



Fundadministration

FUNDADMINISTRATION, INC.

FUND ADMINISTRATION SERVICES

INDEPENDENT SERVICE AUDITOR'S REPORT ON A DESCRIPTION OF A SERVICE
ORGANIZATION'S SYSTEM AND THE SUITABILITY OF THE DESIGN AND
OPERATING EFFECTIVENESS OF CONTROLS

JULY 1, 2014, TO DECEMBER 31, 2014

TYPE 2 SOC 1 REPORT PREPARED IN ACCORDANCE
WITH THE AICPA SSAE NO. 16 STANDARD

Attestation and Compliance Services



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SECTION I

INDEPENDENT SERVICE AUDITOR'S REPORT

INDEPENDENT SERVICE AUDITOR'S REPORT

To FundAdministration, Inc.:

We have examined FundAdministration, Inc.'s ("FundAdministration" or the "service organization") description of its Fund Administration Services system for processing user entities' transactions at the Ronkonkoma, New York and Purchase, New York, facilities throughout the period July 1, 2014, to December 31, 2014, (the "description") and the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description. The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls contemplated in the design of FundAdministration's controls are suitably designed and operating effectively, along with related controls at the service organization. We have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

In Section 2, FundAdministration has provided an assertion about the fairness of the presentation of the description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description. FundAdministration is responsible for preparing the description and for the assertion, including the completeness, accuracy, and method of presentation of the description and the assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria, and designing, implementing, and documenting controls to achieve the related control objectives stated in the description.

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period July 1, 2014, to December 31, 2014.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of those controls to achieve the related control objectives stated in the description. Our procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description. Our procedures also included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related control objectives stated in the description were achieved. An examination engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and described in Section 2. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Because of their nature, controls at a service organization may not prevent, or detect and correct, all errors or omissions in processing or reporting transactions. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives is subject to the risk that controls at a service organization may become inadequate or fail.

The accompanying description of FundAdministration's Fund Administration Services system in Section 3 states that information systems are physically secure from unauthorized access, damage, and interference. We performed procedures to determine if the related control activities were suitably designed to achieve the specified control objective. During the course of these procedures, it was determined that the office facility and server room were not secured during business hours. As a result, the controls are not suitably designed to achieve the control

objective, "Control activities provide reasonable assurance that information systems are protected from unauthorized access, damage and interference."

In our opinion, except for the matter described in the preceding paragraph and based on the criteria described in FundAdministration's assertion in Section 2, in all material respects,

- a. the description fairly presents the Fund Administration Services system that was designed and implemented throughout the period July 1, 2014, to December 31, 2014;
- b. the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period July 1, 2014, to December 31, 2014, and user entities applied the complementary user entity controls contemplated in the design of FundAdministration's controls throughout the period July 1, 2014, to December 31, 2014; and
- c. the controls tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period July 1, 2014, to December 31, 2014.

The specific controls tested and the nature, timing, and results of those tests are listed in Section 4 (the "Testing Matrices").

In Section 5, FundAdministration has provided additional information that is not a part of FundAdministration's description. Such information has not been subjected to the procedures applied in our examination of the description and of the suitability of design and operating effectiveness of controls to achieve the related control objectives stated in the description, and accordingly, we express no opinion on it.

This report, including the description of the tests of controls and results thereof in the Testing Matrices, is intended solely for the information and use of FundAdministration, user entities of FundAdministration's Fund Administration Services system during some or all of the period July 1, 2014, to December 31, 2014, and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information including information about controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be and should not be used by anyone other than these specified parties.



Tampa, Florida
February 7, 2015

SECTION 2

MANAGEMENT'S ASSERTION

MANAGEMENT'S ASSERTION

We have prepared the description of FundAdministration, Inc.'s Fund Administration Services system (the "description") for user entities of the system during some or all of the period July 1, 2014, to December 31, 2014, and their user auditors who have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities of the system themselves, when assessing the risks of material misstatements of user entities' financial statements.

We confirm, to the best of our knowledge and belief, that

- a. the description fairly presents the Fund Administration Services system made available to user entities of the system during some or all of the period July 1, 2014, to December 31, 2014, for processing their transactions. The criteria we used in making our assertion were that the description
 - i. presents how the system made available to user entities of the system was designed and implemented to process relevant transactions, including, as applicable:
 - (1) the types of services provided including, as appropriate, the classes of transactions processed;
 - (2) the procedures, within both automated and manual systems, by which services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to reports and other information presented to user entities of the system;
 - (3) the related accounting records, supporting information, and specific accounts that are used to initiate, authorize, record, process, and report transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities of the system;
 - (4) how the system captures and addresses significant events and conditions, other than transactions;
 - (5) the process used to prepare reports or other information provided for entities of the system;
 - (6) specified control objectives and controls designed to achieve those objectives, including as applicable, complementary user entity controls contemplated in the design of our controls; and
 - (7) other aspects of our control environment, risk assessment process, information and communication systems (including the related business processes), control activities, and monitoring controls that are relevant to processing and reporting transactions of user entities of the system.
 - ii. does not omit or distort information relevant to the scope of the Fund Administration Services system, while acknowledging that the description is presented to meet the common needs of a broad range of user entities of the system and their user auditors, and may not, therefore, include every aspect of the Fund Administration Services system that each individual user entity of the system and its user auditor may consider important in its own particular environment.
 - iii. The description includes relevant details of changes to the Fund Administration Services system during the period July 1, 2014, to December 31, 2014.
- b. except for the matters described in the following paragraph, the controls related to the control objectives stated in the description were suitably designed and operated effectively throughout the period July 1, 2014, to December 31, 2014, to achieve those control objectives. The criteria we used in making this assertion were that:
 - i. the risks that threaten the achievement of the control objectives stated in the description have been identified by management;

- ii. the controls identified in the description would, if operating as described, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved; and
- iii. the controls were consistently applied as designed, and manual controls were applied by individuals who have the appropriate competence and authority.

As noted in section 3 of our description, controls were not in place that provided reasonable assurance that information systems were physically secure from unauthorized access, damage, or interference. The office facility and server room were not secured during business hours. As a result, the controls are not suitably designed to achieve the control objective, "Control activities provide reasonable assurance that information systems are protected from unauthorized access, damage and interference."

SECTION 3

DESCRIPTION OF THE SYSTEM

OVERVIEW OF OPERATIONS

Company Background

Founded in 1999, FundAdministration is a privately held company that provides specialized accounting, consulting, and administrative services for hedge funds, funds of funds, commodity trading advisors, commodity pool operators, and separately managed accounts. Clients range from emerging investment managers to large established hedge funds, fund of funds and financial institutions. FundAdministration attempts to meet the specific needs of each client by utilizing technology, industry relationships, and dedication to service. FundAdministration offers services to offshore clients domiciled in the Cayman Islands, British Virgin Islands and other jurisdictions where specific licensing is not required.

Description of Services Provided

FundAdministration account executives utilize the PAXUS accounting application to record and process client transactions and perform related accounting and reporting services. The PAXUS application supports a broad range of investment types, including: equities, fixed income, futures, options, swaps, bank debt, repurchase agreements, and foreign exchange.

In addition to accounting services, FundAdministration offers partnership and shareholder services, including:

- Processing, recording, and confirming contributions/subscriptions
- Processing, calculating, and recording distributions/withdrawals and associated penalties or gates
- Allocation of profit and loss (P&L) and special income/loss on side pockets
- Summary and detailed reporting with drill down capabilities
- Calculation of management and incentive fees/performance allocations

Transaction Initiation and Authorization

FundAdministration does not initiate or authorize client transactions related to trading. Transactions involving trading of equity, fixed income, futures, options, swaps, bank debt, repurchase agreements and/or foreign exchange are initiated and authorized by the client. In addition, cash transactions such as expense payments, account transfers, redemptions, and other wire transfers are initiated and authorized by the client or investor.

Transaction Recording and Processing

FundAdministration records client-initiated transactions within the PAXUS application after receiving them in the form of either template files for high volume clients or through manual upload as performed by account executives. Valuation of the client transactions takes place daily in some cases and in all cases at month end and for any transactions with open positions; FundAdministration uses an external pricing source to value the given investment.

For cash management clients, FundAdministration records and processes cash distributions through the PAXUS application based on authorized client directives. This includes, but is not limited to, account transfers, expense payments, and investor redemptions.

FundAdministration also records and processes subscription and redemption transactions based on client requests which are captured through the PAXUS application.

Scope Definition

The scope of this assessment was limited to the Fund Administration Services performed at the Ronkonkoma, New York, and Purchase, New York, facilities. The specific control objectives can be found in section 4 of this document (the "Testing Matrices") along with the control activities and tests of operating effectiveness. The scope of this report does not include the FundAdministration client web portal.

Subservice Organizations

No subservice organizations were included in the scope of this assessment.

Significant Changes During the Review Period

No significant changes to the Fund Administration Services system occurred during the review period.

Functional Areas of Operations

The company utilizes the specific functional areas of operations within the Fund Administration Services system including:

- Executive management – responsible for overseeing company-wide activities, establishing and accomplishing goals, and overseeing objectives
- Operations management – responsible for managing the daily operation of the Fund Administration Services system
- Accounting executives – responsible for each aspect of transaction processing services including the processing of transactions, reconciliations with the client and third party bank or broker, and the reporting and distribution of data to the client
- Information technology (IT) personnel – manages, monitors and supports systems supporting the Fund Administration Services system from unauthorized access and use while maintaining integrity and availability; responsible for maintenance of systems and hardware

Infrastructure

The production information systems are located at the Ronkonkoma, New York facility. A wholly purchased application, PAXUS, supports the Fund Administration Services system. The application is hosted on servers running the Windows operating system. SQL databases are utilized to support the application.

The following provides a summary of processes performed by PAXUS used in the Fund Administration Services system:

- PAXUS is used to process client-specified transactions and to generate client reports. Transaction processing within this system is principally controlled through client elections that are established during a client's initial setup on the system and through directives submitted through e-mail.
- PAXUS is used to translate electronic files received from clients and upload transactions for recordkeeping purposes.
- PAXUS is used to reconcile client accounting records to reports.

Data Management

Financial Statement and Investor Statement Reporting

An account executive utilizes the accounting application to generate financial statements at month end for the fund manager and investor statements on a client specified frequency for the fund investors. The account executive performs a review of the financial and investor statements prior to distributing to the fund's manager and/or investors. A secondary account executive performs an independent review of the financial and investor statements prior to distribution to the funds investors to help ensure that statements have been prepared accurately and completely.

Error Handling

Procedural monitoring processes are a component of the day-to-day ongoing operations and include various reconciliations which catch errors which occur as the result of the transaction processing, valuation, and other transaction-related processes. Errors or incorrect information discovered are researched internally and managed according to processes which may include notification to a client to make a correction or an internal correction within FundAdministration. The process to correct incorrect information recorded in the PAXUS application includes researching and identifying the source of the error. Once discovered, account executives may perform the automated upload process again to correct the data or manually correct the error in the PAXUS application.

CONTROL ENVIRONMENT

The control environment at FundAdministration is the foundation for the other areas of internal control. It sets the tone of the organization and influences the control consciousness of its personnel. The components of the control environment factors include the integrity and ethical values, management's commitment to competence; its organizational structure; the assignment of authority and responsibility; and the oversight and direction provided by executive management and operations management.

Integrity and Ethical Values

The effectiveness of controls cannot rise above the integrity and ethical values of the people who create, administer, and monitor them. Integrity and ethical values are essential elements of the control environment, affecting the design, administration, and monitoring of other components. Integrity and ethical behavior are the product of FundAdministration's ethical and behavioral standards, how they are communicated, and how they are reinforced in practices. They include management's actions to remove or reduce incentives and temptations that might prompt personnel to engage in dishonest, illegal, or unethical acts. They also include the communication of FundAdministration values and behavioral standards to personnel through policy statements and codes of conduct, as well as by example. Specific control activities that FundAdministration has implemented in this area are described below:

- Documented organizational and employee policies are in place that communicate entity values and behavioral standards to personnel.
- Employees are required to sign a written acknowledgement form indicating that they have been given access to the employee manual and understand their responsibility for adhering to the policies and procedures contained within the manual.
- Employees are required to sign a confidentiality agreement agreeing not to disclose proprietary or confidential information, including client information, to unauthorized parties.
- A background check is performed for employees as a component of the hiring process.
- Any employee of FundAdministration that has access to daily client trading and trades for their own personal accounts must notify management of the existence of these trading accounts and is subject to review in order to ascertain that the employee is not breaking any fiduciary responsibility or attempting to replicate confidential client trading strategies.

Shareholder Participation

FundAdministration's control consciousness is influenced significantly by the participation of shareholders. Attributes include the shareholders' independence from management, the experience and stature of the shareholders, the extent of their involvement and scrutiny of activities, the relevance of their actions, and the degree to which difficult questions are raised and pursued with management. The specific control activity that FundAdministration has implemented in this area is that shareholders oversee management activities and meet

on an as needed basis to discuss matters pertinent to the organization's operations and to review financial results.

Organizational Structure and Assignment of Authority and Responsibility

FundAdministration's organizational structure provides the framework within which its activities for achieving entity-wide objectives are planned, executed, controlled, and monitored. FundAdministration's management believes that establishing a relevant organizational structure includes considering key areas of authority and responsibility. FundAdministration has developed an organizational structure suited to its needs. This organizational structure is based, in part, on its size and the nature of its activities.

FundAdministration's assignment of authority and responsibility activities include factors such as how authority and responsibility for operating activities are assigned and how reporting relationships and authorization hierarchies are established. It also includes policies relating to business practices, knowledge and experience of key personnel, and resources provided for carrying out duties. In addition, it includes policies and communications directed at ensuring that personnel understand the entity's objectives, know how their individual actions interrelate and contribute to those objectives, and recognize how and for what they will be held accountable. The specific control activity that FundAdministration has implemented in this area is that management utilizes organizational charts to communicate key areas of authority, responsibility, and lines of reporting to personnel. These charts are communicated to employees and updated as needed.

Commitment to Competence

FundAdministration's management defines competence as the knowledge and skills necessary to accomplish tasks that define the individual's job. Commitment to competence includes management's consideration of the competence levels for particular jobs and how those levels translate into requisite skills and knowledge. FundAdministration has focused on hiring experienced professionals for the various positions required for the business. Specific control activities that FundAdministration has implemented in this area are described below:

- Management considers the competence levels for particular jobs and translates required skills and knowledge levels into written position requirements.
- Training is provided to new employees as a component of the on boarding process.

Accountability

FundAdministration's management philosophy and operating style encompasses a broad range of characteristics. Such characteristics include management's approach to taking and monitoring business risks, and management's attitudes toward information processing, accounting functions and personnel. Specific control activities that FundAdministration has implemented in this area are described below:

- Management is periodically briefed on regulatory and industry changes affecting services provided.
- Management meetings are held on a monthly basis to discuss operational issues.

Human resources policies and practices relate to hiring, orientation, training, evaluating, counseling, promoting, compensating, and remedial actions. For example, standards for hiring the most qualified individuals – with emphasis on educational background, prior work experience, past accomplishments, and evidence of integrity and ethical behavior – demonstrate FundAdministration's commitment to competent and trustworthy people. Training policies that communicate prospective roles and responsibilities and include practices such as training schools and seminars illustrate expected levels of performance and behavior. Promotions driven by periodic performance appraisals demonstrate FundAdministration's commitment to the advancement of qualified personnel to higher levels of responsibility. Specific control activities that FundAdministration has implemented in this area are described below:

- Documented employee hiring procedures are in place to govern the hiring process.

- Management has established pre-hire screening procedures which are performed for new personnel. The procedures include, but are not limited to, the following:
 - I-9 employees eligibility verification
 - Background check
- Annual performance evaluations are completed for eligible employees and results are documented and maintained in the employee's personnel file.
- Documented employee termination procedures are in place to govern the termination process.

RISK ASSESSMENT

Management is responsible for identifying the risks that threaten achievement of the control objectives stated in the management's description of the service organization's systems. Management has implemented a process for identifying relevant risks. This process includes estimating the significance of identified risks, assessing the likelihood of their occurrence, and deciding about actions to address them. However, because control objectives relate to risk that controls seek to mitigate, management thoughtfully identified control objectives when designing, implementing, and documenting their system.

Risk Identification

FundAdministration has placed into operation a risk assessment process to identify and manage risks that could affect the organization's ability to provide reliable billing services for user organizations. This process requires management to identify significant risks in their areas of responsibility and to implement relevant measures to address those risks. Management's involvement in daily operations enables them to learn about risks through direct personal involvement with employees, clients and outside parties, thus reducing the need for a formal risk assessment process. The risk assessment process is informal and undertaken on an as-needed basis by upper management.

Risk Factors

Management considers risks that can arise from both external and internal factors including the following:

External Factors

- Technological developments
- Changing customer needs or expectations
- Competition that could alter marketing or service activities
- New legislation and regulation that could force changes in policies and strategies
- Natural catastrophes that could lead to changes in operations or information systems
- Economic changes that could have an impact on management decisions
- New accounting pronouncements

Internal Factors

- Changes in operating system
- Rapid growth
- New business models, products or activities

- Expanded operations
- Inaccurate or incomplete transaction data
- Significant changes in policies, processes or personnel
- Fraud incentives and pressures for employees
- Employee attitudes and rationalizations for fraud
- A disruption in information systems processing
- The quality of personnel hired and methods of training utilized
- Changes in management responsibilities

The FundAdministration risk assessment process focuses on supporting management decisions and responding to potential threats by assessing risks and identifying important decision factors. FundAdministration's management oversees risk management, accountability, and is involved in risk identification process. Management identifies elements of business risk including threats, vulnerabilities, safeguards and the likelihood of a threat, to determine the actions to be taken.

Risk Analysis

Risk analysis is an essential process to the entity's success. It includes identification of key business processes where potential exposures of some consequence exist. Once the significance and likelihood of risk have been assessed, management considers how the risk should be managed. This involves judgment based on assumptions about the risk, and reasonable analysis of costs associated with reducing the level of risk. Necessary actions are taken to reduce the significance or likelihood of the risk occurring, and identification of the control activities necessary to mitigate the risk. Management has identified these control activities and documented them in the Control Objectives and Related Control Activities section below. Additionally, management reviews the assessed risk levels in management meetings held on an ad hoc basis in which risk topics are discussed.

Integration with Control Objectives

Along with assessing risks, management has identified and put into effect actions needed to address those risks. In order to address risks, control objectives have been defined for each significant risk area. Control activities are then defined to serve as mechanisms for managing the achievement of those objectives and help ensure that the actions associated with those risks are carried out properly and efficiently.

CONTROL OBJECTIVES AND RELATED CONTROL ACTIVITIES

Selection and Development of Control Activities

Control activities are a part of the process by which FundAdministration strives to achieve its business objectives. FundAdministration has applied a risk management approach to the organization in order to select and develop control activities. After relevant risks have been identified and evaluated, control activities are established to meet the overall objectives of the organization.

The establishment of control activities is inclusive of general control activities over technology. The management personnel of FundAdministration evaluate the relationships between business processes and the use technology to perform those processes to determine the dependencies on technology. The security management processes for the technology, along with other factors, are analyzed to define and establish the necessary control activities to achieve control objectives that include technology.

The establishment of the control activities is enforced by defined policies and procedures that specifically state management's directives for FundAdministration personnel. The policies serve as the rules that personnel must follow when implementing certain control activities. The procedures are the series of steps the personnel should follow when performing business or technology processes and the control activities that are components of those processes. After the policies, procedures and control activities are established, each are implemented, monitored, reviewed and improved when necessary.

FundAdministration's control objectives and related control activities are included below and also in Section 4 (the "Testing Matrices") of this report.

The description of the service auditor's tests of operating effectiveness and the results of those tests are also presented in the Testing Matrices, adjacent to the service organization's description of control activities. The description of the tests of operating effectiveness and the results of those tests are the responsibility of the service auditor and should be considered information provided by the service auditor.

Physical Security

Suitability of Design Qualification

The controls, as described below, were not suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily. An explanatory paragraph of the specific issues are included in Section 1 (the "Independent Service Auditor's Report") of this report. These control activities were in place; however, no testing of their operating effectiveness was performed given the suitability of design qualification. As such, these control objectives and the related control activities were excluded from the Testing Matrices.

Control Objective: Control activities provide reasonable assurance that information systems are protected from unauthorized access, damage and interference.

The information systems are located within a server room within the Ronkonkoma, New York office facility. The office facility it is located in a multi-tenant building that managed by a landlord who acts a third party to provide surveillance cameras at the entrances to the multi-tenant facility. Access to the second floor, where the office facility is located, is limited to users with badge access cards who can use the staircases; else visitors without a badge must use the elevator. Both points of access can be monitored via the surveillance cameras located on the first floor. FundAdministration management performs a review of surveillance footage on an as needed basis and upon request of the landlord. The landlord also provides a badging system that is in place to prevent unauthorized access to the office facility (wherein the server room is located) during after-hours beginning at 7pm. The Chief Operating Officer (COO) notifies the landlord when new employees are hired at FundAdministration approving their badge access to the facility during after-hours. Similarly, the COO also notifies the landlord of any terminated employees so that their access can be revoked. On an annual basis, the COO performs a review of the employees with access to the office facility. If there are adjustments required, they are communicated back to the landlord who updates and sends a list back to the COO showing that the adjustments have been made.

Computer Operations

Control Objective: Control activities provide reasonable assurance that application and data files for the Fund Administration Services are backed up in a timely manner and securely stored.

FundAdministration has a centralized backup system in place to help ensure that application and data files are backed up timely and securely stored. The backup system is configured to run every hour during the week and every three hours on weekends for both application and database files. The COO and the third party contractor are tasked with checking that each backup occurs as part of daily business operations. In the event that a backup fails, the COO and the third party contractor are responsible for manually checking the backup log and determining the root cause of the failure. The backup system is also configured to automatically replicate information to the off-site Purchase, New York facility each time a new backup occurs by sweeping the system for new backup files in the backup repository. Backups are also encrypted to help ensure that the data is securely stored. Access to the backup data is restricted to local administrators of the backup server which is limited to the COO and the third party contractor.

Information Security

Control Objective: Control activities provide reasonable assurance that system information, once entered into the system, is protected from unauthorized or unintentional use, modification, addition or deletion.

PAXUS, FundAdministration's third party accounting application, runs on a Windows-based operating system platform with underlying SQL databases. The PAXUS application provides back-office accounting capabilities that allow FundAdministration personnel to track investment activity and perform general ledger reporting. When a new hire joins FundAdministration, the chief executive officer (CEO) notifies the COO when the new hire is going to be on-boarded. The COO is tasked with e-mailing access requests to the third party contractor who provisions access based on the permissions requested by the COO. When an employee is terminated from FundAdministration, the COO works with the third party contractor to communicate the termination and to help ensure that access is revoked to any systems based on the permissions the employee was granted.

Remote access to the network requires that users provide a user name and password before gaining access to network resources. The ability to remotely access the network is restricted to business personnel that include management, account executives, and the third party contractor, who require this level of access to perform business operations and IT support. Users are authenticated via a user name and password prior to gaining access to the operating system. As there is no domain under which the servers reside, users log directly onto the servers via remote desktop protocol (RDP). Administrative access to the operating system is restricted to the COO and the third party contractor. At the database level, users are required to authenticate with a user name and password prior to gaining access to data. Administrative access to the database is restricted to the COO and the third party database administrator. At the application layer, users are required to authenticate with a user name and password. Passwords must meet length and complexity requirements, changed periodically, must be different than recent passwords, and are locked out if incorrect passwords are entered. Administrative access to the application is restricted to a shared administrator account that is only accessible to the COO, the third party database administrator, and the third party contractor.

A centralized antivirus server is in place to help ensure that operating systems are protected from external threats. Production servers are part of the registered client listing. The antivirus software is configured to perform on-access scans when files are accessed by end users. In addition, the antivirus software configured to automatically update virus definitions on a daily basis if any updates are made available.

Data Communications

Control Objective: Control activities provide reasonable assurance that data maintains its integrity and security as it is transmitted between third parties and the service organization.

FundAdministration utilizes two firewalls to maintain the integrity and security of data passing through their network and filter unauthorized inbound network traffic from the internet. One firewall, located in Ronkonkoma, New York is positioned in front of the production servers whereas the other, located in Purchase, New York, is used for local computers that RDP into the production servers via the internet. As there are only outgoing connections from the RDP, the firewall located in Purchase, New York has a standard deny-all rule in place to prohibit incoming traffic that is not specific to local area networks (LANs). For this reason network address translation (NAT) is only utilized as it pertains to the LAN network incoming connections and their translation. The firewall located in Ronkonkoma, New York protects the production servers and has rules in place that include NAT services as well as the aforementioned deny-all rule for any traffic that is not prescribed by a rule within the ruleset. Both firewalls do not allow for externally routable internet protocol (IP) addresses to be assigned to internal production servers. The firewall is configured to log activities that include access, rule modification, and connection limits. The log is reviewed on an ad hoc basis by the third party contractor and the COO. If either one notices irregular activity, steps are taken to detect the basis of the irregularity and take corrective measures as deemed necessary. Administrative access to the firewall is limited to the built-in administrator account whose password is only known to the COO and a third party contractor.

An intrusion prevention system (IPS) is in place at the Ronkonkoma and Purchase, New York facilities to help ensure that network devices are protected from potential attacks. The IPS is in place to analyze network device logs and report potential or actual network security breaches. IPS logs are reviewed by the third party contractor and COO on an ad hoc basis. Any security risks that are noted as a result of the review are addressed as deemed necessary.

Wireless access points at the Ronkonkoma and Purchase, New York facilities are protected using Wi-Fi protected access (WPA) with pre-shared key (PSK) encryption. In addition, users that remotely access the network utilize a secured virtual private network (VPN) connection that requires a user name and password and is protected via advanced encryption strength (AES)-256 bit encryption and transport layer security (TLS).

Fund Setup

Control Objective: Control activities provide reasonable assurance that new funds are set up in the accounting application accurately and completely.

Account executives require fund managers to complete a client application as a component of the new fund setup process. Once the client application is completed, the CEO and COO document an administration agreement that defines the term of service. The CEO and fund manager review the administration agreement and sign it to indicate their approval. Upon approval of the administration agreement, an account executive creates a database for the new fund within the accounting application. In order for a new fund to be successfully created within the accounting application, automated edit checks are performed on the fund to validate that the minimum required information necessary has been entered. The minimum information required includes the fund name, fund type, fee schedule, investment manager, investors, and banking information. If any information that is needed to complete the creation of the fund is missing, an error message will be displayed on the accounting application warning the account executive to provide the applicable information. Once the accounting executive sets up the new fund in the accounting application, the fund manager reviews the information to help ensure that the fund is set up accurately and completely, and provides an approval via e-mail to the accounting executive.

Subscription and Redemption Management

Control Objective: Control activities provide reasonable assurance that client subscription and redemption documentation is properly completed and approved prior to sending subscription and redemption confirmation.

Account executives require clients to complete a subscription agreement as a component of the subscription management process. The subscription agreement includes the following information: subscriber's name, subscriber's address, subscription information, and banking information. Upon the completion of the subscription agreement, clients submit the subscription agreement to an account executive via e-mail, postal mail, or fax. Once the subscription agreement is received by an account executive, they will review the subscription agreement for accuracy and completeness. If any anomalies or discrepancies are identified by the accounting executive, the accounting executive will follow-up with the client for investigation and resolution. Otherwise, the accounting executive approves the subscription agreement and provides their approval along with the subscription confirmation to the client via e-mail or postal mail. In addition, the accounting executive completes a checklist to document their completion of the process.

For client redemptions, account executives require clients to submit redemption requests to an account executive via e-mail, postal mail, or fax. Once the redemption request is received by an accounting executive, they will contact the fund manager responsible for the redemption via e-mail and seek their approval. Upon approval of the redemption request, the account executive will submit the redemption confirmation to the client via e-mail or postal mail. In addition, the accounting executive completes a checklist to document their completion of the process.

Transaction Processing

Control Objective: Control activities provide reasonable assurance that investment transactions are recorded accurately, timely, and completely.

FundAdministration does not initiate or authorize client transactions related to trading. Transactions involving trading of equity, fixed income, futures, options, swaps, bank debt, repurchase agreements and/or foreign exchange are initiated and authorized by the client. In addition, cash transactions such as expense payments, account transfers, redemptions, and other wire transfers are initiated and authorized by the client or investor. Account executives record transactions related to client trades in the PAXUS application via a combination of manual and automated uploading of data from client specified sources on a frequency defined by the client (i.e. daily or monthly). Automated upload via templates is utilized for daily transaction processing clients. Data is pulled from file transfer protocol sites, client-provided files, or bank/broker website sources. Upon retrieval, the data file is processed via an automated program and converted to a PAXUS template which is then manually

uploaded by an account executive into PAXUS's transaction entry module. The given account executive checks and authorizes that transactions be moved from the "new/pending" tab within the PAXUS accounting application to the "processed" tab indicating successful upload. If there are trades that remain in pending status, account executives perform research and work with the client, as required, until the trade is successfully processed within PAXUS. Account executives review and reconcile the account values in the accounting application to the account value obtained from the authorized broker on a monthly basis. If any discrepancies are noted as part of the monthly review, corrective action is taken by the account executive, in conjunction with the client as required, to correct the details of the trade within the PAXUS application prior to the financial statement and investor reporting being submitted to clients. A separate account executive performs a review of the reconciliation to help ensure that requisite items have been properly identified and reconciled. If errors are noted during the secondary review, the account executives work together to resolve the issue and take corrective action as deemed necessary.

Cash Reconciliations

Control Objective: Control activities provide reasonable assurance that the cash transactions and balances relating to accounts with financial institutions are reconciled and reconciling items are identified and monitored.

FundAdministration performs cash reconciliation activities for clients to help ensure that cash transactions and balances related to accounts with financial institutions reconcile and that the items are identified as being relevant and that FundAdministration personnel monitor the individual transactions and reconciliation variances for irregularity. FundAdministration maintains documented cash reconciliation procedures to help ensure that account executives performed cash reconciliations follow a standardized protocol for each client every time. Account executives perform cash reconciliations on a monthly basis as a component of the monthly package that they deliver to their clients. The cash reconciliation involves the account executive comparing the balances noted within the accounting application to the bank and/or brokerage account statements. In the event that the amounts do not reconcile, account executives research the issue and work together with the client, as required, to resolve the discrepancy if it exists on either the bank and/or brokerage side or within the accounting application until the reconciliation matches. As part of the monthly reconciliation process, a separate account executive performs a review of the work performed and confirms that cash reconciliation, a component of the monthly checklist, was performed in accordance with expected standards set forth in the documented policies and that no variances remain that have not been resolved.

Valuation

Control Objective: Control activities provide reasonable assurance that the investment positions are properly valued using independent sources, where available.

Account executives update position valuations by uploading security prices from the authorized broker or independent source as per the client's directives, using the securities information provided within the required template that includes transaction price and quantity, to the accounting application on a daily basis for clients that require daily transaction processing. The data file is a FundAdministration provided template that clients must use to capture the relevant security prices which allows for it to be directly uploaded into by account executives into PAXUS's security pricing module. The accounting application is configured to display a processed or pending notice after account executives upload the security prices into the accounting application, and pending trades are researched and resolved by the account executive assigned to that client. Documented valuation procedures are in place to guide account executives in consistently performing investment position valuation and resolving errors noted in the upload process. On a monthly basis, an account executive performs a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker. They also review to confirm that each open position has a security price for proper valuation. If there is a missing price, then the account executive goes through a third party pricing source to ascertain the proper value and assign as such within the PAXUS application. Once the primary account executive has completed their review, a separate account executive performs a review of the reconciliation to help ensure that requisite items have been properly identified and reconciled. If there is a variance noted during the review, the account executives work together, and in conjunction with the client as needed, to determine the root cause of the variance and resolve prior to reporting.

Profit (Loss) Allocations and Fee Calculations

Control Objective: Control activities provide reasonable assurance that the profit or loss is allocated accurately to the fund's investors and that fees (administration, management, and incentive) are calculated accurately and completely.

The accounting application is configured to calculate performance fees based on the fund's legal document. At the end of each month, the primary account executive for each fund performs a reconciliation of cash totals and positions in the PAXUS accounting application to the totals on the fund's bank and brokerage statements to help ensure that cash flows and positions are recorded accurately and completely. The cash flows/cash balances are used to derive the trial balances for fee calculations, and the reconciliation is used to compute realized P&L, unrealized P&L, interest/rebate income, and brokerage expenses to be entered into the fund ledger. A secondary account executive performs a review of the cash totals and positions, as well as the performance fee calculations, to help ensure that the reconciliations were performed accurately and completely.

Financial Statement Reporting

Control Objective: Control activities provide reasonable assurance that financial statements are prepared accurately and delivered completely.

An account executive utilizes the accounting application to generate financial statements at month end for the fund manager and investor statements on a client specified frequency for the fund investors. The account executive performs a review of the financial statements prior to distributing to the fund's manager. If any errors or discrepancies are noted during the review process, account executives are tasked with performing research and taken corrective as necessary to help ensure that financial statements are complete and accurate for each client. A secondary account executive performs an independent review of the financial and investor statements prior to distribution to the fund's manager to help ensure that statements have been prepared accurately and completely. If the secondary reviewer notes discrepancies they will send financial statement package back to the original account executive for correction and then perform an additional review after it has been amended until deemed satisfactory. Once the financial statement package has been prepared and reviewed by primary and secondary account executive, the former account executive reaches out to the client's fund manager for them to approve financial statements prior to issuance. If the fund manager notices any discrepancies, the account executive works with them to research and resolve any issues. The secondary account executive would perform an additional review if changes were made to help ensure the accuracy of the financial statements.

Investor Statement Reporting

Control Objective: Control activities provide reasonable assurance that the fund investors' investor account statements are prepared accurately and completely.

An account executive utilizes the accounting application to generate investor account statements at month end for the fund manager and investor statements on a client specified frequency for the fund's investors. While financial statement reporting is a summary of the entire fund for a given period, the investor statement reporting is focused on providing details to the individual investor that would show their profit and/or losses for the period and valuation of their investment(s). An account executive performs a review of the investor statements prior to distributing to the fund's manager and/or investors. If any discrepancies are noted during the investor statement creation process, the given account executive will perform research and work with the client, as required, to determine the nature of the discrepancy and resolve prior to statement issuance. A secondary account executive performs an independent review of the financial and investor statements prior to distribution to the funds investors to help ensure that statements have been prepared accurately and completely. Any discrepancies noted during the secondary review are discussed between the two account executives and the issue is researched and resolved prior to investor statements are issued.

Cash Management

Control Objective: Control activities provide reasonable assurance that cash distributions for expense payments, account transfers and investor redemptions are properly authorized, executed, and recorded.

FundAdministration performs various cash management functions for certain clients such as expense payments, account transfers, and investor redemptions via wire transactions to the given vendor or investor. Documented procedures are in place to guide personnel in the performance of the cash management activities that includes

expense payments, account transfer, investor redemptions, and wire transactions. A centralized accounting application is utilized by account executives and management to record and execute cash distributions which include expense payments, account transfers, and investor redemptions. The ability to perform the aforementioned activities is limited to the COO and account executives. These cash transactions are initiated and authorized by the client prior to FundAdministration executing wire transfers via the application. Account executives obtain the expense payment or account transfer approval and vendor or investor wire transfer instructions from an authorized client representative via e-mail prior to processing expense payment or account transfer requests. The client is deemed to be an authorized client representative if they are listed as key personnel under the client agreement. For investment redemptions, account executives obtain the approval and vendor or investor wire transfer instructions from a fund manager via e-mail prior to processing the redemption. An account executive performs a review of the support information and the payment instructions prior to executing the cash transaction. If there is a discrepancy noted prior to execution, the account executive will work with the client to research and resolve the issue. The primary account executive then communicates, via phone or e-mail, the payment instructions to a separate account executive who completes the cash distribution.

INFORMATION AND COMMUNICATION

Relevant Information

FundAdministration utilizes the PAXUS application, a portfolio accounting, general ledger, and partnership allocation system which provides automated transaction processing with a fully integrated general ledger system. PAXUS also maintains investor records (investor contact details, transaction history), allocates P&L to investors, calculates management and incentive fees and produces investor statements that can be e-mailed directly from the application.

Information is necessary for FundAdministration to carry out internal control responsibilities to support the achievement of its objectives related to the Fund Administration Services system. Management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of internal control.

The following provides a summary of internal and external sources of information used in the Fund Administration Services system:

- PAXUS is used to process client-specified transactions and to generate client reports. Transaction processing within this system is principally controlled through client elections that are established during a client's initial setup on the system and through directives submitted through e-mail.
- FundAdministration receives transaction files from clients that use FundAdministration templates for direct upload into the PAXUS application.
- FundAdministration utilizes an external price feed for valuation of open positions for month end reporting process.

Communication

FundAdministration utilizes both formal and informal methods for corporate-wide communication. Upper management is involved with day-to-day operations and is able to provide personnel with an understanding of their individual roles and responsibilities pertaining to internal controls. This includes the extent to which personnel understand how their activities relate to the work of others and the means of reporting exceptions to a higher level within the company. FundAdministration maintains a corporate intranet site, which is accessible to FundAdministration employees for information regarding corporate activities.

Fund Administration has also implemented various methods of communication to help provide assurance that customers understand the roles and responsibilities in initiating and authorizing their transactions and communication of significant events. These methods include meetings with representatives from each customer on an as needed basis and the use of e-mail messages and customer contact line to communicate time-sensitive information.

MONITORING

Monitoring Activities

Management monitors controls to consider whether they are operating as intended and that the controls are modified for changes in conditions. FundAdministration's management performs monitoring activities to continuously assess the quality of internal control over time. FundAdministration's management is responsible for directing and controlling operations and for establishing, communicating and monitoring control activities and procedures. FundAdministration's management places emphasis on maintaining sound internal controls, as well as ensuring integrity and ethical values to FundAdministration personnel. Senior management develops action plans to address any internal control or quality assurance areas that need attention. Management reviews these action plans on a periodic basis.

Ongoing Monitoring

- In carrying out its regular management activities, operating management obtains evidence that the system of internal control continues to function.
- Communications from external parties and customers corroborate internally generated information or indicate problems.
- Organizational structure and supervisory activities provide oversight of control functions and identification of deficiencies.
- Training, planning sessions, and other meetings provide important feedback to management on whether controls are effective.
- Personnel are briefed on organizational policy statements and codes of conduct to communicate entity values.
- FundAdministration has established a variety of monitoring controls for quality assurance on a daily and monthly basis, primarily through the reconciliation process between PAXUS and bank/broker statements.
- FundAdministration's information security personnel review logs from the firewalls and IPS on an ad hoc basis to detect suspicious activity.

Evaluating and Communicating Deficiencies

Deficiencies in an entity's internal control system surface from many sources, including the company's ongoing monitoring procedures, separate evaluations of the internal control system, and external parties. Management has developed protocols to help ensure findings of internal control deficiencies should be reported not only to the individual responsible for the function or activity involved, who is in the position to take corrective action, but also to at least one level of management above the directly responsible person. This process enables that individual to provide needed support or oversight for taking corrective action, and to communicate with others in the organization whose activities may be affected. Management evaluates the specific facts and circumstances related to deficiencies in internal control procedures and make the decision for addressing deficiencies based on whether the incident was isolated or requires a change in the company's procedures or personnel.

Incident response procedures include advising the director of technology and manager of operations of any occurrences that could potentially cause a disruption in services. The tracking and resolution of such incidents is handled immediately by the director of technology with escalation to senior management. Issues are generally resolved via telephone and e-mail communications and documented accordingly.

COMPLEMENTARY CONTROLS AT USER ENTITIES

FundAdministration's Fund Administration Services system is designed with the assumption that certain controls will be implemented by user entities. Such controls are called complementary user entity controls. It is not feasible for all of the control objectives related to FundAdministration's Fund Administration Services system to be solely achieved by FundAdministration's control activities. Accordingly, user entities, in conjunction with the Fund Administration Services system, should establish their own internal controls or procedures to complement those of FundAdministration.

The following complementary user entity controls should be implemented by user entities to provide additional assurance that the specified control objectives described within this report are met:

Information Security

1. User entities are responsible for determining whether FundAdministration's security infrastructure is appropriate for its needs and for notifying the service organization of any requested modifications.

Fund Setup

2. User entities are responsible for ensuring the accuracy of initial financial documentation submitted to FundAdministration.
3. User entities are responsible for approving new funds prior to being setup in the accounting application.

Subscription and Redemption Management

4. User entities are responsible for indicating whether subscription and redemption documentation should be submitted to the fund manager or FundAdministration.
5. User entities are responsible for providing approval for subscriptions and redemptions, if required, in a timely manner.
6. User entities are responsible for notifying FundAdministration of outstanding subscription and redemption requests in a timely manner.

Transaction Processing

7. User entities are responsible for providing or defining where FundAdministration can retrieve timely investment transaction lists that are accurate and complete.
8. User entities are responsible for defining the frequency with which FundAdministration processes client investment transactions.

Cash Reconciliations

9. User entities are responsible for providing or defining where FundAdministration can retrieve timely cash balances that are accurate and complete.
10. User entities are responsible for defining the frequency with which FundAdministration reconciles cash balances.

Valuation

11. User entities are responsible for providing or defining where FundAdministration can retrieve timely investment position values that are accurate and complete.
12. User entities are responsible for defining the frequency with which FundAdministration values client investment positions.

Profit (Loss) Allocations and Fee Calculations

13. User entities are responsible for notifying FundAdministration of any discrepancies identified in the P&L and performance fee calculations in a timely manner.

Financial Statement Reporting

14. User entities are responsible for providing approval of the monthly financial statements in a timely manner.
15. User entities are responsible for notifying FundAdministration of any discrepancies or errors in the financial statements in a timely manner.

Investor Statement Reporting

16. User entities are responsible for providing approval of the monthly financial statements in a timely manner.

Cash Management

17. User entities are responsible for providing timely review and approval of wire transactions.

SECTION 4

TESTING MATRICES

COMPUTER OPERATIONS

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that application and data files for the Fund Administration Services are backed up in a timely manner and securely stored.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
1.01	An automated backup system is utilized to perform scheduled application and database backups.	Inspected the automated backup system configuration and job schedule to determine that an automated backup system was utilized to perform scheduled application and database backups.	No exceptions noted.
1.02	The automated backup system is configured to perform hourly backups of production data during the week and every three hours on weekends.	Inspected the backup schedule configuration and an example backup log generated during the review period to determine that the automated backup system was configured to perform hourly backups of production data during the week and every three hours on weekends.	No exceptions noted.
1.03	An automated system is configured to replicate production data to an off-site storage location as each backup occurs.	Inquired of the COO regarding the replication of production data to determine that an automated system was configured to replicate production data to an off-site storage location as each backup occurs.	No exceptions noted.
		Inspected the replication configuration and an example replication log during the review period to determine that an automated system was configured to replicate production data.	No exceptions noted.
1.04	Backup files are automatically encrypted as a component of the backup process.	Inspected the backup encryption configuration to determine that backup files were automatically encrypted as a component of the backup process.	No exceptions noted.
1.05	Access to backup data is restricted to user accounts accessible by the COO and third party contractor.	Inspected the listing of users with the ability to access backup data with the assistance of the COO to determine that access to backup data was restricted to user accounts accessible by the COO and third party contractor.	No exceptions noted.

INFORMATION SECURITY

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that system information, once entered into the system, is protected from unauthorized or unintentional use, modification, addition or deletion.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
2.01	The COO approves and submits access requests to the third party contractor via e-mail.	No employees were hired during the review period; therefore, no testing of operating effectiveness was performed.	
2.02	The COO notifies the third party contractor to revoke access via e-mail upon employee termination.	No employees were terminated during the review period; therefore, no testing of operating effectiveness was performed.	
Remote User Authentication			
2.03	Access to the production systems requires a user to remote access to the production systems via a user account and password.	Inspected the remote access authentication configuration to determine that access to the production systems required a user to remote access to the production systems via a user account and password.	No exceptions noted.
Remote User Access			
2.04	Remote access to production systems is restricted to user accounts accessible by persons holding the following positions: <ul style="list-style-type: none"> • CEO • COO • Cash management executive • Senior account executives (4) • Account executives (4) • Third party contractors (3) 	Inspected the listing of users with remote access privileges to determine that remote access to production systems was restricted to user accounts accessible by persons holding the following positions: <ul style="list-style-type: none"> • CEO • COO • Cash management executive • Senior account executives (4) • Account executives (4) • Third party contractors (3) 	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
Application and Database Operating System Authentication			
2.05	Users are authenticated via a user account and password before being granted access to the operating system.	Inspected the operating system authentication configuration for a nonstatistical sample of production servers to determine that users were authenticated via a user account and password before being granted access to the operating system for each server sampled.	No exceptions noted.
Application and Database Operating System Access			
2.06	Administrator access within the operating system is restricted to user accounts accessible by persons holding the following positions: <ul style="list-style-type: none"> • COO • Third party contractor 	Inspected the administrator access listing for a nonstatistical sample of production servers to determine that administrator access within the operating system was restricted to user accounts accessible by persons holding the following positions for each server sampled: <ul style="list-style-type: none"> • COO • Third party contractor 	No exceptions noted.
Database Authentication			
2.07	Database users are authenticated via a user account and password before being granted access to the database.	Inspected the database administrator access listings and the authentication configurations for a nonstatistical sample of databases to determine that database users were authenticated via a user account and password before being granted access to each database sampled.	No exceptions noted.
Database Access			
2.08	Administrator access within the database is restricted to user accounts accessible by persons holding the following positions: <ul style="list-style-type: none"> • COO • Third party database administrator 	Inspected the database administrator access listings for a nonstatistical sample of databases to determine that administrator access within the production database was restricted to user accounts accessible by persons holding the following positions for each database sampled: <ul style="list-style-type: none"> • COO • Third party database administrator 	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
PAXUS Application Authentication			
2.09	Users are authenticated via a user account and password before being granted access to the application.	Inspected the application authentication configuration for to determine that users were authenticated via a user account and password before being granted access to the application.	No exceptions noted.
2.10	<p>The application is configured to enforce the following user account and password controls:</p> <ul style="list-style-type: none"> • Password minimum length • Password expiration intervals • Password complexity • Password history • Invalid password account lockout threshold 	<p>Inspected the application authentication configuration to determine that the application was configured to enforce the following user account and password controls:</p> <ul style="list-style-type: none"> • Password minimum length • Password expiration intervals • Password complexity • Password history • Invalid password account lockout threshold 	No exceptions noted.
PAXUS Application Access			
2.11	<p>Administrator access within the application is restricted to user accounts accessible by persons holding the following positions:</p> <ul style="list-style-type: none"> • COO • Senior account executive 	<p>Inspected the application administrator access listing to determine that administrator access within the application was restricted to user accounts accessible by persons holding the following positions:</p> <ul style="list-style-type: none"> • COO • Senior account executive 	No exceptions noted.
Antivirus			
2.12	A centralized antivirus server is utilized to manage antivirus software installed on registered clients.	Inspected the centralized antivirus server configuration to determine that a centralized antivirus server was utilized to manage antivirus software installed on registered clients.	No exceptions noted.
2.13	The centralized antivirus server software is configured to perform on-access scans when files are accessed by end users.	Inspected the centralized antivirus server software scan configuration to determine that the centralized antivirus server software was configured to perform on-access scans when files were accessed by end users.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
2.14	The centralized antivirus software is configured to monitor for updates to antivirus definitions on a daily basis.	Inspected the centralized antivirus server update configuration to determine that the centralized antivirus software was configured to monitor for updates to antivirus definitions on a daily basis.	No exceptions noted.

DATA COMMUNICATIONS

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that data maintains its integrity and security as it is transmitted between third parties and the service organization.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
3.01	Firewall systems are in place to filter unauthorized inbound network traffic from the internet.	Inspected the firewall rulesets and network diagram to determine that firewall systems were in place to filter unauthorized inbound network traffic from the internet.	No exceptions noted.
3.02	The firewall systems are configured to deny any type of network connection that is not explicitly authorized by a firewall rule.	Inspected the firewall rulesets to determine that the firewall systems were configured to deny any type of network connection that was not explicitly authorized by a firewall rule.	No exceptions noted.
3.03	Externally routable IP addresses are not assigned to internal production servers. NAT functionality of the firewall systems is configured to manage internal IP addresses.	Inspected the NAT configurations to determine that externally routable IP address were not used within the internal network and that NAT functionality of the firewall systems was used to manage internal IP addresses.	No exceptions noted.
3.04	Administrator access within the firewall systems is restricted to a shared administrator account accessible by persons holding the following positions: <ul style="list-style-type: none"> • COO • Third party contractor 	Inquired of the COO regarding firewall administration to determine that administrator access within the firewall systems was restricted to a shared administrator account accessible by persons holding the following positions: <ul style="list-style-type: none"> • COO • Third party contractor 	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected the firewall authentication configuration to determine that administrator access within the firewall system was restricted to a shared administrator account.	No exceptions noted.
3.05	Firewall administrators are authenticated via an authorized user account and password before being granted access to perform firewall administration tasks.	Inspected the firewall authentication configurations to determine that firewall administrators were authenticated via a user account and password before being granted access to perform firewall administration tasks.	No exceptions noted.
3.06	The firewall systems are configured to log certain events. The COO and third party contractor review the firewall log on an ad hoc basis.	Inquired of the COO regarding firewall logging to determine that the COO and third party contractor reviewed the firewall log on an ad hoc basis during the review period.	No exceptions noted.
		Inspected the firewall logging configurations and an example firewall log generated during the review period to determine that the firewall systems were configured to log certain events.	No exceptions noted.
IPS			
3.07	An IPS is in place to analyze network device logs and report possible or actual network security breaches.	Inspected the IPS configurations to determine that an IPS was in place on the production network to analyze network device logs and report possible or actual network security breaches.	No exceptions noted.
3.08	The IPS is configured to log certain events. The COO and third party contractor review the IPS logs on an ad hoc basis.	Inquired of the COO regarding IPS logging to determine that the COO and third party contractor reviewed the IPS logs on an ad hoc basis during the review period.	No exceptions noted.
		Inspected the IPS logging configurations and example IPS logs generated during the review period to determine that the IPS was configured to log certain events.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
Wireless and Remote Access			
3.09	Wireless access points to the production network are secured using the WPA2 security mode with PSK encryption.	Inspected the wireless router configuration to determine that wireless access points to the production network were secured using the WPA2 security mode with PSK encryption.	No exceptions noted.
3.10	An encrypted VPN is utilized for remote access to help ensure the privacy and integrity of the data passing over the public network.	Inquired of the COO regarding remote access to determine that an encrypted VPN was utilized for remote access to help ensure the privacy and integrity of the data passing over the public network.	No exceptions noted.
		Inspected the VPN encryption configuration documentation to determine that an encrypted VPN was utilized for remote access.	No exceptions noted.

FUND SETUP

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that new funds are set up in the accounting application accurately and completely.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
4.01	Account executives require fund managers to complete a client application prior to setting up new funds in the accounting application.	Inquired of an account executive regarding the fund setup process to determine that account executives required fund managers to complete a client application prior to setting up new funds in the accounting application.	No exceptions noted.
		Inspected the client applications for a nonstatistical sample of new funds set up during the review period to determine that fund managers completed a client application for each fund sampled.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
4.02	<p>The CEO and COO document an administration agreement that defines the terms of service as a component of the new fund setup process. The administration agreement is required to be signed by the following parties:</p> <ul style="list-style-type: none"> • CEO • Fund manager 	<p>Inquired of an account executive regarding the fund setup process to determine that the CEO and COO documented an administration agreement that defined the terms of service as a component of the new fund setup process and that the administration agreement was required to be signed by the following parties:</p> <ul style="list-style-type: none"> • CEO • Fund manager 	No exceptions noted.
		<p>Inspected the signed administration agreements for a nonstatistical sample of new funds set up during the review period to determine that an administration agreement that defined the terms of service was completed and signed by the following parties for each client sampled:</p> <ul style="list-style-type: none"> • CEO • Fund manager 	No exceptions noted.
4.03	<p>The accounting application is configured to perform data validation and edit checks for manual new funds entry to help ensure that required fields are complete that include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Fund name • Fund type • Fee schedule • Investment manager • Banking information 	<p>Inquired of an account executive regarding the fund setup process to determine that the accounting application was configured to perform data validation and edit checks for manual new funds entry to help ensure that required fields were complete that included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Fund name • Fund type • Fee schedule • Investment manager • Banking information 	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		<p>Inspected example error messages generated by the accounting application during the review period to determine that the accounting application was configured to perform data validation and edit checks for manual new funds entry that required the following fields were complete:</p> <ul style="list-style-type: none"> • Fund name • Fund type • Fee schedule • Investment manager • Banking information 	No exceptions noted.
4.04	Account executives require fund manager approval prior to setting up new funds in the accounting application.	Inquired of the COO regarding the fund setup process to determine that account executives required fund manager approval prior to setting up new funds in the accounting application.	No exceptions noted.
		Inspected evidence of approval for a nonstatistical sample of new funds set up during the review period to determine that fund managers approved each fund sampled.	No exceptions noted.

SUBSCRIPTION AND REDEMPTION MANAGEMENT

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that client subscription and redemption documentation is properly completed and approved prior to sending subscription and redemption confirmation.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
	Subscription Management		
5.01	Account executives require clients to complete a subscription agreement as a component of the subscription management process.	Inquired of an account executive regarding subscription management to determine that account executives required clients to complete a subscription agreement as a component of the subscription management process.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected the subscription agreements for a nonstatistical sample of client subscriptions during the review period to determine that clients completed a subscription agreement for each client subscription sampled.	No exceptions noted.
5.02	Account executives approve subscription requests prior to sending subscription confirmations to clients.	Inquired of an account executive regarding subscription management to determine that account executives approved subscription requests prior to sending subscription confirmations to clients.	No exceptions noted.
		Inspected evidence of approval for a nonstatistical sample of client subscriptions during the review period to determine that an account executive approved each client subscription sampled.	No exceptions noted.
5.03	Account executives complete a checklist as a component of the subscription management process to help ensure that specific elements of the subscription management process are consistently executed.	Inquired of an account executive regarding subscription management to determine that account executives completed a checklist as a component of the subscription management process to help ensure that specific elements of the subscription management process were consistently executed.	No exceptions noted.
		Inspected the checklists for a nonstatistical sample of client subscriptions during the review period to determine that an account executive completed a checklist for each client subscription sampled.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
	Redemption Management		
5.04	Account executives require clients to submit redemption requests to an account executive via e-mail, postal mail, or fax as a component of the redemption management process.	Inquired of an account executive regarding redemption management to determine that account executives required clients to submit redemption requests to an account executive via e-mail, postal mail, or fax as a component of the redemption management process.	No exceptions noted.
		Inspected the redemption requests for a nonstatistical sample of client redemptions during the review period to determine that clients submitted a redemption request for each client redemption sampled.	No exceptions noted.
5.05	Account executives require fund managers to approve redemption requests prior to sending redemption confirmations to clients.	Inquired of an account executive regarding redemption management to determine that account executives required fund managers to approve redemption requests prior to sending redemption confirmations to clients.	No exceptions noted.
		Inspected evidence of approval for a nonstatistical sample of client redemptions during the review period to determine that a fund manager approved each client redemption sampled.	No exceptions noted.
5.06	Account executives complete a checklist as a component of the redemption management process to help ensure that specific elements of the redemption management process are consistently executed.	Inquired of an account executive regarding redemption management to determine that account executives completed a checklist as a component of the redemption management process to help ensure that specific elements of the redemption management process were consistently executed.	No exceptions noted.
		Inspected the checklists for a nonstatistical sample of client redemptions during the review period to determine that an account executive completed a checklist for each client redemption sampled.	No exceptions noted.

TRANSACTION PROCESSING

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that investment transactions are recorded accurately, timely, and completely.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
6.01	Documented transaction processing procedures are in place to guide account executives in processing investment transactions.	Inspected the transaction processing procedures documentation to determine that documented procedures were in place to guide account executives in processing investment transactions.	No exceptions noted.
6.02	Account executives utilize standardized transaction list templates to assist in the automation of the transaction upload process that include, but is not limited to, the following information: <ul style="list-style-type: none"> • Portfolio name • Custodian • Transaction price and quantity • Transaction date • Transaction type 	Inquired of an account executive regarding the transaction upload process to determine that account executives utilized standardized transaction list templates to assist in the automation of the transaction upload process.	No exceptions noted.
		Inspected the standardized transaction list templates for a nonstatistical sample of clients to determine that account executives utilized standardized transaction list templates for each client sampled that included the following information: <ul style="list-style-type: none"> • Portfolio name • Custodian • Transaction price and quantity • Transaction date • Transaction type 	No exceptions noted.
6.03	Account executives upload and authorize transactions from the client or authorized broker to the accounting application on a daily basis for clients that require daily transaction processing.	Inquired of an account executive regarding the transaction upload process to determine that account executives uploaded and authorized transactions from the client or authorized broker to the accounting application on a daily basis for clients that require daily transaction processing.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected the accounting application transaction upload activity report for a nonstatistical sample of clients and dates during the review period to determine that account executives uploaded and authorized transactions from the client or authorized broker to the accounting application for each client and date sampled.	No exceptions noted.
6.04	The accounting application is configured to display a processed or pending notice after account executives upload the investment transactions included in the transaction list into the accounting application. Account executives research and resolve pending messages.	Inquired of an account executive regarding the transaction upload process to determine that the accounting application was configured to display a processed or pending notice after account executives uploaded the investment transactions included in the transaction list into the accounting application and that account executives researched and resolved failure messages.	No exceptions noted.
		Inspected the processed statuses resulting from example investment transaction upload attempts performed during the review period to determine that the accounting application was configured to display a processed or pending notice after account executives uploaded the investment transactions included in the transaction list into the accounting application.	No exceptions noted.
6.05	Account executives perform a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker on a monthly basis to help ensure that investment transactions are recorded accurately and completely.	Inquired of an account executive regarding the account reconciliation process to determine that account executives performed a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker on a monthly basis to help ensure that investment transactions were recorded accurately and completely.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected evidence of reconciliation for a nonstatistical sample of clients and months during the review period to determine that account executives performed a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker for each client and month sampled.	No exceptions noted.
6.06	A separate account executive performs a review of the reconciliation on a monthly basis to help ensure that requisite items have been properly identified and reconciled.	Inquired of on account executive regarding the account reconciliation process to determine that a separate account executive performed a review of the reconciliation on a monthly basis to help ensure that requisite items had been properly identified and reconciled.	No exceptions noted.
		Inspected evidence of reconciliation review for a nonstatistical sample of clients and months during the review period to determine that a separate account executive performed a review of the reconciliation for each client and month sampled.	No exceptions noted.

CASH RECONCILIATIONS

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that the cash transactions and balances relating to accounts with financial institutions are reconciled and reconciling items are identified and monitored.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
7.01	Documented cash reconciliation procedures are in place to guide account executives in performing cash reconciliations.	Inspected the cash reconciliation procedures documentation to determine that documented procedures were in place to guide account executives in performing cash reconciliations.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
7.02	Account executives perform a reconciliation of the cash balances in the accounting application to the bank and/or brokerage account statements on a monthly basis. Account executives research and resolve balances that do not reconcile.	Inquired of an account executive regarding the cash reconciliation process to determine that account executives performed a reconciliation of the cash balances in the accounting application to the bank and/or brokerage account statements on a monthly basis and account executives researched and resolved balances that did not reconcile.	No exceptions noted.
		Inspected the evidence of reconciliation for a nonstatistical sample of clients and months during the review period to determine that account executives performed a reconciliation of the cash balances in the accounting application to the bank and/or brokerage account statements for each client and month sampled.	No exceptions noted.
7.03	A separate account executive performs a review of the reconciliation on a monthly basis to help ensure that requisite items have been properly identified and reconciled.	Inquired of an account executive regarding the cash reconciliation process to determine that a separate account executive performed a review of the reconciliation on a monthly basis to help ensure that requisite items had been properly identified and reconciled.	No exceptions noted.
		Inspected the evidence of reconciliation review for a nonstatistical sample of clients and months during the review period to determine that a separate account executive performed a review of the reconciliation for each client and month sampled.	No exceptions noted.

VALUATION

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that the investment positions are properly valued using independent sources, where available.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
8.01	Account executives utilize standardized security pricing templates to assist in the automation of the security price upload process that include, but is not limited to, the following information: <ul style="list-style-type: none"> • Portfolio name • Custodian • Transaction price and quantity • Transaction date • Transaction type 	Inquired of an account executive regarding the security price upload process to determine that account executives utilized standardized security pricing templates to assist in the automation of the security price upload process.	No exceptions noted.
		Inspected the standardized security pricing templates for a nonstatistical sample of clients to determine that account executives utilized standardized security pricing templates for each client sampled that included the following information: <ul style="list-style-type: none"> • Portfolio name • Custodian • Transaction price and quantity • Transaction date • Transaction type 	No exceptions noted.
8.02	Account executives upload security prices from the authorized broker or independent source to the accounting application on a daily basis for clients that require daily transaction processing.	Inquired of an account executive regarding the security price upload process to determine that account executives uploaded security prices from the authorized broker or independent source to the accounting application on a daily basis for clients that require daily transaction processing.	No exceptions noted.
		Inspected the accounting application security price files for a nonstatistical sample of clients and dates during the review period to determine that account executives uploaded security prices from the authorized broker or independent source to the accounting application for each client and date sampled.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
8.03	The accounting application is configured to display a processed or pending notice after account executives upload the security prices into the accounting application. Account executives research and resolve pending messages.	Inquired of an account executive regarding the security price upload process to determine that the accounting application was configured to display a processed or pending notice after account executives uploaded the security prices into the accounting application and that account executives researched and resolved failure messages.	No exceptions noted.
		Inspected the success and failure notices resulting from example security price upload attempts performed during the review period to determine that the accounting application was configured to display a processed or pending notice after account executives uploaded the security prices into the accounting application.	No exceptions noted.
8.04	Account executives perform a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker on a monthly basis to help ensure that investment positions are properly valued. Open positions are reconciled to a third party pricing source for proper valuation.	Inquired of an account executive regarding the account reconciliation process to determine that account executives performed a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker on a monthly basis to help ensure that investment positions were properly valued and open positions were reconciled to a third party pricing source for proper valuation.	No exceptions noted.
		Inspected the monthly checklists evidencing reconciliation for a nonstatistical sample of clients and months during the review period to determine that account executives performed a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker for each client and month sampled.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
8.05	A separate account executive performs a review of the reconciliation on a monthly basis to help ensure that requisite items have been properly identified and reconciled.	Inquired of an account executive regarding the account reconciliation process to determine that a separate account executive performed a review of the reconciliation on a monthly basis to help ensure that requisite items had been properly identified and reconciled.	No exceptions noted.
		Inspected the monthly checklists evidencing reconciliation review for a nonstatistical sample of clients and months during the review period to determine that a separate account executive performed a review of the reconciliation for each client and month sampled.	No exceptions noted.

PROFIT (LOSS) ALLOCATIONS AND FEE CALCULATIONS

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that the profit or loss is allocated accurately to the fund's investors and that fees (administration, management, and incentive) are calculated accurately and completely.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
9.01	An account executive performs a reconciliation of cash totals and positions in the accounting application to the fund's bank and brokerage statements on a monthly basis to help ensure that ending cash flows and positions are recorded and profit or loss is allocated accurately and completely.	Inquired of an account executive regarding cash reconciliations to determine that an account executive performed a reconciliation of cash totals in the accounting application to the fund's bank and brokerage statements on monthly basis to help ensure that cash flows, positions, and profit or loss were recorded accurately and completely.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected the cash reconciliations for a nonstatistical sample of clients and months during the review period to determine that account executives performed a reconciliation of cash totals and positions for each client and month sampled.	No exceptions noted.
9.02	An account executive confirms on a monthly basis that the accounting application calculates performance fees based on the fund's legal document.	Inspected the monthly checklists for a nonstatistical sample of clients and months to determine that an account executive confirmed that the accounting application calculated performance fees based on the fund's legal document for each client and month sampled.	No exceptions noted.
9.03	A secondary account executive performs a review of the cash totals and positions, as well as the performance fee calculations, on a monthly to help ensure that the reconciliations are performed accurately and completely.	Inquired of an account executive regarding secondary reviews to determine that a secondary account executive performed a review of the cash totals and positions, as well as the performance fee calculations, on a monthly basis to help ensure that the reconciliations were performed accurately and completely.	No exceptions noted.
		Inspected the review checklist for a nonstatistical sample of clients and months during the review period to determine that a secondary account executive performed a review of the cash totals, positions, and performance fee calculations for each client and month sampled.	No exceptions noted.

FINANCIAL STATEMENT REPORTING

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that financial statements are prepared accurately and delivered completely.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
10.01	An account executive utilizes the accounting application to generate financial statements for the fund manager on a monthly basis.	Inquired of the account executive regarding monthly financial statements to determine that an account executive utilized the accounting application to generate financial statements for fund managers on a monthly basis.	No exceptions noted.
		Inspected the financial statements for a nonstatistical sample of clients and months during the review period to determine that financial statements were generated for each client and month sampled.	No exceptions noted.
10.02	An account executive performs a review of the financial statements prior to sending to the fund manager to help ensure that statements have been prepared accurately and completely.	Inquired of the account executive regarding the financial statement review to determine that an account executive performed a review of the financial statements prior to sending to the fund manager to help ensure that the statements were prepared accurately and completely.	No exceptions noted.
		Inspected the review checklist for a nonstatistical sample of clients and months during the review period to determine that an account executive performed a review of the financial statements for each client and month sampled.	No exceptions noted.
10.03	A secondary account executive performs an independent review of the financial statements prior to sending to the fund manager to help ensure that financial statements have been prepared accurately and completely.	Inquired of the account executive regarding a secondary review of the financial statements to determine that a secondary account executive performed an independent review of the financial statements prior to sending to the fund manager to help ensure that financial statements were prepared accurately and completely.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected the review checklist for a nonstatistical sample clients and months during the review period to determine that a secondary account executive performed an independent review of the financial statements for each client and month sampled.	No exceptions noted.
10.04	An account executive requires written approval of the financial statements from the fund manager prior to finalizing the financial statements.	Inquired of the account executive regarding final written approval of the financial statements to determine that an account executive required written approval of financial statements from the fund manager prior to finalizing the financial statements.	No exceptions noted.
		Inspected the financial statement approvals for a nonstatistical sample of clients and months during the review period to determine that written approval of the financial statements from the fund manager was obtained prior to finalizing the financial statements for each client and month sampled.	No exceptions noted.

INVESTOR STATEMENT REPORTING

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that the fund investors' investor account statements are prepared accurately and completely.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
11.01	An account executive utilizes the accounting application to generate the investor statements for the fund investors on a monthly basis.	Inquired of an account executive regarding investor statements to determine that an account executive utilized the accounting application to generate the investor statements for the fund investors on a monthly basis.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected the investor statements for a nonstatistical sample of clients and months during the review period to determine that an account executive produced the investor statements for the fund investors for each client and date sampled.	No exceptions noted.
11.02	An account executive performs a review of the investor statements prior to distributing to the funds investors to help ensure that the statements have been prepared accurately and completely.	Inquired of an account executive regarding the investor statement review to determine that an account executive performed a review of the investor statements prior to distributing to the funds investors to help ensure that the statements were prepared accurately and completely.	No exceptions noted.
		Inspected the review checklists for a nonstatistical sample of clients and dates during the review period to determine that an account executive performed a review of the investor statements for each client and date sampled.	No exceptions noted.
11.03	A secondary account executive performs an independent review of the investor statements prior to distribution to the funds investors to help ensure that statements have been prepared accurately and completely.	Inquired of an account executive regarding a secondary review of the financial statements to determine that a secondary account executive performed an independent review of the investor statements prior to distribution to the funds investors to help ensure that the statements were prepared accurately and completely.	No exceptions noted.
		Inspected the review checklist for a nonstatistical sample of clients and dates during the review period to determine that a secondary account executive performed an independent review of the investor statements for each client and date sampled.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
11.04	An account executive requires documented approval of the investor statements from the fund manager prior to distributing to the fund's investors.	Inquired of an account executive regarding approval of the investor statements to determine that an account executive required documented approval of the investor statements from the fund manager prior to distribution to the fund's investors.	No exceptions noted.
		Inspected the investor statement approvals for a nonstatistical sample of clients and months during the review period to determine that documented approval of the investor statements was obtained prior to distribution to the fund's investors for each client and date sampled.	No exceptions noted.

CASH MANAGEMENT

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that cash distributions for expense payments, account transfers and investor redemptions are properly authorized, executed, and recorded.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
12.01	Documented cash management policies and procedures are in place to guide personnel in the following areas: <ul style="list-style-type: none"> Expense payments Account transfers Investor redemptions Wire transactions 	Inspected the cash management policy and procedures documentation to determine that documented policies and procedures were in place to guide personnel in the following areas: <ul style="list-style-type: none"> Expense payments Account transfers Investor redemptions Wire transactions 	No exceptions noted.
12.02	Account executives utilize a centralized accounting application to record and process expense payments, account transfers, and investor redemptions.	Inspected accounting application configurations to determine that account executives utilized a centralized accounting application to record and process expense payments, account transfers, and investor redemptions.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
12.03	<p>The ability to execute expense payments, account transfers, and investor redemptions is restricted to user accounts accessible by persons holding the following positions:</p> <ul style="list-style-type: none"> • COO • Account executives (7) 	<p>Inspected the listing of users with accounting application access to determine that the ability to execute expense payments, account transfers, and investor redemptions was restricted to user accounts accessible by persons holding the following positions:</p> <ul style="list-style-type: none"> • COO • Account executives (7) 	No exceptions noted.
Expense Payments			
12.04	<p>Account executives obtain the following from an authorized client representative prior to processing an expense payment request:</p> <ul style="list-style-type: none"> • Expense payment approval • Vendor wire instructions 	<p>Inquired of an account executive regarding the expense payment process to determine that account executives obtained the following from an authorized client representative prior to processing an expense payment request:</p> <ul style="list-style-type: none"> • Expense payment approval • Vendor wire instructions 	No exceptions noted.
		<p>Inspected the expense payment approvals and vendor wire instructions for a nonstatistical sample of clients and expense payments executed during the review period to determine that account executives obtained the following for each client and expense payment sampled:</p> <ul style="list-style-type: none"> • Expense payment approval • Vendor wire instructions 	No exceptions noted.
		<p>Inspected the client business agreement for a nonstatistical sample of clients and expense payments executed during the review period to determine that account executives obtained expense payment approval and vendor wire instructions from an authorized client representative for each client and expense payment sampled.</p>	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
Account Transfers			
12.05	Account executives obtain the following from an authorized client representative prior to processing an account transfer request: <ul style="list-style-type: none"> • Account transfer approval • Account wire instructions 	Inquired of an account executive regarding the account transfer process to determine that account executives obtained the following from an authorized client representative prior to processing an account transfer request: <ul style="list-style-type: none"> • Account transfer approval • Account wire instructions 	No exceptions noted.
		Inspected the account transfer approvals and account wire instructions for a nonstatistical sample of clients and account transfers executed during the review period to determine that account executives obtained the following for each client and account transfer sampled: <ul style="list-style-type: none"> • Account transfer approval • Account wire instructions 	No exceptions noted.
		Inspected the client business agreement for a nonstatistical sample of clients and account transfers executed during the review period to determine that account executives obtained account transfer approval and vendor wire instructions from an authorized client representative for each client and account transfer sampled.	No exceptions noted.
Investor Redemptions			
12.06	Account executives obtain the following from a fund manager prior to processing an investor redemption request: <ul style="list-style-type: none"> • Investor redemption request • Redemption approval 	Inquired of an account executive regarding the investor redemption process to determine that account executives obtained the following from a fund manager prior to processing an investor redemption request: <ul style="list-style-type: none"> • Investor redemption request • Redemption approval 	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected the investor redemption requests and approvals for a nonstatistical sample of clients and investor redemptions executed during the review period to determine that account executives obtained the following from a fund manager for each client and investor redemption sampled: <ul style="list-style-type: none"> • Investor redemption request • Redemption approval 	No exceptions noted.
Expense Payment, Account Transfer, and Investor Redemption Wire Transactions			
12.07	An account executive performs a review of the support information and wire instructions to help ensure accuracy and completeness of the request.	Inquired of an account executive regarding the wire transaction process to determine that an account executive performed a review of the support information and wire instructions to help ensure accuracy and completeness of the request.	No exceptions noted.
		Inspected evidence of wire transfer review for a nonstatistical sample of clients and wire transactions executed during the review period to determine that an account executive performed a review of the support information and wire instructions for each client and wire transaction sampled.	No exceptions noted.

SECTION 5

OTHER INFORMATION PROVIDED BY MANAGEMENT

MANAGEMENT'S RESPONSE TO OPINION LETTER QUALIFICATION

Qualification

As noted in section 3 of our description, controls were not in place that provided reasonable assurance that information systems were physically secure from unauthorized access, damage, or interference. The office facility and server room were not secured during business hours. As a result, the controls are not suitably designed to achieve the control objective, "Control activities provide reasonable assurance that information systems are protected from unauthorized access, damage and interference."

Management's Response

In order for unauthorized access to the server room, an individual would have to enter our office during business hours and walk passed our employees undetected. This is not likely to occur. From the date of field work until the report date, the Ronkonkoma, New York office was under construction and the server room was moved to a new location. The new location has a lock on the server room door and the key is highly restricted to authorized personnel only. No unauthorized access, damage or interference has occurred to date and the controls described above are now in place.