore Fund is not subject to income tax return examinations by major taxing authorities before commencement of operation (April 1, 2018). The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized results in the Offshore Fund recording a tax liability that reduces net assets. However, the Offshore Fund's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Offshore Fund recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in income taxes payable, if assessed. No interest expense or penalties have been recognized as of and for the period from commencement of operations (April 1, 2018) through December 31, 2018.

## *NOTE 2 - SHAREHOLDERS' EQUITY*

The Offshore Fund is authorized to issue up to 50,000 shares consisting of 10 non-participating, voting shares of no par value (the "Management Shares") and up to 49,990 participating, redeemable, non-voting shares of no par value (the "Participating Shares"), which may be issued in any number of classes as set out in the Memorandum and Articles of Association ("M&As") or series or sub-series (in the absolute discretion of the Directors without notice to, or the consent of, the Investors).

The M&As provide that unissued shares are at the disposal of the Directors who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Directors may determine.

The Directors may issue shares from a single class with different levels of fees to be borne by some of the shares in that class to those being borne by other shares in the same class and on varying liquidity terms including as to notice periods for the redemption of shares and the terms of payment of redemption proceeds, as provided in the terms of offer approved by the Directors from time to time or as permitted by the M&As. Such variation in the terms of issue shall not cause shares issued on such varied terms to constitute a different class of shares to the remaining shares in that class.

## *NOTE 2 - SHAREHOLDERS' EQUITY (concluded)*

A reconciliation of each series net asset value for the year ended December 31, 2018 is as follows:

| Class | Series | NAV 4/1/2018 | Issuance of Shares | Net Income | Redemptions | Transfers | NAV 12/31/2018 | Shares Outstanding | NAV Per Share |
|---|---|---|---|---|---|---|---|---|---|
| A | 1 | $ - | $ 1,500,000 | $ (483,890) | $ - | $ - | $ 1,016,110 | 150.00 | $ 6,774 |

The minimum initial subscription for shares to the Offshore Fund is $250,000 and the minimum additional investment is $50,000. The Investment Manager, in its sole discretion, may waive the minimum initial or additional subscription amounts. Shareholder withdrawals may be made on the last business day of any fiscal year, on 65 days' written notice, or at other times with the consent of the Investment Manager. If a non-managing shareholder is making a complete withdrawal, they are subject to a 10% withholding, pending the audit of the financial statements.

The Investment Manager may waive the withdrawal restrictions for any non-managing shareholder at its discretion. The Investment Manager also may suspend the non-managing shareholders' withdrawal rights under certain circumstances.

## *NOTE 3 - FAIR VALUE MEASUREMENTS*

The Offshore Fund's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 1 for a discussion of the Offshore Fund's policies. The following table presents information about the Offshore Fund's assets measured at fair value as of December 31, 2018:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Measured at NAV | Balance as of December 31, 2018 |
|---|---|---|---|---|---|
| **J. Deal Partnership I, L.P.** | $ - | $ - | $ - | $ 969,250 | $ 969,250 |

The Offshore Fund did not have any significant transfers between Level 1 and Level 2 during the period from commencement of operations (April 1, 2018) through December 31, 2018.

## *NOTE 4 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS AND CONTINGENCIES*

In the normal course of its business, the Master Fund enters into various financial transactions. The execution of these transactions may result in off-balance sheet risk or concentration of credit and price risk. The Master Fund is also exposed to market risk, currency risk and credit risk by investing in financial instruments. The Offshore Fund, as a limited partner of the Master Fund, is indirectly exposed to these same risks. A discussion of the Master Fund's risks is included in Note 6 within the accompanying Appendix to these financial statements.

As a limited partner in the Master Fund, the Offshore Fund bears the risk of loss of its investment in the Master Fund. Investments are valued as described in Note 1.

## *NOTE 5 - FINANCIAL HIGHLIGHTS*

The information presented below represents the financial highlights applicable to the Offshore Fund's non-managing shareholders taken as a whole, for the period from commencement of operations (April 1, 2018) through December 31, 2018:

| | | |
|---|---|---|
| **Operating Performance:** | | |
| Total return before performance fee to the General Partner of the Master Fund | (32.26) | % |
| Performance fee to the General Partner of the Master Fund | - | |
| Net return after performance fee to the General Partner of the Master Fund | **(32.26)** | **%** |
| **Ratios to Average Net Assets (annualized):** | | |
| Total expenses, before performance fee to the General Partner of the Master Fund | 1.56 | % |
| Performance fee to the General Partner of the Master Fund | - | |
| Total expenses and performance fee to the Managing Shareholder | **1.56** | **%** |
| Net investment loss | **(0.43)** | **%** |

| | **Class A Shares Series 1** |
|---|---|
| **Per-share operating performance:** | |
| **NAV per share,** beginning of period | $ 10,000 |
| Decrease in shareholders' equity from operations | |
| Net investment loss | (33) |
| Realized loss and change in unrealized depreciation | (3,193) |
| Performance fee | - |
| Net decrease in shareholders' equity from operations | (3,226) |
| **NAV per share,** end of period | 6,774 |

The above return calculations assume that a shareholders' equity interest was invested for the entire period indicated above. An individual's total return and ratios may vary from these returns and ratios based on the timing of equity transactions and variations in management fees and incentive arrangements.

## *NOTE 7 - SUBSEQUENT EVENTS*

The Offshore Fund has performed an evaluation of subsequent events through January 22, 2019, which is the date that the financial statements were available to be issued. The evaluation did not result in any subsequent events that required disclosures and/or adjustments.

**Appendix:**
**Financial Statements of J. Deal Partnership I, L.P.**
**For the Year Ended December 31, 2018**