

**CEDAR FUND, L.P.**

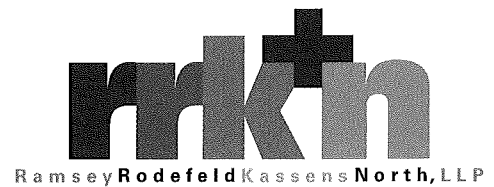
Financial Statements  
Years Ended December 31, 2008 and 2007

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# CEDAR FUND, L.P.

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## Independent Auditors' Report

General and Limited Partners  
Cedar Fund, L.P.  
Richmond, Indiana

We have audited the accompanying statements of assets and liabilities of Cedar Fund, L.P. as of December 31, 2008 and 2007, and the related statements of investments in securities, operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cedar Fund, L.P. as of December 31, 2008 and 2007, and the results of its operations and changes in its net assets for the years then ended in conformity with auditing standards generally accepted in the United States of America.

*Ramsey, Rodefeld, Kassens & North, LLP*

February 27, 2009

**CEDAR FUND, L.P.**  
**Statements of Assets and Liabilities**

December 31	2008	2007
<b>Assets</b>		
Investments - at market value (cost - \$15,135,430 and \$16,040,854)	\$ 19,161,059	\$ 29,194,385
Cash and cash equivalents	1,033,992	1,232,056
Dividends and interest receivable	661	3,659
	<u>20,195,712</u>	<u>30,430,100</u>
<b>Liabilities</b>		
Accrued professional fees	4,900	4,800
Investment advisory fees payable	33,851	54,394
Accrued bank custodial fees	1,238	1,740
	<u>39,989</u>	<u>60,934</u>
<b>Net Assets</b>	<u>\$ 20,155,723</u>	<u>\$ 30,369,166</u>
Net assets applicable to general partner	\$ 133,560	\$ 220,106
Net assets applicable to limited partners	<u>20,022,163</u>	<u>30,149,060</u>
	<u>\$ 20,155,723</u>	<u>\$ 30,369,166</u>
Limited partners-units outstanding	<u>9,996.3741</u>	<u>10,578.5616</u>
Limited partners-net asset value per unit	<u>\$ 2,002.9425</u>	<u>\$ 2,850.0150</u>

See notes to financial statements.

**CEDAR FUND, L.P.**  
Investments in Securities

December 31, 2008	Number of Shares/Units	Cost	Value	Percent of Total Value
<b>Common Stock</b>				
Berkshire Hathaway, Inc. - Class A	65	\$ 748,070	\$ 6,279,000	32.8
<b>Mutual Funds</b>				
Fairholme Fund	38,341.844	1,060,900	837,386	4.4
First Eagle Global Fund - Class I	54,929.143	2,453,828	1,816,507	9.5
FPA Capital Fund, Inc.	42,088.921	1,360,282	908,700	4.7
FPA Crescent Portfolio	55,973.891	1,312,169	1,096,529	5.7
Longleaf Small Cap Fund	39,310.095	973,927	573,141	3.0
Tweedy Browne Global Value Fund	39,924.779	679,431	623,625	3.3
Wintergreen Fund	55,604.165	758,723	485,424	2.5
		<u>8,599,260</u>	<u>6,341,312</u>	<u>33.1</u>
<b>Limited Partnership</b>				
Harfam Partners	926.4318	5,788,100	6,540,747	34.1
		<u>\$ 15,135,430</u>	<u>\$ 19,161,059</u>	<u>100.0</u>

See notes to financial statements.

**CEDAR FUND, L.P.**  
**Investments in Securities**

December 31, 2007	Number of Shares/Units	Cost	Value	Percent of Total Value
<b>Common Stock</b>				
Berkshire Hathaway, Inc. - Class A	70	\$ 701,978	\$ 9,912,000	33.9
Private Capital Management - common stock portfolio		<u>1,080,928</u>	<u>1,191,234</u>	<u>4.1</u>
		<u>1,782,906</u>	<u>11,103,234</u>	<u>38.0</u>
<b>Mutual Funds</b>				
Artisan International Value Fund	42,018.508	1,147,034	1,072,312	3.7
Fairholme Fund	37,385.179	1,040,695	1,191,092	4.1
First Eagle Global Fund - Class A	51,170.132	2,323,168	2,297,539	7.9
FPA Capital Fund, Inc.	37,958.449	1,269,450	1,393,455	4.8
FPA Crescent Portfolio	54,576.035	1,279,273	1,380,228	4.7
Longleaf Small Cap Fund	37,785.382	952,238	1,021,717	3.5
Tweedy Browne Global Value Fund	33,796.690	583,956	1,010,859	3.4
		<u>8,595,814</u>	<u>9,367,202</u>	<u>32.1</u>
<b>Limited Partnership</b>				
Harfam Partners	926.4318	5,662,134	8,723,949	29.9
		<u>\$ 16,040,854</u>	<u>\$ 29,194,385</u>	<u>100.0</u>

See notes to financial statements.

**CEDAR FUND, L.P.**  
**Statements of Operations**

Year Ended December 31	2008	2007
<b>Investment Income</b>		
Income		
Ordinary and mutual fund capital gain dividends	\$ 403,845	\$ 931,310
Interest income	20,742	56,601
Partnership net investment income	<u>122,966</u>	<u>545,058</u>
Total income	<u>547,553</u>	<u>1,532,969</u>
Expenses		
Investment advisory fees	261,318	306,884
Custodial fees	19,491	21,090
Accounting and auditing fees	<u>5,000</u>	<u>5,190</u>
Total expenses	<u>285,809</u>	<u>333,164</u>
Net investment income	<u>261,744</u>	<u>1,199,805</u>
<b>Realized and Unrealized Gain (Loss) on Investments</b>		
Realized gain on security transactions		
Sales proceeds	2,581,757	1,702,038
Cost	<u>2,477,524</u>	<u>604,058</u>
Realized gain	104,233	1,097,980
Unrealized gain (loss) on investments during the year	<u>(9,127,902)</u>	<u>917,635</u>
Net realized and unrealized gain (loss) on investments	<u>(9,023,669)</u>	<u>2,015,615</u>
<b>Increase (Decrease) in Net Assets From Operations</b>	<u><u>\$ (8,761,925)</u></u>	<u><u>\$ 3,215,420</u></u>

See notes to financial statements.

**CEDAR FUND, L.P.**  
**Statements of Changes in Net Assets**

<b>Year Ended December 31</b>	<b>2008</b>	<b>2007</b>
<b>Increase (Decrease) in Net Assets</b>		
From operations		
Net investment income	\$ 261,744	\$ 1,199,805
Realized gain from security transactions	104,233	1,097,980
Unrealized gain (loss) on investments	(9,127,902)	917,635
Net increase (decrease) from operations	<u>(8,761,925)</u>	<u>3,215,420</u>
From partner transactions		
Capital contributions by limited partners (units - 183.2696 and 35.2826)	434,337	56,185
Capital withdrawals by limited partners (units - 765.4571 and 520.3404)	(1,885,855)	(1,332,245)
Net decrease from partner transactions	<u>(1,451,518)</u>	<u>(1,276,060)</u>
<b>Increase (Decrease) in Net Assets</b>	<b>(10,213,443)</b>	<b>1,939,360</b>
<b>Net Assets, Beginning of Year</b>	<b><u>30,369,166</u></b>	<b><u>28,429,806</u></b>
<b>Net Assets, End of Year</b>	<b><u>\$ 20,155,723</u></b>	<b><u>\$ 30,369,166</u></b>

See notes to financial statements.



# **CEDAR FUND, L.P.**

## **Notes to Financial Statements**

### **Note 1 - Nature of Operations and Summary of Significant Accounting Policies**

#### **Nature of Operations**

Cedar Fund, L.P. is an Indiana limited partnership formed on July 1, 1988. The purpose of the Partnership is to seek long-term capital growth by investing its assets primarily in common stocks and other equity-type securities. The general partner of Cedar Fund, L.P. is Harris Harper Counsel, Inc. During 2008, there were 60 limited partners in the Partnership. The liability of each limited partner is limited to the value of his/her units of ownership.

The preparation of financial statements in conformity with generally accepted accounting principles 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.

#### **Investments**

Investments are carried at market value. Securities traded on a national securities exchange are valued at the last sale price on the last business day of the year. Mutual funds are valued at their net asset value on the last business day of the year. A limited partnership investment is valued at its net asset value on the last day of the year. Investment transactions are accounted for on the trade date. The net realized gain or loss on security transactions is determined, for accounting and tax purposes, on the specific-identification basis.

#### **Investment Income**

The Partnership follows industry practice and records security transactions on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

#### **Investment Expenses**

Investment expenses are recorded on the accrual basis.

#### **Income Tax Status**

The Partnership is not subject to federal or state income tax. The partners must include their proportionate share of the Partnership's taxable income in their personal income tax returns, whether or not it is distributed to them.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash deposits in money market accounts. At December 31, 2008, the Partnership's cash accounts were not covered by federal insurance.

### **Note 2 - Investment Advisory Agreement**

Pursuant to an investment advisory agreement, the Partnership has retained its general partner, Harris Harper Counsel, Inc., as its primary investment advisor. Harris Harper Counsel, Inc. provides investment advice, administrative services and facilities in return for an annual management fee of 1% of the Partnership's average monthly net asset values. The investment advisory fees paid to Harris Harper Counsel, Inc. were \$258,968 and \$292,301 for the years ended December 31, 2008 and 2007.

**CEDAR FUND, L.P.**  
**Notes to Financial Statements**

**Note 3 - Investment in Harfam Partners**

The Partnership has an investment in Harfam Partners, an Indiana limited partnership. Harfam Partners owns a diversified portfolio of securities, primarily common stocks. The Partnership's investment was valued at \$6,540,747 and \$8,723,949 on December 31, 2008 and 2007. Its investment represented a 54% and 52% ownership interest in Harfam Partners at December 31, 2008 and 2007. The owners of Harris Harper Counsel, Inc., the general partner and investment advisor of Cedar Fund, L.P., are general partners in Harfam Partners. The Partnership's investment in Harfam Partners represented approximately 34% and 30% of total investment assets at December 31, 2008 and 2007.

**Note 4 - Major Investment**

The Partnership had 33% and 34% of its total investment assets in one common stock as of December 31, 2008 and 2007, respectively.