Walkthrough Template

Entity	Lehman Brothers Holdings, Inc.	Workpaper Ref.	**B06**
Subsidiary or Division	Equity Derivatives	Prepared by	Alison Wycinowski
Financial Statement Date	11/30/08	Reviewed by	John Mallin

Significant Class of Transactions/Process name: Derivative Margin/Collateral Management

This template assists in our documentation of walkthroughs under S04 Perform Walkthroughs of the *EY Global Audit Methodology* (*EY GAM*).

S03 Understand Flows of Transactions, WCGWs, and Controls of *EY GAM* requires us to gain an understanding of the flow of transactions within significant processes and the sources and preparation of information in sufficient detail for the purpose of:

- Identifying the types of errors that have the potential to materially affect relevant financial statement assertions related to significant accounts and disclosures
- When appropriate, identifying controls that are effective and sufficiently sensitive to prevent or detect and correct material misstatements in the related relevant financial statement assertion

S04 Perform Walkthroughs of *EY GAM* requires that we perform a walkthrough for each significant class of transactions within significant processes, including the sub-processes of the Financial Statement Close Process ("FSCP") and sources and preparation of information resulting in significant disclosures. The nature and extent of our walkthrough procedures will vary depending on our strategy relating to reliance on controls and the complexity of the process.

We obtain an understanding of and document the significant flows of transactions and sources and preparation of information prior to completing our walkthrough procedures. This documentation may exist in our current year or permanent files and is typically carried forward from year to year and updated as appropriate. If the client has sufficient documentation of the flow of transactions or sources and preparation of information, we examine and, as appropriate, retain copies of the client's documentation in our current year or permanent files rather than preparing our own documentation.

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For all audits regardless of our strategy (Controls Strategy or Substantive Strategy), we perform walkthroughs to achieve the following objectives:

- Confirm our understanding, as identified in our process documentation, of the flow of significant classes of transactions within significant processes or sources and preparation of information resulting in significant disclosures, including how these transactions are initiated, authorized, recorded, processed and reported: and
- Verify that we have identified the appropriate "what could go wrongs" (WCGWs) that have the potential to materially affect relevant financial statement assertions related to significant accounts and disclosures within each significant class of transactions.

Additionally, when we plan to assess control risk below maximum (Controls Strategy), or for significant risks or risks for which substantive procedures alone do not provide sufficient evidence, we perform walkthroughs to achieve each of the objectives noted above, as well as the following objective with respect to the design and implementation of controls:

- Confirm our understanding of:
    - The accuracy of information we have obtained about identified controls over the flow of significant classes of transactions,
    - Whether the controls are effectively designed to prevent, or detect and correct material misstatements on a timely basis, and
    - Whether the controls have been placed into operation.

When performing our walkthrough procedures we focus on the critical path in the process where transactions are initiated, authorized, recorded, processed and ultimately reported in the general ledger (or serve as the basis for disclosures). In particular, we focus attention on the points where data is, or should be captured, transferred, or modified as these are the points where misstatements might be most likely to occur. Our walkthrough includes both the manual and automated steps of the process and we use the same source documents and information technology that client personnel typically would use. When the client's IT environment is complex, we work with TSRS (IT professionals) to the extent necessary to walk through the automated aspects of the flow of transactions or sources and preparation of information and if applicable, related controls.

This template assists in our documentation of walkthroughs and its use is highly encouraged. It is divided into three sections.

Section 1: Walkthrough Procedures

Section 2: Other Matters—Segregation of Incompatible Duties and Management Override of Controls

Section 3: Conclusion

Section 1: Walkthrough Procedures

Performance Guidance

S04_Perform Walkthroughs of *EY GAM* provides detailed guidance on performing walkthroughs. Teams may find S04_Exhibit 1 Perform Walkthroughs of *EY GAM* particularly helpful when executing our walkthrough procedures.

When we have decided to use the Substantive Strategy (i.e., assess control risk at the maximum), we limit our walkthrough to the relevant processing procedures needed to confirm our understanding of the flow of transactions or the sources and preparation of information resulting in significant disclosures.

For each walkthrough, we are required to document the following items:

- The transaction selected for walkthrough (Substantive and Controls Strategy);
- Individual(s) with whom we confirmed our understanding (Substantive and Controls Strategy);
- Description of the walkthrough procedures performed (Substantive and Controls Strategy); and
- Description of the walkthrough procedures performed to confirm our understanding of the design of the manual, IT-dependent manual and application controls on which we plan to test and rely upon and that such controls have been placed into operation (Controls Strategy only).

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Documentation of Walkthrough Procedures Performed

Transaction selected for walkthrough (Substantive and Controls Strategy):	**Merrill Lynch USA Bank ("Merrill") and Lehman Brothers Special Financing Inc. ("LBSF")** **Master ID #:** 111601MLUS EY Selected the following sample to walkthrough for the accrued interest section: **Moore Macro Markets Fund (Master), LP ("Moore") and Lehman Brothers Special Financing Inc. ("LBSF")** **Master ID #:** 092705MOOR
Individual(s) we talked with to confirm our understanding (Substantive and Controls Strategy):	Lee Wigden, VP Control and Exposure Daniel Berger, VP, Control and Exposure Steven Colombo, Control and Exposure

Confirming our Understanding of the Flows of Significant Transactions (Substantive and Controls Strategy)

Describe the walkthrough procedures performed, addressing the points at which the transactions are initiated, authorized, recorded, processed, and ultimately reported in the general ledger (or serve as the basis for disclosures), including both the manual and automated steps of the process. For sources and preparation of information resulting in significant disclosures, describe the procedures performed to confirm our understanding of the process and sources of information management uses to generate significant disclosures. We document whether processing procedures are performed as originally understood and in a timely manner.

While performing the walkthrough, we ask probing questions about the client's processes and procedures and related controls to gain a sufficient understanding to be able to identify important points at which a necessary control is missing or not designed effectively. For example, our follow-up inquiries might include asking personnel what they do when they encounter errors, the types of errors they have encountered, what happened as a result of finding errors, and how the errors were resolved. We might also question client personnel as to whether they have ever been asked to override the process or controls, and if so, to describe the situation, why it occurred, and what happened. Our inquiries also should include follow-up questions that could help identify the abuse or override of controls, or indicators of fraud.

Background

EY auditors John Mallin and Alison Wycinowski ("EY") met with Lee Wigden, Steven Columbo, and Daniel Berger of the Control and Exposure Group of Lehman Brothers ("Lehman") to discuss and update our understanding of the Derivative Margin/Collateral Management process and to identify key controls in place throughout the process.

Margin is collateral that the holder of a position in securities, options, or futures contracts has to deposit to cover the credit risk of a holder's counterparty. This risk can arise if the holder has done any of the following:

-Borrowed cash from the counterparty to buy securities or options,

-Sold securities or options short, or
-Entered into a futures contract.

This walkthrough focuses on the use of margin to reduce the risk of loss on trades, in OTC products, with other counterparties (i.e., banks, broker-dealers, investment firms).

(Please note all controls in place are bolded and underlined within the body of the walkthrough narrative.)

Derivative Margin Walkthrough

The Control and Exposure Group decreases Lehman's exposure to counterparties by accepting collateral based on the post margin exposure ("PME") calculation. PME is calculated in the general margin system called Collateral & Margin Exposure Optimization System ("CAMEO"). CAMEO allows Lehman to aggregate its total exposure to any given counterparty across margin centers. In order for CAMEO to calculate derivative margin it requires a feed from DMS, Entity Master, Smart Ticket and ESM. Refer to the Derivative Margin Collateral Management Flow Chart (**B06.0**) for a pictorial display of this process. In addition, refer to the Derivative Margin Procedures (**B06.01**) for additional details around Lehman's Derivative Margin process.

Application Feeds

- **DMS -** CAMEO receives a real time feed from DMS, which reflects trade details. DMS is Lehman's centralized deal depository system and contains all deal information for deliverable trades. DMS is directly linked to all the firm's front office risk management systems (i.e. Summit, HJM, Opt-model, GEDS, CDS, RISC, EDSUMM, etc.) and automatically receives trade information and deal valuations from all the risk management systems at least once a day, if not multiple times daily. DMS feeds deal valuation into CAMEO. CAMEO will calculate potential margin calls based on the credit terms negotiated with the counterparty's current exposure. <u>**Programmed controls ensure completeness of data transfer between Entity Master and DMS to CAMEO.**</u>

- **Entity Master -** Entity Master also directly feeds CAMEO. Entity Master is an in-house system that stores counterparty credit and collateral terms, which are necessary for calculating counterparty collateral requirements. Based on the credit rating of the counterparty and execution of a signed master agreement, Entity Master determines an exposure threshold and minimum transfer amounts, of collateral, for the counterparty. Entity Master replicates executed master and pledge information and feeds it to CAMEO. A Margin Rules screen is populated in CAMEO with all of the counterparty information including account name, Lehman legal entity, credit rating, collateral terms and pledge information. The pledge information includes acceptable collateral, interest rates, notification times for margin calls, and re-hypothecation rights. All pledge information is used to calculate a margin call. Entity Master feeds CAMEO detailed margin rules, acceptable collateral and threshold information. CAMEO will calculate potential margin calls based on the credit terms negotiated with the counterparty's current exposure. <u>**Programmed controls ensure completeness of data transfer between Entity Master and DMS to CAMEO.**</u>

- **Smart Ticket -** Smart Ticket is a front-end ticketing system for derivative transactions, which stores deal specific collateral provisions on a global ID basis. After a trade has been executed by a trader, a trader's assistant inputs the basic trade details into Smart Ticket. These deal specific collateral provisions (i.e. change form, partial termination, assignment) are fed to CAMEO and documented in a confirmation. Every time an action happens in Smart Ticket, the deal is re-sent with updated information into CAMEO. <u>**For deals with specific collateral provisions, CAMEO matches the risk management IDs on the Smart**</u>

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Ticket with DMS. If the deals do not match, or are missing from DMS, they will appear on the Suspect Deal Shredder. This shredder is run daily and automatically reconciles DMS versus Smart ticket. The margin analyst contacts Middle Office as well as Sales and Trading to update smart tickets or to update the risk management feed to DMS. If there are collateral provisions on a Smart Ticket and no pledge agreement, CAMEO will use this information to calculate a Post Margin Exposure. Less than 10% of total population of deals have deal specific collateral provisions. **Smart Ticket feeds CAMEO deal specific information and determines the margin/upfront collateral needs.**

- **ESM** – CAMEO receives a pricing feed from Global Pricing (ESM), which prices all security derivative collateral held by the firm. CAMEO also receives a feed from GMD for interest rate information on a daily basis, in order to calculate the interest receivable or payable on cash collateral. **ESM feeds CAMEO with pricing information on collateral. CAMEO receives the pricing file and updates collateral market values on a daily basis.**

  The Margin group reviews the Daily Price Variance Report, the Stale Price Report, and the Zero Price Report, and researches fluctuations greater than 5% on a daily basis, and marks those positions with a stale price greater than 35 days old to zero dollars.

Post Margin Exposure Calculation
Post Margin Exposure ("PME") is calculated twice a day using trades from prior day's close of business (fed from DMS), counterparty collateral information (fed from Entity Master), deal specific collateral provisions (fed from Smart Ticket) and pricing information (fed from ESM) to determine if exposure exists. The amount of margin and the kind of collateralization are governed by rules and regulations set forth in the confirmation of a specific trade or by a Credit Support Annex/Pledge ("CSA") Agreement attached to an ISDA Master Agreement. Collateral and margin terms, set forth on a deal and/or master level, are applied to the marks to come up with a PME, or margin call. Exposures should be equal to or less than zero; any amount above triggers a margin call. **Margin calls are calculated accurately**. The Derivative margin collateral management process is identical for all product types that are governed by an ISDA/CSA. These products include CDO, SCT, MUNI, Core FID, FX, Equity Derivatives, and OTC Options.

The margin manager runs a derivative engine [which calculates margin], by responsibility (NY) in CAMEO, which serves to refresh the closing marks of the prior business day's activity of any given counterparty, which, in turn, refreshes margin call values. The information that is fed into CAMEO is entirely systematic (i.e. there is no manual intervention). The margin group is not responsible for validating the information that is being fed from the various source systems. Their responsibilities are limited to ensuring that the margin collateral notices are generated and confirmed with the counterparty.

On a daily basis, CAMEO will aggregate derivative products, by entity at an account level, the total net exposure (for those with master netting agreements) or gross exposure (for those without) of all trades with each counterparty (fed from DMS). Any collateral pledged to Lehman by the counterparty (housed in ITS, RISC, MTS, or TMS) will reduce its exposure amount.

Margin Call Tracking Report and Notification
After the engines are run, the margin manager runs the margin call tracking report, which details all of the margin calls by region that need to be acted upon for any given day's activity. It is monitored and reviewed on a daily basis by the margin group and is used to track pending, disputed and aged calls. It also creates an event (page reflecting margin call information) called Suggested Margin Calls, which details the collateral that Lehman is expecting to receive, Pending Margin calls (the analyst makes the actual call to the counterparty), the Disputed Margin Calls (calls that are flagged by the analyst as disputed by the counterparty), and the Unsettled collateral

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(collateral that will be sent the following day) for a specific account. Utilizing the margin call tracking report, a margin supervisor divides the workload among the collateral management group by assigning one analyst to each margin call. At the end of the day, the supervisor reviews the queue to ensure that items are being worked on in a timely manner. **The CAMEO Margin Call Tracking Report is generated daily which details all of the margin calls calculated by CAMEO that need to be acted upon and is monitored and reviewed on a daily basis by the Margin Group. Any outstanding margin call aged greater than two days is escalated to Corporate Credit, Sales and Trading, who contacts the counterparty.**

The Margin Call notices are issued to the counterparties via email or fax based on the margin call tracking report. The margin call notice can be customized to the clients need. It has the option to include trade MTM detail, deal specific detail, collateral detail, collateral instructions, and any pending call detail. The individual contacts for counterparty are stored in CAMEO and automatically appear when you generate a margin call notice. Once the margin call notice is sent to the counterparty, the analyst will confirm with the counterparty the margin to be received for the next business day. The analyst then will go back into the Margin Call Event and click on the pledge/receive button in order to book and track the collateral in CAMEO. **Once the collateral is booked in CAMEO it will send the payment received to the approval monitor for management to review and approve. All payments greater than $10 million require two approvers.**

If the collateral is cash collateral, a notice and message is sent from CAMEO to the settlement group and Automatic Settlement and Payment System ("ASAP"). ASAP is the firm's automatic settlement and payment system. ASAP generates a Swift message to the bank and creates an ITS journal entry. Below is a list of ITS accounts used by the Derivative Margin Group to record cash receipts. These account feed DBS.

ITS Account #	Entity	Type
89120000	LBSF	Principal
89120018	LBSF	Interest
93100022	LBIE	Principal
84910058	LBIE	Interest
51092492	LBF	Principal
84922079	LBF	Interest
89317408	LBFP	Principal
84991207	LBFP	Interest
89335038	LBDP	Principal
89335160	LBDP	Interest
93020014	LBFN	Principal
84549765	LBFN	Interest
98104169	LOTC	Principal
84012434	LOTC	Interest
89003008	LBCS	Principal
89003016	LBCS	Interest

If the collateral is a Fed wire deliverable security, the notice and message are automatically sent to MTS. MTS then sends a message to the bank which returns a message to CAMEO with settlement information. For securities, each account has its own unique MTS account number. For LBCC and LBI collateral, each account has its own unique RISC account. These accounts feed DBS. For TMS items, a memo generated from CAMEO

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is forwarded to the ADP Margin group.

If the collateral is a DTC delivery or physical delivery, then a memo is generated and sent to the appropriate back offices areas to settle the collateral.

Collateral Reconciliation Report
CAMEO reconciles to ITS, RISC, TMS, and MTS daily to ensure that all collateral pledged by the counterparty is received. The Collateral Reconciliation Report is run on a daily basis and reconciling items are researched by the Information and Exposure Management Group. These systems house all collateral that is pledged to the firm from US treasuries, mortgages in MTS, cash, foreign equities, some domestic equities in ITS and domestic equities in TMS. The report is broken out into three categories:

1. In CAMEO-Not in mainframe
2. In mainframe- Not in CAMEO
3. Quantity Mismatches

Differences may exist due to timing (i.e. collateral may be booked in CAMEO when it is expected and not into ITS/MTS until it is actually received). If breaks are identified between the two systems, the collateral analyst responsible for the account affected will investigate by performing a comparison of CAMEO and any of the four mainframes and clear the breaks either in CAMEO or one of the mainframes. The Settlement Group is responsible for reviewing GSSR reconciliations and making sure that collateral are ultimately collected. The Settlement Group will notify Collateral Margin Group ("CMG") if collateral fails.

Monitoring Collateral
At the end of day the Margin Supervisors reviews the margin call tracking report to verify that all margin calls have been made for the day. The Margin Call Summary Shredder is run to verify that outstanding (pending or disputed) margin calls have appropriate comments and are escalated if need be. All the outstanding margin calls are tracked on a daily basis via fax or e-mail. **Any outstanding margin call greater than three days is escalated to Corporate Credit, Sales, and Trading, who then contact the counterparty.**

The Global MIS report is produced using information from CAMEO showing exposure, margin calls, and movements. This report breaks down the exposure by status: agreed, awaiting response, disputed and past due. It also contains the exposure by counterparty, aging of the margin calls, and comments of any escalation actions taken. Global MIS displays outstanding margin calls on a global basis for all business and margin centers. This is distributed to the business, corporate credit, finance, regulatory and operations.

Failed collateral (collateral that was booked but never came in) is reported on the Open Counterparty Margin Fails Report, which is run from CAMEO on a daily basis. Outstanding items are researched by the Information and Exposure Management Operations Group.

On the first day of the month the Interest Accrual Report is run by the margin supervisor. This report displays payable and receivable interest accruals. Lehman earns interest on cash collateral posted to the counterparties and pays interest on cash collateral posted to Lehman. The report displays the legal entity, account name and number, payable or receivable accrued interest on all cash collateral and the last monthly interest cleanup event. The margin group sends an automatic external interest cleanup notice using the contact reflected in CAMEO. After confirming with the counterparty the analyst will process the payment or receive which is sent to ASAP for settlement. ASAP then feeds ITS and the journal is posted to the sub-ledger.

The Orphan Collateral Report is report run on an entity basis and shows collateral that has been booked to a risk management ID that is no longer in DMS and should be returned to the counterparty.

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Confirming our Understanding of Controls (Controls Strategy)

Describe the walkthrough procedures to confirm our understanding of the design of the controls and that they have been placed into operation. As we walkthrough the prescribed procedures and controls, we should ask personnel to describe their understanding of the control activities and demonstrate how they are performed. We keep in mind that controls may be manual, automated, or a combination of both. Application controls are fully automated controls that apply to the processing of individual transactions. IT-dependent manual controls are dependent upon complete and accurate IT processing to be fully effective.

EY Procedures

EY Selected the following sample to walkthrough:
Merrill Lynch USA Bank ("Merrill") and Lehman Brothers Special Financing Inc. ("LBSF")
Master ID #: 111601MLUS

EY Selected the following sample to walkthrough for the accrued interest section:
Moore Macro Markets Fund (Master), LP ("Moore") and Lehman Brothers Special Financing Inc. ("LBSF")
Master ID #: 092705MOOR

Application Feeds

- **DMS & Smart Ticket -** EY auditors obtained the Derivatives MTM Statement for Merrill as of 5-6-08 (**B6.7**) and selected one deal between Merrill and LBSF and obtained the Smart Ticket (**B6.7a**). EY agreed all pertinent deal information from the Smart Ticket (**B6.7a**) to the MTM Statement (**B6.7**) to ensure that information was being fed from Smart Ticket to CAMEO appropriately. In addition, EY auditors obtained the Suspect Deal Shredder as of 5-1-08 (**B6.7b**) to ensure that the deal did not break between Smart Ticket and DMS and did not appear on the report.

  Entity Master –EY auditors also obtained the ISDA Master Agreement (**B6.3**) and the Credit Support Annex ("CSA") Agreement (**B6.3b**) between Merrill Lynch Bank USA and LBSF dated as of August 9, 2001 and reviewed the collateral terms. EY auditor obtained Merrill's CSA Agreement to agree details to the Margin Rules Screenshot (**B6.4**), involved in the collateral process. EY auditors also obtained the Entity Master Screens for Merrill Lynch Bank USA (**B6.3a**) and agreed all pertinent counterparty details to the Master Agreement (**B6.3**). EY auditors obtained the Margin Rules screenshot for Merrill Lynch and LBSF (**B6.4**) and ensured that the collateral terms from the CSA Agreement (**B6.3b**) were properly fed into CAMEO.

  EY auditors also obtained the ISDA Master Agreement (**B6.2**) and the Credit Support Annex ("CSA") Agreement (**B6.2b**) between Moore Macro Markets Fund (Master), LP and LBSF dated as of November 1, 2005 and reviewed the collateral terms. Since the Moore sample was chosen strictly for purposes of walking through the interest accrual procedures, its related CSA Agreement was used only for informational purposes. EY auditors obtained the Entity Master Screens for Moore Macro Markets Fund (Master), LP (**B6.2a**) and agreed all pertinent counterparty details to the Master Agreement (**B6.2**).

- **ESM -** EY auditors obtained the CAMEO Day Price Variance Report (**B6.12a**) to verify that the report is run on a daily basis. EY auditors also obtained the Daily Price Email (**B6.12**) to

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ensure that the email is sent daily.

Margin Call Tracking Report and Notification
EY auditors obtained the Margin Call Tracking Report at 5-1-08 (**B6.6**) and verified that our walkthrough sample margin call for Merrill of $2,340,000 appeared on the Report.

EY auditor obtained the Margin Call Maintenance screenshot (**B6.5**) which shows the call details. Using the threshold information from the Margin Rules Screenshot (**B6.4**), EY auditors recalculated the margin call without error.

EY auditors obtained the Margin Call Notice sent to Merrill (**B6.5a**) and agreed the call details to the Margin Call Maintenance Screenshot @ 5-1-08 (**B6.5**) and the Audit Trail of the Margin Call (**B6.5b**). The Audit Trail of the Margin Call was obtained for informational purposes to view the timeline of the call from initiation to completion.

Collateral Reconciliation Report
EY auditors obtained the Collateral Reconciliation (CAMEO vs. Mainframe) as of 5-1-08 (**B6.9**) and noted that our walkthrough sample did not appear on the Report. Since it did not appear on the reconciliation report, EY auditor notes that the collateral was received and there were no breaks between information in CAMEO vs. the Mainframe.

Monitoring Collateral
EY auditors obtained the 5-1-08 Global MIS Report (**B6.10**). EY auditor noted that the margin call was not reported on this report because the call was not disputed.

EY auditors also obtained the Open Counterparty Margin Fails Report at 5-1-08 (**B6.13**) for informational purposes. Our walkthrough item did not appear on the Collateral Reconciliation Report (**B6.9**), and therefore was not classified as a "fail," and would not appear on the Open Counterparty Margin Fails Report.

EY auditors obtained the Interest Accrual Clean-up screenshot (**B6.8**) and the Interest Accrual Notice to Counterparty (**B6.8a**) and agreed the interest details. EY auditors also obtained the ASAP settlement screenshot (**B6.8b**), the ITS journal entry screenshot (**B6.8c**) and the GCCM Bank Confirmation screenshot (**B6.8d**) to ensure that the payment settled and that it was recorded in Lehman's books and records.

EY auditors obtained the Margin Payment Approval Screenshot for Merrill (**B6.11**) to show the approval of the 2,340,000 collateral from Merrill due on May 2, 2008.

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Section 2: Other Matters—Segregation of Incompatible Duties and Management Override of Controls

Segregation of Incompatible Duties

S03 Understand Flows of Transactions and WCGWs of *EY GAM* requires that we assess the extent to which significant weaknesses in the proper segregation of incompatible duties could increase the likelihood of material misstatements in account balances. Inadequate segregation of incompatible duties also may reduce or eliminate the design effectiveness of a control. Accordingly, we consider whether those individuals performing the procedures and controls observed as part of our walkthrough procedures have any conflicting duties and whether any potential conflicting duties have been addressed in the design of the procedures and controls.

Our considerations related to segregation of duties as part of our walkthrough procedures are documented below:

<table>
<tr><td>Was anything noted in our walkthrough procedures that would indicate there are incompatible duties?</td><td colspan="2">Yes/No
No</td></tr>
<tr><td rowspan="2">If we answered "Yes" to the above:
Do the incompatible duties represent a deficiency in the design of controls that is not sufficiently mitigated by other management actions or controls that have been identified (Substantive and Controls Strategy) and tested (Controls Strategy)?</td><td>Yes/No</td><td>Additional Observations</td></tr>
<tr><td>N/A</td><td>N/A</td></tr>
<tr><td>If we answered "Yes" to both of the above questions, provide further documentation and the related effect on our audit strategy.</td><td colspan="2">N/A</td></tr>
</table>

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Management Override of Controls

S04_Perform Walkthroughs of *EY GAM* requires that we consider whether the results of our inquiries or other evidence obtained during our walkthroughs provides information regarding the possibility of management override of controls or indicators of fraud. The potential for management override of controls is one of the factors that can influence our evaluation of controls, including the effectiveness of internal control at the entity level.

Our considerations related to management override of controls as part of our walkthrough procedures are documented below:

<table>
<tr><td>Was anything noted in our walkthrough of controls that indicate the potential for management override of controls or that such override may have occurred?</td><td colspan="2">Yes/No
No</td></tr>
<tr><td rowspan="2">If we answered “Yes” to the above:
• Does the potential for management override of controls represent a deficiency in the design of controls that is not sufficiently mitigated by management actions or controls that have been identified (Substantive and Controls Strategy) and tested (Controls Strategy)?</td><td>Yes/No</td><td>Additional Observations</td></tr>
<tr><td>N/A</td><td>N/A</td></tr>
<tr><td>If we answered “Yes” to both of the above questions, provide further documentation and the related effect on our audit strategy.</td><td colspan="2">N/A</td></tr>
</table>

Section 3: Conclusion

At the completion of our walkthrough procedures, we reach a conclusion on whether our results confirmed our understanding of the flow of transactions or sources and preparation of information. Additionally, if we planned to assess control risk at less than the maximum, we are performing an integrated audit, or the class of transactions contains a significant risk, we reach a conclusion on whether our results confirmed our understanding of whether the controls have been implemented and whether the controls have been designed effectively to prevent or detect and correct material misstatements on a timely basis.

If we are unable to conclude that controls are effectively designed and have been implemented, we may need to reassess our strategy decision (i.e., Controls Strategy v. Substantive Strategy) at the significant class of transactions level and reassess our evaluation of controls. For integrated audits, we determine whether the missing or ineffective control(s) represent one or more control deficiencies that we include on the Summary of Control Deficiencies (EY Form U220).

Our conclusions are documented below or in GAMx (Perform Walkthroughs screen):[1]

	Yes/No	Additional Observations
Did our walkthrough procedures confirm our understanding of the flow of significant classes of transactions within significant processes or sources and preparation of information resulting in significant disclosures (Substantive and Controls Strategy)?	Yes	None noted.
Did our walkthrough procedures confirm that the identified WCGWs represent the points within the flow of significant classes of transactions, or sources and preparation of information in significant disclosures, where material misstatements could occur (Substantive and Controls Strategy)?	Yes	None noted.
Did our walkthrough procedures confirm that the controls have been effectively designed and placed into operation (Controls Strategy)?	Yes	None noted.

[1] If any of the situations are noted, we further describe the issues that were noted, and update our process documentation and GAMx file accordingly.