

OBJECTIVES	
1	To evaluate The company policies and procedures and document it's key controls and organizational structure.
2	To determine whether The company and all persons engaging in the securities activities of The company. have been registered in the category of registration appropriate to the functions performed.
3	To determine whether all associated persons have completed the appropriate securities qualification examinations.
4	To determine whether there are sufficient controls in place over the Sales Advisory and Private Placement activities that The company engages in.
5	To determine whether there are adequate controls over the Books and Records of Billings and Collections activities of The company and that records are maintained for an appropriate period of time as required by SEC.
6	To determine whether The company complies with the applicable securities laws and regulatory reporting requirements. Specifically, to verify compliance with the following regulations and regulatory reporting requirements:
	i. Insider Trading and Securities Fraud Enforcement Act of 1988 ("ITSFEA")
	ii. SEC Rule 15c13-1 - Net Capital Rule Requirement
	iii. Sections 3(b) or 4 (2) of the 1933 Securities Act and Regulation D applicable to Private Placements
	iv. SEC Rule 17a-5 - FOCUS Report filing with NASD
7	To determine whether The company is effectively monitoring the Registered Representatives ("RRs") compliance with both the Regulatory and Firm Element of NASD's Continuing Education requirement.
8	To determine whether The company conducts its activities in an environment, where proper segregation of duties exists.
9	To determine whether The company (Managing Member) reports its activities to its Members as required by the Limited Liability Company Agreements
10	To determine whether there are adequate controls over the monthly Bank Reconciliation's process
11	To determine whether there are adequate controls over the Accounts Payable and Vendors Payments process. Specifically, to determine the following:

	i. Vendor Invoices are accurately booked to the GL.
	ii. Disbursements on Vendor Invoices are accurately booked to the GL and are reviewed and signed by a person, independent of the person preparing the vendor checks.
	iii. Disbursements on Vendor Invoices are accurately reflected on the Bank Statements.
12	To determine whether personnel files are complete and there are adequate controls over the payroll function. Specifically, to determine the following:
	i. Employee's payroll information is released accurately.
	ii. Additions, changes and deletions from Payroll are submitted timely and accurately.
	iii. Payroll data submitted (including additions, changes and deletions) is reviewed by a person, independent of the person releasing the payroll data.
13	To determine whether there are adequate controls over the Corporate Credit Card reimbursement process.
14	To determine whether The company complies with its responsibilities as prescribed in the Purchase, Sale and Contribution Agreement .

DETAILED PROCEDURES	
	GENERAL
1.	Meet with management to discuss the purpose of the audit and inquire as to whether there are any issues or concerns management would like us to investigate related to our objectives.
2.	Gain an understanding of the area structure and the personnel. Prepare narratives describing the process walkthrough and key controls for testing.
3.	Review company's Supervisory procedures and review their applicability to current operations.
4.	Obtain the company's Employee Hand Book and verify that it reflects the current working environment.
	REGISTRATION
1.	<p><u>Registration Requirement for active employees</u></p> <p>Obtain a list of company's active employees as of test date, select the Registered Representatives (RRs) and perform the following:</p> <ol style="list-style-type: none"> a. Review the registration status of the employees engaging in the securities activities of The company and determine if they are properly registered in the category appropriate to their function. b. Inspect each Registered Representative's U4 form filing with the appropriate regulatory agency (NASD). c. Verify each employee's current registration to NASD's Central Registration Depository ("CRD") system. d. Verify each employee's registration with the appropriate states in accordance with "Blue Sky" requirement.
2.	<p>Obtain Registration Form BD for The company from NASD's CRD system and determine the following:</p> <ol style="list-style-type: none"> a. Verify that The company is registered with SEC and NASD in accordance with Regulatory

DETAILED PROCEDURES	
	Requirements.
3.	<p><u>Terminated employees required filings with NASD</u></p> <p>Obtain a listing of all terminated employees for test year and perform the following:</p> <ol style="list-style-type: none"> a. For all terminated employees verify that an U5-Form was filed with the appropriate regulatory agency (NASD). b. Determine that the U5 Form was complete and filed with NASD within 30 days of employee termination.
	SECURITIES QUALIFICATION EXAMINATION
1.	<p>For all The companyRRs review the NASD’s CRD system records of each RR:</p> <ol style="list-style-type: none"> a. Determine that each RR has passed the securities examination applicable to his/her function.
	SALES ADVISORY AND PRIVATE PLACEMENTS
1.	<p>Select a number of closed and open Sales Advisory and Private Placement deals done and closed during test year and determine the following:</p> <ol style="list-style-type: none"> a. An Investment Banking Services Agreement/Engagement Letter is executed for each deal and is kept on file. b. The Investment Banking Services Agreement is properly executed and signed by both The companyand the counterparty. c. Each Investment Banking Services Agreement/Engagement Letter contains Compensation schedule for the services to be rendered by the company. d. The Investment Banking Services Agreement /Engagement Letter contains an indemnification clause for any claims, damages or liabilities incurred by the company. e. All original Investment Banking Services

DETAILED PROCEDURES	
	Agreements/Engagement Letters are maintained in a secure location and are locked at all times.
	<i>BOOKS AND RECORDS OF BILLINGS AND COLLECTIONS</i>
1.	<p><u>Billings and Collections on Retainer and Transaction Fees</u></p> <p>Select a number of closed and open Sales Advisory deals done and closed during test year and determine the following:</p> <ol style="list-style-type: none"> a. All supporting Transaction Fee receipts are on file b. Retainer Fees and Transaction Fees (for closed deals only) were received in accordance with the Investment Banking Services Agreement/Engagement Letter.
2.	<p>Obtain company's General Ledger and perform the following for the deals selected in 1 above:</p> <ol style="list-style-type: none"> a. Verify that all Retainer and Transaction Fees receipts were properly booked in company's GL by the Office Manager. b. Determine that Office Manager's booking entrees were reviewed by a second person.
3.	<p>Obtain company's Bank Statements and GL and perform the following:</p> <ol style="list-style-type: none"> a. Determine that all Fees collections were properly deposited in company's Private Banking Account (by Office Manager) by reconciling the Bank Statements to the GL records.
4.	<p><u>Client related out-of-pocket Expense Reimbursements</u></p> <p>Select a number of Sales Advisory deals done during test year and obtain the General Ledger, Invoices (for client expense reimbursements) client payments on expense invoices for the year and perform the following:</p> <ol style="list-style-type: none"> a. Verify that clients were billed for the correct amount of expenses incurred as stated on the General Ledger.

DETAILED PROCEDURES

	<ul style="list-style-type: none">1) Trace and agree client GL expense account balances to the client invoices.b. Determine that The company was reimbursed for the correct amount of expenses incurred.<ul style="list-style-type: none">1) Trace and agree client GL expense account balances to the client paymentsc. Verify that all expense reimbursements were booked in the GL by the Office Manager accurately and timely.d. Verify that Office Mangers bookings of expense reimbursements to the GL are reviewed by a second person.e. Determine that Client expense payments/checks were properly deposited in the company’s Bank account.<ul style="list-style-type: none">1) Trace and agree client payments to the Bank Statements.
5.	<p>Select a number of Client Expense GL Accounts for test year and obtain the supporting receipts Card Bank Statements (for expenses charged on the Corporate Credit Card) for a number of expenses booked for each client GL account.</p> <ul style="list-style-type: none">a. Determine that receipts/Card Bank Statements for expenses booked in Client GL account are maintained.b. Verify that expenses booked in the client GL account are valid and accurate. In addition, verify that expenses booked in the Client GL account are business purposes only. <p>1) Trace and agree expenses booked in the client GL accounts to the original expense receipts or Card Statements.</p>
6.	<p>Determine whether there is a back-up person for the Office Manager’s function.</p>
	<p>SECURITIES LAWS AND REGULATORY</p>

DETAILED PROCEDURES	
	REPORTING COMPLIANCE
1.	<p><u>Insider Trading and Securities Fraud Enforcement Act of 1988 (“ITSFEA”)</u></p> <p>Obtain and review company’s Insider Trading Policy for adequacy and perform the following:</p> <ol style="list-style-type: none"> a. Determine that each employee submits a signed report summarizing all sales and purchases to the Compliance Officer on a semi-annual basis according to company’s Insider Trading policy. b. Verify that The company has established a “Watch List” and “Restricted List” according to the Insider Trading policy. c. Determine that each employee has signed an acknowledgement memo with respect to the “Watch List” and “Restricted List” and the Insider Trading Policy.
2.	<p>Determine whether the Compliance Officer monitors compliance with the Insider Trading Policy by performing the following:</p> <ol style="list-style-type: none"> a. The Compliance Officer receives and maintains a copy of the monthly banking/trading statements of each employee.
3.	<p>Verify that the Compliance Officer’s trading activity is reviewed and monitored by someone other than him.</p>
4.	<p><u>Net Capital Rule Requirement</u></p> <p>Obtain and review company’s “Computation of Basic Net Capital Requirement” section on the FOCUS Reports filed with NASD for the past four quarters:</p> <ol style="list-style-type: none"> a. Determine that the Net Capital Calculation on the FOCUS report was reviewed by company’s Public Accountants before submission to NASD. b. Determine that the Net Capital requirement was met as required by SEC. c. Determine that the Net Capital Requirement was calculated at 6-2/3% of the total aggregate indebtedness and was > \$5000 (min. amount

DETAILED PROCEDURES	
	<p>required by SEC).</p> <p>d. Determine that the Ratio of Aggregate Indebtness as defined under the SEC provisions, to Net Capital does not exceed 15 to 1.</p>
5.	<p><u>Sections 3(b) or 4 (2) of the 1933 Act and Regulation D applicable to Private Placements</u></p> <p>Obtain and review the Private Placement deal that was open in audit year with supporting Engagement Letter/Service Agreement and Confidential Offering memorandum to potential buyers and determine the following:</p> <ul style="list-style-type: none"> a. The Engagement Letter was properly executed. b. The Confidential Offering memorandum includes a clause stating that units of shares are not registered under the Securities Act of 1933. c. The units of shares of the fund are subject to restriction of resale and transferability. d. The units of shares are being offered only to “Accredited Investors” as defined in Regulation D. e. The Compliance Officer reviews all Private Placement Agreements and supporting documentation to verify compliance with Private Placements compliance requirements.
5.	<p><u>FOCUS Report filing with NASD</u></p> <p>Obtain and review company’s FOCUS reports for the past 4 quarters and determine the following:</p> <ul style="list-style-type: none"> a. The FOCUS reports are complete and prepared accurately. b. The FOCUS reports are reviewed by company’s Public Accountants before they are submitted to NASD. c. The FOCUS reports were submitted to NASD within 17 business days after the end of each calendar quarter.
	CONTINUING EDUCATION (SECTION 5700)

DETAILED PROCEDURES	
1.	<p>Obtain and review the Tool used to monitor compliance with the Regulatory Element of NASD's Continuing Education Requirement:</p> <ul style="list-style-type: none"> a. Determine that the Tool is effective in monitoring company's compliance with the Regulatory Element of the Continuing Education Program as established by NASD.
2.	<p>Obtain and review the Continuing Education records from NASD's CRD system for each Registered Representative (RR) and perform the following:</p> <ul style="list-style-type: none"> a. Verify that each RR has satisfied the Continuing Education Requirement.
3.	<p>Obtain and review audit year Firm Element Training Plan :</p> <ul style="list-style-type: none"> a. Determine that the Training Plan delivers programs that address the training needs of the employees effectively.
<i>SEGREGATION OF DUTIES</i>	
1.	<p>Review company's Compliance function:</p> <ul style="list-style-type: none"> a. Determine that the Compliance Officer's function is independent of the daily business activities of the company. b. Verify that the Compliance Officer reports to someone other than the Principals of the company.
2.	<p>Review company's operations/bookkeeping function:</p> <ul style="list-style-type: none"> a. Determine that bookkeeping/operations Office Manager reports to someone other than the Principals of the company.
<i>FINANCIAL REPORTING TO MEMBERS</i>	
1.	<p>Obtain and inspect the financial reports (Operating Statements including a Balance Sheet and Income Statement that are sent to members:</p>

DETAILED PROCEDURES	
	<ul style="list-style-type: none"> a. Determine whether the reports are accurate and are sent to members on a monthly basis .
	<i>BANK RECONCILIATIONS</i>
1.	Through interviews and observation, determine and document the adequacy of internal controls over the Bank Reconciliation process.
2.	<p>Through interviews and observation and walkthroughs:</p> <ul style="list-style-type: none"> a. Determine whether the functions for performing bank reconciliation's and signing checks or handling /recording cash are effectively segregated. b. A person independent of the preparer of the reconciliation reviews bank reconciliation.
3.	<p>Obtain 1 month worth of Bank Reconciliation's performed on existing Bank Accounts with supporting documentation:</p> <ul style="list-style-type: none"> a. Verify that the Bank Reconciliation's were properly executed by tracing the reconciling items (deposit slips, copies of cleared checks, Payroll Register) to the Bank Statements. b. Verify that all deposits and withdrawals shown on the Bank Statements are accounted for by tracing to deposit slips, cleared checks and to Bank Reconciliation Report. c. Agree the Book Balance on the Bank reconciliation to the balance shown on the Bank Statement. d. Determine the date the reconciliation's were prepared and determine whether this was within a reasonable time from the month-end. e. Review the nature of the outstanding reconciling items (if any) and note action taken/to be taken.
	<i>ACCOUNTS PAYABLE</i>

DETAILED PROCEDURES	
1.	Through interviews and observation, determine and document the adequacy of internal controls over the Accounts Payable function.
2.	Through interviews, observation and inquiry: <ul style="list-style-type: none"> a. Determine whether there are adequate segregation duties over the accounts payable function.
3.	Obtain the Vendor Analysis Report listing all vendors/vendor GL accounts utilized during the audit years. Select a sample of 2 Vendors transactions and perform the following: <ul style="list-style-type: none"> a. Determine whether the vendors' bills booked to the GL are supported by Vendor Invoices. b. Verify whether the check payment amount is the same as the Vendor Invoice amount. c. Determine whether checks (manual or electronic) used to pay vendor are reviewed by a second person other than the Officer Manager. d. Determine whether all Vendor Invoice payments are booked in the GL timely and accurately. e. Verify whether payment to vendors is accurately reflected in company's Bank Statement.
<i>PERSONEL FILES AND PAYROLL PROCESS</i>	
1.	Through interviews and observation, determine and document the adequacy of internal controls over the Payroll function.
2.	Through interviews, observation and walkthroughs: <ul style="list-style-type: none"> a. Determine whether there is adequate segregation of duties over the payroll function. b. Determine whether payroll duties are assigned so that no one person is in position to perpetrate and cancel/hide errors/irregularities. c. Determine whether payroll data released to a person independent of the person releasing the data reviews ADP. d. Determine whether a person independent of the

DETAILED PROCEDURES	
	person making the changes reviews payroll additions, payroll changes and payroll deletions.