

# **EXHIBIT A**

**ET Section 101 - Independence****.01 Rule 101—Independence.**

A member in public practice shall be independent in the performance of professional services as required by standards promulgated by bodies designated by Council.

[As adopted January 12, 1988.]

# **EXHIBIT B**

**AU Section 508****Reports on Audited Financial Statements**

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**The Auditor's Standard Report**

.07

The auditor's standard report states that the financial statements present fairly, in all material respects, an entity's financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. This conclusion may be expressed only when the auditor has formed such an opinion on the basis of an audit performed in accordance with generally accepted auditing standards.

.08

The auditor's standard report identifies the financial statements audited in an opening (introductory) paragraph, describes the nature of an audit in a scope paragraph, and expresses the auditor's opinion in a separate opinion paragraph. The basic elements of the report are the following:

- a. A title that includes the word *independent* <sup>fn.3</sup>
- b. A statement that the financial statements identified in the report were audited
- c. A statement that the financial statements are the responsibility of the Company's management <sup>fn.4</sup> and that the auditor's responsibility is to express an opinion on the financial statements based on his or her audit
- d. A statement that the audit was conducted in accordance with generally accepted auditing standards and an identification of the United States of America as the country of origin of those standards (for example, auditing standards generally accepted in the United States of America or U.S. generally accepted auditing standards)
- e. A statement that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement
- f. A statement that an audit includes—
  - (1) Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
  - (2) Assessing the accounting principles used and significant estimates made by management
  - (3) Evaluating the overall financial statement presentation <sup>fn.5</sup>

- g. A statement that the auditor believes that his or her audit provides a reasonable basis for his or her opinion
- h. An opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Company as of the balance sheet date and the results of its operations and its cash flows for the period then ended in conformity with generally accepted accounting principles. The opinion should include an identification of the United States of America as the country of origin of those accounting principles (for example, accounting principles generally accepted in the United States of America or U.S. generally accepted accounting principles <sup>in.6</sup> )
- i. The manual or printed signature of the auditor's firm
- j. The date <sup>in.7</sup> of the audit report

The form of the auditor's standard report on financial statements covering a single year is as follows:

#### Independent Auditor's Report

We have audited the accompanying balance sheet of X Company as of December 31, 20XX, and the related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the preceding present fairly, in all material respects, the financial position of X Company as of [at] December 31, 20XX, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

[Signature]

[Date]

The form of the auditor's standard report on comparative financial statements <sup>in.8</sup> is as follows:

#### Independent Auditor's Report

We have audited the accompanying balance sheets of X Company as of December 31, 20X2 and 20X1, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the preceding present fairly, in all material respects, the financial position of X Company as of [at] December 31, 20X2 and 20X1, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

[*Signature*]

[*Date*]

[As amended, effective for reports issued or reissued on or after June 30, 2001, by Statement on Auditing Standards No. 93.]

.09

The report may be addressed to the company whose financial statements are being audited or to its board of directors or stockholders. A report on the financial statements of an unincorporated entity should be addressed as circumstances dictate, for example, to the partners, to the general partner, or to the proprietor. Occasionally, an auditor is retained to audit the financial statements of a company that is not a client; in such a case, the report is customarily addressed to the client and not to the directors or stockholders of the company whose financial statements are being audited.

.10

This section also discusses the circumstances that may require the auditor to depart from the standard report and provides reporting guidance in such circumstances. This section is organized by type of opinion that the auditor may express in each of the various circumstances presented; this section describes what is meant by the various audit opinions:

- *Unqualified opinion.* An unqualified opinion states that the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles. This is the opinion expressed in the standard report discussed in paragraph .08.

- *Explanatory language added to the auditor's standard report.* Certain circumstances, while not affecting the auditor's unqualified opinion on the financial statements, may require that the auditor add an explanatory paragraph (or other explanatory language) to his or her report.
- *Qualified opinion.* A qualified opinion states that, except for the effects of the matter(s) to which the qualification relates, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles.
- *Adverse opinion.* An adverse opinion states that the financial statements do not present fairly the financial position, results of operations, or cash flows of the entity in conformity with generally accepted accounting principles.
- *Disclaimer of opinion.* A disclaimer of opinion states that the auditor does not express an opinion on the financial statements.

These opinions are discussed in greater detail throughout the remainder of this section.

# **EXHIBIT C**

# CPA PRACTICE MANAGEMENT FORUM **EXTRA**

February 2009 Part 2

Volume 5, No. 2

## **2009 Annual Directory of CPA Firm Associations and Networks**

In challenging economic times, public accounting firms can find strength and enhanced value in the resources of CPA firm associations and networks. Across the country and the globe, in such cities as Las Vegas, Phoenix, Seattle, Sacramento, Denver, Detroit and Cleveland (to name a few), associations and networks are looking for a few good members to add to their teams. CCH's *Annual Directory of CPA Firm Associations and Networks* details 41 associations and networks—taking a look at what they offer, what they're looking for, how much it costs to participate and more! This year's survey adds new information on the geographic distribution of member firms, the association/network distinction, and whether associations and networks are providing member education regarding the anticipated convergence of GAAP with IFAS. Enjoy!

**February 2009**



<p><b>Service Codes:</b></p> <p>A. Member conferences/meetings (frequency)</p> <p>B. Networking/information exchange within specific peer groups (e.g., MPs, marketing, COOs/firm administrators) in person, at conferences or elsewhere</p> <p>C. Networking/information exchange within specific peer groups (e.g., MPs, marketing, COOs/firm administrators) via Webcast or teleconference</p> <p>D. CPE for technical proficiency</p> <p>E. CPE for "soft" skills (e.g., leadership, marketing)</p> <p>F. CPE via remote medium such as DVD or intranet</p> <p>G. International referrals</p> <p>H. Technical manuals, software and other tools</p> <p>I. Assistance with marketing collateral templates</p> <p>J. Assistance with Web site development and/or hosting and maintenance</p> <p>K. Assistance in development of niche practices</p> <p>L. General client newsletters/mailings (print)</p> <p>M. General client newsletters/mailings (electronic)</p> <p>N. Niche client newsletters/mailings (print)</p> <p>O. Niche client newsletters/mailings (electronic)</p> <p>P. Newsletter distribution facilitated (print)</p> <p>Q. Newsletter distribution facilitated (electronic)</p>	<p>R. Recruiting and human resources programs/assistance</p> <p>S. Vendor/consultant discounts</p> <p>T. Members' only intranet</p> <p>U. Podcasts/web casts/teleconferences</p> <p>V. Proprietary research and/or surveys that generate publicity for association or member firms</p> <p>W. International staff exchanges</p> <p>X. Formal peer review program</p>	<p>1 Extra fee charged</p> <p># Utilizes a management organization</p> <p>** BDO Seidman's firm revenues, 7/28/08</p> <p>* Gross revenue, \$M; net revenue figure N/A</p> <p>† For period ending 12/31/07</p> <p>‡ North American revenue figure: global revenue, including North America, \$284.5 M</p> <p>††† Firm Foundation and RSM McGladrey Network share staff.</p>	<p><b>Note:</b> Revenue figures generally between 10/1/07 and 10/1/08 unless otherwise noted. Exchange rates to U.S. dollars based on currency rates, Jan. 12, 2009; U.S. dollar/British pound 1.4955371; U.S. dollar/Euro 1.3393971.</p>
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<p><b>AGN International-North America</b>                  Rita J. Hood, Executive Director                  2851 S. Parker Road, Suite 850                  Aurora, CO 80014                  Fax: 303-743-7880                  E-mail: rhood@agn.org                  Charlie McGimssey, U.S. Chair                  Fax: 404-898-2000                  E-mail: cmcgimssey@winhambraun.com                  Web: www.agn-na.org</p>	<p>6/0</p>	<p>4</p>	<p>46</p>	<p>6</p>	<p>152</p>	<p>46</p>	<p>1/0</p>	<p>105</p>	<p>11.8</p>	<p>\$625.68 M</p>	<p><b>Reporting As:</b> Int'l association based abroad, listing its information through U.S. or "Americas" regional entity</p> <p><b>Largest U.S. Firm:</b> Rothstein, Kass &amp; Co./New York</p> <p><b>Smallest U.S. Firm:</b> Kane &amp; Co./Miami</p> <p><b>International Affiliate:</b> AGN International-North America is a region of AGN International</p> <p><b>Fees Initial/Annual:</b> \$5,000/\$15,000 plus percentage of revenues</p> <p><b>Membership Requirements:</b> Growing firms with young, aggressive partners and revenue of \$2 million otherwise, prefer firms with revenues of \$4 million; not likely to consider firms in smaller metro areas with existing AGN members</p> <p><b>Seeking Representation In:</b> Salt Lake City; Las Vegas; Phoenix; Nashville; Calgary, Edmonton, Canada; Oklahoma City; Little Rock; Billings, Mont.</p> <p><b>Quality Control Program:</b> Reports from AICPA peer review</p> <p><b>Referrals Expected Between Members?:</b> No</p> <p><b>Does Association Track Referrals?:</b> Not intra-U.S.; internationally, between countries</p> <p><b>If Yes, Tracking Criteria:</b> Twice a year, members receive request for referrals given/rec'd, if any</p> <p><b>How Is Tracking Info Used?:</b> For internal information purposes only</p> <p><b>Services Provided:</b> A1 (annual), B1, C, D1, E1, F, G, I1, M1, N1, O, R, S, T, U, W</p> <p><b>Other Services:</b> Online anonymous upward evaluation services; quarterly teleconferences for A&amp;A, tax, HR, IT, marketing, business valuations, not-for-profit, SALT; working moms listserve; online knowledge, expertise banks; Beta Alpha Psi Advisory Forum membership; Plain English Accounting membership; predictive index surveys; staff, partner training; video library</p> <p><b>Niche Practices:</b> Construction; healthcare; SALT; employee benefit plan administration; pension plan audits; not-for-profit; manufacturing; business valuation; SEC clients; family office practices; small business practices</p> <p><b>Education for Convergence of GAAP and IFAS?:</b> Yes</p> <p><b>Needs Assessment of Member Firms?:</b> No</p> <p><b>Plan to Meet Members' Potential Needs for Expertise, Assistance? Yes</b></p> <p><b>Network or Association? Association</b></p>
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<p><b>BKR International</b>                  Maureen Schwartz, Executive Director                  19 Fulton Street, Suite 306                  New York, NY 10038                  212-964-2115                  Fax: 212-964-2133                  E-Mail: bkr@bkr.com                  Donald Timmins, Americas Regional                  Chairman                  613-236-9191                  Fax: 613-236-6258                  E-mail: dtimmins@welchtllp.com                  Web: www.bkr.com</p>	<p>3/4</p>	<p>1</p>	<p>46</p>	<p>11</p>	<p>6</p>	<p>19</p>	<p>46</p>	<p>1/1</p>	<p>0</p>	<p>8.1</p>	<p>\$1.33 B</p>	<p><b>Reporting As:</b> Intl association based in the U.S.  <b>Largest U.S. Firm:</b> Toffas/Boston  <b>Smallest U.S. Firm:</b> DNP  <b>Fees Initial/Annual:</b> \$5,000/\$10,000-\$22,000, based on firm revenue  <b>Membership Requirements:</b> In target city (see below), leader in market area, willing to participate in association activities  <b>Seeking Representation In:</b> Sacramento; Delaware; Indianapolis; Las Vegas; New Mexico; New York (Albany, Buffalo, Syracuse); Nashville; Texas (Austin, El Paso, San Antonio); Richmond, Va.; Milwaukee  <b>Quality Control Program:</b> Reports from AICPA peer review  <b>Referrals Expected Between Members?:</b> Yes  <b>Does Association Track Referrals?:</b> Yes  <b>If Yes, Tracking Criteria:</b> DNP  <b>How Is Tracking Into Used?:</b> DNP  <b>Services Provided:</b> A (annual global; quarterly regional, subregional, niche); B, C, D, E, F, G, H, I, K, L, M, N, O, P, Q, R, S, T, U, V, W, X  <b>Other Services:</b> Comprehensive marketing tools, programs, interactive Web site; unlimited access to First Research and ProfitCents; Doing Business brochures series for 39 countries; The BKR Leadership Institute; strategic alliances for financial services, document mgmt. software/cost segregation studies; R&amp;D credits; lead generation, media relations, document management and review program for CPA candidates  <b>Niche Practices:</b> Americas region; business valuation and forensic accounting; emerging leaders; financial services; firm administrators; gov/Not-for-profit accounting/auditing; healthcare accounting/tax; advisement and consulting; high net worth families/estate planning; HR; Leading Edge Technology; others  <b>Education for Convergence of GAAP and IFAS?:</b> Yes  <b>Needs Assessment of Member Firms?:</b> Yes  <b>Plan to Meet Members' Potential Needs for Expertise, Assistance?:</b> Yes  <b>Network or Association?:</b> Association  <b>Reporting As:</b> Niche-specific U.S. association  <b>Largest U.S. Firm:</b> DNP  <b>Smallest U.S. Firm:</b> DNP  <b>Fees Initial/Annual:</b> \$1,500/\$1,650  <b>Membership Requirements:</b> DNP  <b>Seeking Representation In:</b> DNP  <b>Quality Control Program:</b> DNP  <b>Referrals Expected Between Members?:</b> Don't know  <b>Does Association Track Referrals?:</b> No  <b>Services Provided:</b> A1 (annual); B, D, E, J, K, M, N1, O1, S, T  <b>Plan to Meet Members' Potential Needs for Expertise, Assistance?:</b> DNP  <b>Network or Association?:</b> DNP  <b>Reporting As:</b> Niche-specific U.S. association  <b>Largest U.S. Firm:</b> DNP  <b>Smallest U.S. Firm:</b> DNP  <b>Fees Initial/Annual:</b> \$1,500/\$1,650  <b>Membership Requirements:</b> DNP  <b>Seeking Representation In:</b> DNP  <b>Quality Control Program:</b> Client reference; executive committee oversight; member references  <b>Referrals Expected Between Members?:</b> Don't know  <b>Does Association Track Referrals?:</b> No  <b>Services Provided:</b> A1 (annual); B, D, E, J, K, M, N1, O1, S, T  <b>Other Services:</b> Listservs  <b>Niche Practices:</b> Community banking  <b>Education for Convergence of GAAP and IFAS?:</b> DNP  <b>Needs Assessment of Member Firms?:</b> DNP  <b>Plan to Meet Members' Potential Needs for Expertise, Assistance?:</b> DNP  <b>Network or Association?:</b> DNP</p>
<p><b>CPA (AICPA) Int'l Business Council (Ibma)</b>                  Association                  Patrick Pruitt, Executive Director                  624 Grassmere Park Drive, Suite 15                  Nashville, TN 37211                  615-377-3392                  Fax: 615-377-7092                  E-Mail: info@ibma.org                  Web: www.ibma.org</p>	<p>3/1</p>	<p>19</p>	<p>19</p>	<p>DNP</p>	<p><b>CBAN (Community Banking Advisory Network)</b>                  Patrick Pruitt, Executive Director                  624 Grassmere Park Drive, Suite 15                  Nashville, TN 37211                  615-377-3392                  Fax: 615-377-7092                  E-Mail: info@bankingcpas.com                  Web: www.bankingcpas.com</p>							



<p><b>CPASNET.COM</b> Cornell Rudov, President P.O. Box 7648 Princeton, NJ 08543-7648 609-890-0900 Fax: 609-688-9720 E-Mail: crudov@cpasnet.com Jeff Coleman, U.S. Chair 410-561-4411 Fax: 410-561-4586 E-Mail: jeff.coleman@webcpas.com Web: www.cpasnet.com</p>	<p>2/0</p>	<p>0</p>	<p>30</p>	<p>DNP</p>	<p>DNP</p>	<p>30</p>	<p>1/1</p>	<p>0</p>	<p>3</p>	<p>\$500,000</p>	<p><b>Reporting As:</b> U.S. association with int'l affiliates <b>Largest U.S. Firm:</b> Mercador/Princeton, N.J. <b>Smallest U.S. Firm:</b> Pactos, Rausch &amp; Co./Auburn, Maine <b>International Affiliate:</b> DNP <b>Fees Initial/Annual:</b> \$650/\$7200 <b>Membership Requirements:</b> Territorial exclusivity; dedicated to marketing and growing practice; revenue of \$1 million; peer review <b>Seeking Representation In:</b> Boston; Washington D.C.; Orlando; Columbus, Ohio; Indianapolis; Dallas; Phoenix; Los Angeles; San Francisco; Kansas City, Missouri <b>Quality Control Program:</b> Reports from AICPA peer review <b>Referrals Expected Between Members?:</b> No <b>Does Association Track Referrals?:</b> Yes <b>If Yes, Tracking Criteria:</b> Monthly questionnaire <b>How Is Tracking Info Used?:</b> Maintain database, attract members <b>Services Provided:</b> AI (semiannual), B, C, D1, E1, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, V, W <b>Niche Practices:</b> Auto dealers; real estate; construction; medical practice; legal; nonprofit; investment advisory services; outsourcing; technology; business valuations <b>Education for Convergence of GAAP and IFAS?:</b> Yes <b>Needs Assessment of Member Firms?:</b> Yes <b>Plan to Meet Members' Potential Needs for Expertise, Assistance? No</b> <b>Network or Association?</b> Association</p>
<p><b>CPA USA Network (formerly WCPAUS)</b> Jeff Fanto, Executive Director 180 South Lakeshore Brynoln, PA 19002 215-272-1074 Fax: 215-272-5704 E-Mail: jfanto@cpausanetwork.org 20151 Ford, U.S. Chair Web: www.cpausa.org</p>	<p>0/0#</p>	<p>0</p>	<p>30</p>	<p>DNP</p>	<p>DNP</p>	<p>30</p>	<p>0/3</p>	<p>0</p>	<p>13</p>	<p>DNP</p>	<p><b>Reporting As:</b> U.S. association with int'l affiliates <b>Largest U.S. Firm:</b> DNP/California <b>Smallest U.S. Firm:</b> DNP/Connecticut <b>International Affiliate:</b> Pacific Partners/Robson <b>Fees Initial/Annual:</b> \$450/\$200 <b>Membership Requirements:</b> Geographic exclusivity <b>Seeking Representation In:</b> Midwest Southwest West Central US <b>Quality Control Program:</b> Progressive leadership <b>Referrals Expected Between Members?:</b> Yes <b>Does Association Track Referrals?:</b> No <b>If Yes, Tracking Criteria:</b> C, D1, E1, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, V, W <b>Services Provided:</b> AI, CPA, CFP, CFP II, CFP III <b>Education for Convergence of GAAP and IFAS?:</b> Yes <b>Needs Assessment of Member Firms?:</b> Yes <b>Plan to Meet Members' Potential Needs for Expertise, Assistance? No</b> <b>Network or Association?</b> Association</p>
<p><b>DFK International/USA</b> Jay Hauck, Executive Director 2300 N Street, NW, Suite 200 Washington, DC 20037 202-462-1588 Fax: 202-833-3636 E-mail: jhauck@dfkusa.com U.S. Chair: Bruce Madrick Web: www.dfkusa.com</p>	<p>3/0#</p>	<p>3</p>	<p>25</p>	<p>14</p>	<p>120</p>	<p>25</p>	<p>1/2</p>	<p>0</p>	<p>9.0</p>	<p>\$383.8 M</p>	<p><b>Reporting As:</b> U.S. association with int'l affiliates <b>Largest U.S. Firm:</b> Friedman/New York <b>Smallest U.S. Firm:</b> DNP <b>International Affiliate:</b> DFK International <b>Fees Initial/Annual:</b> \$500 application fee applicable to \$5,000 initiation fee/\$13,000-\$25,000, based on formula, call for quote <b>Membership Requirements:</b> Must be willing to participate, share info, expertise; territorial exclusivity; must be among leading firms in market; independent, full-service firm (PCA0B registrants encouraged); growth-oriented, progressive leadership <b>Seeking Representation In:</b> Miami; Tampa; Detroit; Phoenix; Minneapolis; Cleveland; other cities with no DFK members <b>Quality Control Program:</b> Reports from AICPA peer review; other AICPA quality centers; PCA0B; DFK pre-admittance questionnaire and site visit to firm <b>Does Association Track Referrals?:</b> Yes <b>Referrals Expected Between Members?:</b> Yes <b>If Yes, Tracking Criteria:</b> Quarterly reports <b>How Is Tracking Info Used?:</b> Recordkeeping purposes only for domestic referrals; administrative fee (%) charged on int'l referrals <b>Other Services Provided:</b> AI (several/year), B1 (varies), C, D1, E1, G, S, T, W, X1 <b>Education for Convergence of GAAP and IFAS?:</b> Yes <b>Needs Assessment of Member Firms?:</b> Yes <b>Plan to Meet Members' Potential Needs for Expertise, Assistance? Yes</b> <b>Network or Association?</b> Association</p>

<p>Business Network: Waterline Public Park Executive Director 6218 Cassmore Park Drive, Suite 16 Naperville, IL 60563 Tel: 630-377-6322 Fax: 630-377-6322 E-Mail: <a href="mailto:dean@firmfoundationcpa.com">dean@firmfoundationcpa.com</a> Web: <a href="http://www.firmfoundationcpa.com">www.firmfoundationcpa.com</a></p>	<p>34</p>	<p>26</p>	<p>DNP</p>	<p>20</p>	<p>26</p>	<p>13/0</p>	<p>0</p>	<p>2.3</p>	<p>DNP</p>	<p>Reporting As: U.S. association, U.S. association Largest U.S. Firm: U.S. association Smallest U.S. Firm: U.S. association Fees Initial/Annual: \$1500/\$1500 Membership: Real/Inactive: DNP Quality Control Program: Program Referrals Expected Between Members?: Yes Diverse Association Track Referrals?: Yes If Yes: Tracking Criteria: Substantive How is Tracking Done? Daily/Periodic Services Provided: A1, B, C, D1, E1, F1, G1, H1, I1, J1, K1, L1, M1, N1, O1, P1, Q1, R1, S1, T1, U1, V1 Other Services: Financial statistics benchmark assessment, strategic retreat facilitation, HR consulting (inc. employee engagement assessment) Needs Assessment of Member Firms?: Yes Plan to Meet Members' Potential Needs for Expertise, Assistance? DNP Network of Association? Association</p>
<p><b>Firm Foundation</b> Dean Sengstock, Executive Director 401 Main Street, Suite 1560 Peoria, IL 61602 866-548-2938 Fax: 309-673-9852 E-Mail: <a href="mailto:dean.sengstock@rsmi.com">dean.sengstock@rsmi.com</a> Web: <a href="http://www.firmfoundationcpa.com">www.firmfoundationcpa.com</a></p>	<p>384111</p>	<p>DNP</p>	<p>DNP</p>	<p>DNP</p>	<p>26</p>	<p>13/0</p>	<p>0</p>	<p>2.3</p>	<p>DNP</p>	
<p><b>ICMA (National CPA Health Care Consultants Association)</b> Patrick From 1560 Park Drive, Suite 16 Naperville, IL 60563 Tel: 630-377-6322 Fax: 630-377-6322 E-Mail: <a href="mailto:patrick@firmfoundationcpa.com">patrick@firmfoundationcpa.com</a> Web: <a href="http://www.firmfoundationcpa.com">www.firmfoundationcpa.com</a></p>	<p>34</p>	<p>26</p>	<p>DNP</p>	<p>20</p>	<p>26</p>	<p>13/0</p>	<p>0</p>	<p>2.3</p>	<p>DNP</p>	
<p><b>ICMA (National CPA Health Care Consultants Association)</b> Patrick From 1560 Park Drive, Suite 16 Naperville, IL 60563 Tel: 630-377-6322 Fax: 630-377-6322 E-Mail: <a href="mailto:patrick@firmfoundationcpa.com">patrick@firmfoundationcpa.com</a> Web: <a href="http://www.firmfoundationcpa.com">www.firmfoundationcpa.com</a></p>	<p>34</p>	<p>26</p>	<p>DNP</p>	<p>20</p>	<p>26</p>	<p>13/0</p>	<p>0</p>	<p>2.3</p>	<p>DNP</p>	

<p><b>HLB International</b>                  Peter Frost, Executive Director                  21 Ebury Street                  London SW1W 0LD U.K.                  44-0-20-7881-1100                  Fax: 44-0-20-7881-1109                  E-Mail: mailbo@hlbi.com                  David A. Stone, U.S. Chair                  952-944-5166                  Fax: 952-944-9496                  E-Mail: dstone@sidebaillly.com                  Web: www.hlbi.com</p>	<p>1/1</p>	<p>8</p>	<p>20</p>	<p>22</p>	<p>160</p>	<p>20</p>	<p>2/0</p>	<p>0</p>	<p>29</p>	<p>\$1.91 B</p>	<p><b>Reporting As:</b> Int'l network based abroad, but listing its information through a U.S. or "America's" regional entity  <b>Largest U.S. Firm:</b> Clifton Gunderson/Peoria, Ill.  <b>Smallest U.S. Firm:</b> Simonon Kida/Houston  <b>Fees Initial/Annual:</b> None/based on revenue  <b>Membership Requirements:</b> Growing firm; meet quality requirements; int'l business opportunities; attendance, involvement in conferences, meetings; prompt reporting  <b>Seeking Representation In:</b> Detroit, Ohio; Las Vegas, Dallas  <b>Quality Control Program:</b> Proprietary peer review, reports from AICPA peer review, AICPA quality centers, PCAOB  <b>Referrals Expected Between Members?:</b> Yes  <b>Does Association Track Referrals?:</b> Yes  <b>If Yes, Tracking Criteria:</b> Annual reporting  <b>How Is Tracking Info Used?:</b> To assess business development activities  <b>Services Provided:</b> A1 (annual int'l, regional conferences, meetings), B, C, D, E, F, G, H, I, K, L, M, S, T, U, W, X1  <b>Niche Practices:</b> Int'l, U.S. tax, SALT, HR, IT, marketing, employee benefit plans; IFRS and extensive auditing resources; industry resources  <b>Education for Convergence of GAAP and IFAS?:</b> Yes  <b>Needs Assessment of Member Firms?:</b> Yes  <b>Plan to Meet Members' Potential Needs for Expertise, Assistance? Yes</b>  <b>Network or Association?</b> Network</p>
<p><b>Popcorn International</b>                  Frances Hired, Chief Executive Officer                  300 Lexington Avenue, Suite 320                  New York, NY 10176                  212-608-2200                  Fax: 212-309-2200                  E-Mail: fhired@popcorn.com                  Web: www.popcorn.com</p>	<p>0/0</p>	<p>4</p>	<p>7</p>	<p>3</p>	<p>139</p>	<p>5</p>	<p>DNP</p>	<p>23</p>	<p>2011</p>	<p>\$1.95 B</p>	<p><b>Reporting As:</b> Int'l network based abroad, but listing its information through a U.S. or "America's" regional entity  <b>Largest U.S. Firm:</b> Crown Kiewit/Detroit, MI  <b>Smallest U.S. Firm:</b> Harkins/Houston, TX  <b>Fees Initial/Annual:</b> \$200/\$200 based on revenue; no fee for initial review  <b>Membership Requirements:</b> High quality, quality control review  <b>Seeking Representation In:</b> VA  <b>Quality Control Program:</b> Proprietary review, reports from AICPA peer review, PCAOB, IFRS, SALT, HR, IT, marketing, employee benefit plans; IFRS and extensive auditing resources; industry resources  <b>Education for Convergence of GAAP and IFAS?:</b> Yes  <b>Needs Assessment of Member Firms?:</b> Yes  <b>Plan to Meet Members' Potential Needs for Expertise, Assistance? Yes</b>  <b>Network or Association?</b> Network</p>
<p><b>IAPA</b>                  Susan Humphry, Chief Executive Officer                  Old Chambers                  99-94 West Street                  Farnham, Surrey GU9 7EB                  44-1252-720-810                  Fax: 44-1252-720-830                  E-Mail: s.humphry@iapa.net                  Herb Alexander, U.S. Chair                  781-965-9100                  E-Mail: info@iapa.com                  Web: www.iapa.net</p>	<p>0/1</p>	<p>2</p>	<p>17</p>	<p>15</p>	<p>178</p>	<p>17</p>	<p>1/2</p>	<p>0</p>	<p>11.7</p>	<p>\$321 M</p>	<p><b>Reporting As:</b> Int'l association based abroad  <b>Largest U.S. Firm:</b> Bardon/New York  <b>Smallest U.S. Firm:</b> DNP  <b>Fees Initial/Annual:</b> \$1,260 (\$1,884/\$1,900 (\$2,842) plus \$325 (\$466)/branch, \$100 (\$150)/partner (up to 20 partners) and 5% of fees earned from work referred within network, additional Americas Region fee \$200  <b>Membership Requirements:</b> Capacity to serve int'l clients; good standing within national accountancy/regulatory bodies; financial viability; compliance with IAPA quality criteria  <b>Seeking Representation In:</b> Chicago, Charlotte, Cleveland, Dallas, Detroit, Memphis, Minneapolis, San Diego, San Francisco, St. Louis  <b>Quality Control Program:</b> Reports from AICPA peer review  <b>Referrals Expected Between Members?:</b> Yes  <b>Does Association Track Referrals?:</b> Yes  <b>If Yes, Tracking Criteria:</b> Members submit completed referral forms annually  <b>How Is Tracking Info Used?:</b> To track the success of the association  <b>Services Provided:</b> A1 (three/year), B, E, G, L, Q, T, W  <b>Education for Convergence of GAAP and IFAS?:</b> No  <b>Needs Assessment of Member Firms?:</b> Yes  <b>Plan to Meet Members' Potential Needs for Expertise, Assistance? No</b>  <b>Network or Association?</b> Association</p>





<p>Leading Edge All services Kaden Mack, Executive Director 801 Oak Street St. Charles, IL 60174 630-573-3334 Fax: 630-574-3074 E-Mail: kaden@edge.com K. Michael Gann, U.S. Chair 630-573-3874 Web: www.edge.com</p>	<p>26</p>	<p>45</p>	<p>5</p>	<p>19</p>	<p>21</p>	<p>5/0</p>	<p>0</p>	<p>7</p>	<p>\$150 M</p>	<p>Reporting As: Int'l association based abroad, listing information through a U.S. or "Americas" regional entity <b>Largest U.S. Firm:</b> Braver PC/Newton, Mass. <b>Smallest U.S. Firm:</b> Sneed &amp; Williams/Danville, Va. <b>Fees Initial/Annual:</b> \$1,500/0; 10% of firm's turnover (min. \$2,500, max. \$13,500) plus \$2,000 North America fee <b>Membership Requirements:</b> Should not be a member of another int'l association of accounting firms; principals must be suitably qualified and permitted to practice as accountants and auditors; must be authorized and capable of carrying out audits of at least privately held companies in accordance with Int'l Auditing Standards; provide advice on all domestic taxes and duties; provide bookkeeping and accountancy services in accordance with Int'l Accounting Standards; must attend either an area or int'l MGI meeting at least every two years; more <b>Seeking Representation In:</b> Cleveland; Chicago; San Diego; Phoenix; Denver; Kansas City; Syracuse; Milwaukee; Indianapolis; Detroit <b>Quality Control Program:</b> Proprietary peer review; reports from AICPA peer review <b>Referrals Expected Between Members?:</b> Referrals are frequent; however, the value of membership is based on outreach rather than referrals <b>Does Association Track Referrals?:</b> No <b>Services Provided:</b> At (annual general meeting; at least one area meeting/year for each of eight areas; fees vary per location, continent), B, C, D (some areas), E, F, G, H, J, K, L, M, N, Q, R, S (some areas), T, U, V, W, X <b>Other Services:</b> Corporate publications (MGI brochure in seven languages; members' guide, annual directory, poster, certificate; int'l meetings; marketing resource for individual and group support; regional marketing group support system; Doing Business in... country guides; case studies; research; generic PowerPoint presentations; media relations advice/press pack; corporate identity guidelines; monthly news updates; e-newsletters <b>Education for Convergence of GAAP and IFAS?:</b> Yes <b>Needs Assessment of Member Firms?:</b> Yes <b>Plan to Meet Members' Potential Needs for Expertise, Assistance? Yes</b> <b>Network of Association?</b> Association</p>
<p>Moore Stephens North America Steven E. Shook, Executive Director 10015 4th Ave Boulder, CO 80501 303-440-1100 Fax: 303-440-1100 E-Mail: steven@moorestephens.com William T. Young, U.S. Chair 303-440-1100 Web: www.moorestephens.com</p>	<p>201P</p>	<p>32</p>	<p>7</p>	<p>6</p>	<p>140</p>	<p>21</p>	<p>9</p>	<p>2</p>	<p>0/3</p>	<p>201P</p>

<p><b>The Moss Adams Connection</b>                  Scott Martin, Executive Director                  601 W. Riverside, Suite 1800                  Spokane, WA 99201                  Fax: 509-624-5129                  E-Mail: scott.martin@mossadams.com                  Web: www.mossadams.com/maz/default.aspx</p>	<p>1/1</p>	<p>DNP</p>	<p>39</p>	<p>1</p>	<p>2/2</p>	<p>1</p>	<p>1.7</p>	<p>\$63.1 M</p>	<p><b>Reporting As:</b> U.S. association with int'l affiliates  <b>Largest U.S. Firm:</b> Shea Labagh Dobberstein/San Francisco  <b>Smallest U.S. Firm:</b> Suller, Kunkle and Thompson/Moses Lake, Wash.  <b>International Affiliate:</b> Praxity  <b>Membership Requirements:</b> None/One-third of 1% of gross fees, min. \$3,600, max. \$18,000  <b>Good Standing:</b> Generally, one member per geographic market; member, in good standing with state, nat'l accounting boards/associations; satisfactory peer review (if available); industry group focus  <b>Seeking Representation In:</b> California, Montana, Oregon, Wyoming; New Mexico; Colorado; Idaho; Arizona; Alaska  <b>Quality Control Program:</b> Reports from AICPA peer review  <b>Referrals Expected Between Members?:</b> Yes  <b>Does Association Track Referrals?:</b> No  <b>Services Provided:</b> A1 (annual), D1, G, I, K, R, S, U, V  <b>Niche Practices:</b> Construction; manufacturing/distribution; financial institutions; auto dealers; business valuations; cost segregation; not-for-profit; R&amp;D credits; healthcare  <b>Education for Convergence of GAAP and IFAS?:</b> No  <b>Needs Assessment of Member Firms?:</b> Yes  <b>Plan to Meet Members' Potential Needs for Expertise, Assistance? Yes</b>  <b>Network or Association?:</b> Association</p>
<p><b>MSI CPA Membership Services</b>                  Associates (90)                  Patrick Bluff, Executive Director                  624 Grassara Park Drive, Suite 16                  Astoria, OR 97103                  Fax: 503-327-5922                  E-Mail: info@manhattancpas.com                  Web: www.manhattancpas.com</p>	<p>Q0</p>	<p>DNP</p>	<p>22</p>	<p>DNP</p>	<p>22</p>	<p>DNP</p>	<p>DNP</p>	<p>DNP</p>	<p><b>Reporting As:</b> Not a CPA firm; association  <b>Largest U.S. Firm:</b> N/A  <b>Smallest U.S. Firm:</b> N/A  <b>International Affiliate:</b> N/A  <b>Membership Requirements:</b> N/A  <b>Good Standing:</b> N/A  <b>Seeking Representation In:</b> N/A  <b>Quality Control Program:</b> N/A  <b>Referrals Expected Between Members?:</b> Control  <b>Does Association Track Referrals?:</b> N/A  <b>Services Provided:</b> A1 (annual), B, I, K, N, S  <b>Other Services:</b> N/A  <b>Niche Practices:</b> N/A  <b>Education for Convergence of GAAP and IFAS?:</b> N/A  <b>Needs Assessment of Member Firms?:</b> N/A  <b>Plan to Meet Members' Potential Needs for Expertise, Assistance? N/A</b>  <b>Network or Association?:</b> N/A</p>
<p><b>MSI Global Alliance</b>                  James Mendelsohn, Chief Executive Officer                  147-149 Temple Chambers                  3-7 Temple Avenue                  London EC4A 3DA, U.K.                  Fax: 44-20-7583-7000                  E-Mail: j.mendelsohn@msiglobal.org                  Web: www.msiglobal.org</p>	<p>Q0</p>	<p>5</p>	<p>50</p>	<p>6</p>	<p>0/2</p>	<p>27</p>	<p>5.5</p>	<p>\$1.1 B</p>	<p><b>Reporting As:</b> Int'l association based abroad  <b>Largest U.S. Firm:</b> Anderson Zumbahlen &amp; Co./Helena, Mont.  <b>Smallest U.S. Firm:</b> Mckerley &amp; Noonan/Washville  <b>Fees Initial/Annual:</b> \$800 (\$1,196)/\$2,550 - \$5,850 (\$3,813-\$8,749) depending on number of partners  <b>Membership Requirements:</b> Independent; medium-sized in marketplace; able to provide full range of commercial advisory services across broad range of industries; unaffiliated with any other association or network; focused on serving specific geographic market; able to commit to becoming active, long-term member  <b>Seeking Representation In:</b> Atlanta; New Orleans; Las Vegas; Oregon; Minnesota; San Antonio; Indianapolis; Jacksonville; North Carolina; South Carolina  <b>Quality Control Program:</b> Reports from AICPA peer review  <b>Referrals Expected Between Members?:</b> Yes  <b>Does Association Track Referrals?:</b> No  <b>Services Provided:</b> A1 (one annual; three regional; eight local/year; fees vary); B, G, I, M, O, T, U, V, W  <b>Other Services:</b> Co-branded marketing materials including branded signage; social networking through members-only Website; referral facilitation; int'l directory; proposal facilitation  <b>Education for Convergence of GAAP and IFAS?:</b> No  <b>Needs Assessment of Member Firms?:</b> No  <b>Plan to Meet Members' Potential Needs for Expertise, Assistance? No</b>  <b>Network or Association?:</b> Association</p>



<p><b>PKF North American Network</b>                  Terry Snyder, President                  3700 Crestwood Parkway, Suite 350                  Duluth, GA 30086                  770-279-4560                  Fax: 770-279-4566                  E-Mail: tsnyder@pkfkan.org                  Gary Johnson, U.S. Chair                  702-304-0404                  Fax: 702-304-0414                  E-mail: gjohnson@pkfcan.com                  Web: www.pkfkan.org</p>	<p>16/3</p>	<p>DNP</p>	<p>73</p>	<p>14</p>	<p>0</p>	<p>73</p>	<p>5/6</p>	<p>0</p>	<p>7.4</p>	<p>\$6.18 M</p>	<p><b>Reporting As:</b> U.S. association with intl affiliates  <b>Largest U.S. Firm:</b> Frazier &amp; Decker/Atlanta  <b>Smallest U.S. Firm:</b> Lehmann, Ulmann &amp; Barclay/Birmingham, Ala  <b>International Affiliate:</b> PKF International  <b>Fees Initial/Annual:</b> \$5,000/based on firm revenue  <b>Membership Requirements:</b> Minimum \$2.5 million in fees; located in a city where we need member; peer review  <b>Seeking Representation In:</b> Dallas; Tampa; Sacramento; San Antonio; Kansas City, MO; Milwaukee; Columbus, OH; Indianapolis; Nashville; Raleigh, NC  <b>Quality Control Program:</b> Reports from AICPA, peer review  <b>Referrals Expected Between Members?:</b> Yes  <b>Does Association Track Referrals?:</b> No  <b>Services Provided:</b> A1 (twice/year), B, C, D1, E1, G1, I, K, L1 M1, N1, O1, P1, Q1, R1, S, U1, W, X  <b>Other Services:</b> First Research; ProffitsCents, Dr. Ts Plain Accounting Update; E&amp;Y Online; financial consulting; family business consulting; performance, career excellence; HR strategic model; financial, technology survey, more  <b>Niche Practices:</b> Business valuation/litigation support; business development/marketing; construction contractors; closely held family business; employee benefit plans; healthcare; hospitality; intl business development; investment advisory services; not-for-profit; more  <b>Education for Convergence of GAAP and IFAS?:</b> No  <b>Needs Assessment of Member Firms?:</b> Yes  <b>Plan to Meet Members' Potential Needs for Expertise, Assistance? Yes</b>  <b>Network or Association?</b> Association</p>
<p><b>Puburis International</b>                  Julie Galtz, Executive Director                  600 South Decker Boulevard                  Tallahassee, FL 32310                  904-570-6591                  Fax: 904-570-6814                  E-mail: jgaltz@puburis.org                  Web: www.puburisinternational.org</p>	<p>40</p>	<p>5</p>	<p>24</p>	<p>2</p>	<p>14</p>	<p>0</p>	<p>73</p>	<p>0/0</p>	<p>0</p>	<p>\$642.5 M</p>	<p><b>Reporting As:</b> Int'l Association based in the U.S.  <b>Largest U.S. Firm:</b> PricewaterhouseCoopers  <b>Smallest U.S. Firm:</b> Arthur Andersen  <b>Fees Initial/Annual:</b> \$2,000/\$2,000-\$10,000  <b>Membership Requirements:</b> Minimum two years of experience; Full-time U.S. revenue  <b>Seeking Representation In:</b> Boston; Medical and Health Services; Wine and Viticulture; Aerospace; Sports and Recreation; Retail; Food and Beverage  <b>Quality Control Program:</b> Reports from AICPA, peer review  <b>Referrals Expected Between Members?:</b> Yes  <b>Does Association Track Referrals?:</b> Yes  <b>If Yes, Tracking Criteria:</b> Firm report quantity and quality  <b>How Is Tracking Info Used?:</b> Shared among members published in quarterly news/blogs  <b>Services Provided:</b> A1 (twice/year), B, C, D1, E1, G1, I, K, L1 M1, N1, O1, P1, Q1, R1, S, U1, W, X  <b>Niche Practices:</b> SOX/SALT, M&amp;A, Internal SEC, Administration, ER, Safety, Environmental, Health, Safety, Employee Rights, Business Development  <b>Education for Convergence of GAAP and IFAS?:</b> No  <b>Needs Assessment of Member Firms?:</b> No  <b>Plan to Meet Members' Potential Needs for Expertise, Assistance? Yes</b>  <b>Network or Association?</b> Association</p>
<p><b>Praxity</b>                  Paul Hancock, Secretary General                  5th Floor, Stephenson House                  2 Cherry Orchard Road                  Croydon (S. London) U.K. CR0 6BA                  44-208-774-4020                  Fax: 44-208-774-4029                  E-Mail: phancock@praxity.com                  Lisa Cines, North American Chair                  301-231-6200                  Fax: 301-230-7630                  E-Mail: lcines@armonsoncompany.com                  Web: www.praxity.com</p>	<p>0/0</p>	<p>2</p>	<p>8</p>	<p>22</p>	<p>78</p>	<p>8</p>	<p>0/0</p>	<p>176</p>	<p>\$3.2 B</p>	<p><b>Reporting As:</b> intl association based abroad  <b>Largest U.S. Firm:</b> BKD/Southfield, Mo.  <b>Smallest U.S. Firm:</b> Feeley &amp; D'Arcoll/Boston  <b>Fees Initial/Annual:</b> 0.0125% of firm revenue/member firm: \$10,000 plus % of net fee revenue; associate firm: \$5,000 plus % of net fee revenue; correspondents: \$5,000  <b>Membership Requirements:</b> Financial condition; intl strategy; geographic relevance; size; excellent reputation  <b>Seeking Representation In:</b> None  <b>Quality Control Program:</b> Reports from AICPA, peer review; AICPA quality centers, PCAOB  <b>Referrals Expected Between Members?:</b> Yes  <b>Does Association Track Referrals?:</b> Yes  <b>If Yes, Tracking Criteria:</b> Request for firms to report billings from referred work  <b>How Is Tracking Info Used?:</b> First year, yet to be decided  <b>Services Provided:</b> A1 (throughout year), B, C, D, E, G, I, T, W  <b>Education for Convergence of GAAP and IFAS?:</b> No  <b>Needs Assessment of Member Firms?:</b> Yes  <b>Plan to Meet Members' Potential Needs for Expertise, Assistance? Yes</b>  <b>Network or Association?</b> Association</p>	



<p><b>Western Association of Accounting Firms</b>                  Alex Miller, U.S. Chair                  160 Spear Street, Suite 1900                  San Francisco, CA 94106                  415-836-4000                  Fax: 415-777-2062                  E-Mail: miller@hemming.com                  Web: www.waaf.org</p>	0/0	0	11	DNP	DNP	11	0/0	DNP	10.2	None	<p><b>Reporting As:</b> U.S. association without intl affiliates  <b>Largest U.S. Firm:</b> DNP/Rancho Cucamonga, Calif.  <b>Smallest U.S. Firm:</b> DNP/Bellevue, Wash.  <b>Fees Initial/Annual:</b> None/out-of-pocket expenses to attend meetings and events  <b>Membership Requirements:</b> Western United States, geographically specific; similar size to other members  <b>Seeking Representation In:</b> San Diego; Idaho; Montana; New Mexico; Utah  <b>Quality Control Program:</b> Proprietary/peer review; reports from AICPA peer review; administrative review of firm operations  <b>Referrals Expected Between Members?:</b> Yes  <b>Does Association Track Referrals?:</b> No  <b>Services Provided:</b> A (two/year), B, E  <b>Education for Convergence of GAAP and IFAS?:</b> No  <b>Plan to Meet Members' Potential Needs for Expertise, Assistance? No</b>  <b>Network or Association?</b> Association</p>
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a Wolters Kluwer business

# **EXHIBIT D**

**INTERPRETATION NO. 101-17, "NETWORKS AND NETWORK FIRMS"****General**

1. To enhance their capabilities to provide professional services, firms frequently join larger groups, which typically are membership associations that are separate legal entities that are otherwise unrelated to their members. The associations facilitate their members' use of association services and resources; they do not themselves typically engage in the practice of public accounting or provide professional services to their members' clients or to other third parties. Firms and other entities in the association cooperate with the firms and other entities that are members of the association to enhance their capabilities to provide professional services. For example, a firm may become a member of an association in order to refer work to or receive referrals from other association members. That characteristic alone would not be sufficient for the association to constitute a network or for the firm to be considered a network firm. However, an association would be considered a network under this interpretation if one or more additional characteristics of a network are shared in addition to cooperation among member firms (ET section 92 par. 28). These additional characteristics are discussed further on in this interpretation.
2. A network firm is required to be independent of financial statement audit and review clients of the other network firms if the use of the audit or review report for the client is not restricted as defined by professional standards. For all other attest clients, consideration should be given to any threats the firm knows or has reason to believe may be created by network firm interests and relationships. If those threats are not at an acceptable level, safeguards should be applied to eliminate the threats or reduce them to an acceptable level. The independence requirements apply to any entity within the network that meets the definition of a network firm (ET section 92 par. 29).
3. Whether an association is a network and whether an entity is a network firm should be applied consistently by all members of the association. Due consideration should be given to what a reasonable and informed third party would be likely to conclude after weighing all the specific facts and circumstances. The determination that a firm or other entity or an association of firms or other entities meet the definition of a network firm and a network, as herein defined, is solely for purposes of this interpretation and should not be used or relied upon in any other context. In particular, the determination of whether a firm or other entity is a network firm or an association of firms or other entities is a network for purposes of defining legal responsibilities from one firm to the other, or to third parties, is beyond the scope of this interpretation. The definitions contained herein should not be used or relied upon for that purpose.

## **Characteristics of a Network**

### *Sharing Common Brand Name*

4. When the association is formed for the purpose of cooperating to enhance the firms' capabilities to provide professional services and when the members of the association or entities controlled by members of the association share the use of a common brand name or share common initials as part of the firm name, the association is considered to be a network.
5. A firm that does not use a common brand name as part of its firm name but makes reference in its stationery or promotional materials to being a member of an association of firms should carefully consider how it describes that membership and take steps to avoid the perception that it belongs to a network. The firm may wish to avoid such a perception by clearly describing the nature of its membership in the association, for example, by stating on its stationery or promotional material that it is "an independently owned and operated member firm of XYZ Association."

### *Sharing Common Control*

6. When the association is formed for the purpose of cooperating to enhance the firms' capabilities to provide professional services and when the entities within the association are under common control (as defined by generally accepted accounting principles in the United States of America) with other firms in the association through ownership, management, or other means (for example, by contract), it is considered to be a network. However, compliance with association requirements as a condition of membership does not indicate that members are under common control; rather, it reflects the type of cooperation that is expected when an entity joins the association.

### *Sharing Profits or Costs*

7. When the association is formed for the purpose of cooperating to enhance the firms' capabilities to provide professional services and when the firms share profits or costs, the association is considered to be a network. However, the sharing of immaterial costs or costs related to operating the association does not by itself create a network. In addition, the sharing of costs related to the development of audit methodologies, manuals, and training courses does not by itself create a network. Further, an arrangement between a firm and an otherwise unrelated entity to jointly provide a service or develop a product does not by itself create a network.

### *Sharing Common Business Strategy*

8. When the association is formed for the purpose of cooperating to enhance the firms' capabilities to provide professional services and when the entities within the

association share a common business strategy, the association is considered to be a network. Sharing a common business strategy involves ongoing collaboration among the firms whereby the firms are responsible for implementing the association's strategy and are held accountable for performance pursuant to that strategy. An entity's ability to pursue an alternative strategy may be limited by the common business strategy because as a member it must act in accordance with the common business strategy and therefore in the best interest of the association. An entity is not considered to be a network firm merely because it cooperates with another entity solely to market professional services or respond jointly to a request for a proposal for the provision of a professional service.

#### *Sharing Significant Professional Resources*

9. When the association is formed for the purpose of cooperating to enhance the firms' capabilities to provide professional services and when the entities within the association share a significant part of professional resources, it is considered to be a network.
10. Professional resources include
  - common systems that enable firms to exchange information such as client data, billing, and time records;
  - partners and staff;
  - technical departments to consult on technical or industry specific issues, transactions, or events for assurance engagements;
  - audit methodology or audit manuals; and
  - training courses and facilities.

The determination of whether the professional resources shared are significant should be made based on both qualitative and quantitative factors.

11. When the entities within the association do not share a significant amount of human resources or significant client information (for example, client data, billing, and time records) and have the ability to make independent decisions regarding technical matters, audit methodology, training, and the like, the entities are not considered to be sharing a significant part of professional resources.
12. When the shared professional resources are limited to a common audit methodology, audit manuals, training courses, or facilities, and when they do not include a significant amount of human resources or client or market information, the shared professional resources are not considered significant. However, when the shared professional resources involve the exchange of client information or personnel, such as where staff are drawn from a shared pool, or a common technical department is created within the association to provide participating firms with technical advice that the firms are required to follow, a reasonable and informed third party is more likely to conclude that the shared professional resources are significant. An entity generally

is not deemed a network because it occasionally uses personnel of another member firm to assist with an engagement, such as observing a client's physical inventory count.

*Sharing Common Quality Control Policies and Procedures*

13. When the association is formed for the purpose of cooperating to enhance the firms' capabilities to provide professional services and when the entities within the association are required to follow common quality control policies and procedures monitored by the association, it is considered to be a network. Monitoring is the process comprising an ongoing consideration and evaluation of the firms' systems of quality control, the objective of which is to enable the association to obtain reasonable assurance that the firms' systems of quality control are designed appropriately and operating effectively.

Effective date

This interpretation will be effective for engagements covering periods beginning on or after December 15, 2010.

# **EXHIBIT E**

**.05 101-3—Performance of nonattest services.**

Before a member or his or her firm ("member") performs nonattest services (for example, tax or consulting services) for an attest client, <sup>fn.5</sup> the member should determine that the requirements described in this interpretation have been met. In cases where the requirements have not been met during the period of the professional engagement or the period covered by the financial statements, the member's independence would be impaired.

**Engagements Subject to Independence Rules of Certain Regulatory Bodies**

This interpretation requires compliance with independence regulations of authoritative regulatory bodies (such as the Securities and Exchange Commission [SEC], the General Accounting Office [GAO], the Department of Labor [DOL], and state boards of accountancy) where a member performs nonattest services for an attest client and is required to be independent of the client under the regulations of the applicable regulatory body. Accordingly, failure to comply with the nonattest services provisions contained in the independence rules of the applicable regulatory body that are more restrictive than the provisions of this interpretation would constitute a violation of this interpretation.

**General Requirements for Performing Nonattest Services**

1. The member should not perform management functions or make management decisions for the attest client. However, the member may provide advice, research materials, and recommendations to assist the client's management in performing its functions and making decisions.
2. The client must agree to perform the following functions in connection with the engagement to perform nonattest services:
  - a. Make all management decisions and perform all management functions;
  - b. Designate an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services;
  - c. Evaluate the adequacy and results of the services performed; and
  - d. Accept responsibility for the results of the services;

The member should be satisfied that the client will be able to meet all of these criteria and make an informed judgment on the results of the member's nonattest services. In assessing whether the designated individual possesses suitable skill, knowledge, and/or experience, the member should be satisfied that such individual understands the services to be performed sufficiently to oversee them. However, the individual is not required to possess the expertise to perform or re-perform the services.

In cases where the client is unable or unwilling to assume these responsibilities (for example, the client does not have an individual with suitable skill, knowledge, and/or experience to oversee the nonattest services provided, or is unwilling to perform such functions due to lack of

time or desire), the member's provision of these services would impair independence.

3. Before performing nonattest services, the member should establish and document in writing <sup>fn.6</sup> his or her understanding with the client (board of directors, audit committee, or management, as appropriate in the circumstances) regarding the following:
  - a. Objectives of the engagement
  - b. Services to be performed
  - c. Client's acceptance of its responsibilities
  - d. Member's responsibilities
  - e. Any limitations of the engagement

The documentation requirement does not apply to:

- a. Nonattest services performed prior to January 1, 2005.
- b. Nonattest services performed prior to the client becoming an attest client. <sup>fn.7</sup>

General requirements 2 and 3 above do not apply to certain routine activities performed by the member such as providing advice and responding to the client's questions as part of the normal client-member relationship.

### General Activities

The following are some general activities that would impair a member's independence:

- Authorizing, executing or consummating a transaction, or otherwise exercising authority on behalf of a client or having the authority to do so
- Preparing source documents, <sup>fn.8</sup> in electronic or other form, evidencing the occurrence of a transaction
- Having custody of client assets
- Supervising client employees in the performance of their normal recurring activities
- Determining which recommendations of the member should be implemented
- Reporting to the board of directors on behalf of management
- Serving as a client's stock transfer or escrow agent, registrar, general counsel or its equivalent
- Establishing or maintaining internal controls, including performing ongoing monitoring activities <sup>fn.9</sup> for a client

### Specific Examples of Nonattest Services

The examples in the following table identify the effect that performance of certain nonattest services for an attest client can have on a member's independence. These examples presume that the general requirements in the previous section "General Requirements for Performing Nonattest Services" have been met and are not intended to be all-inclusive of the types of nonattest services performed by members.

#### Impact on Independence of Performance of Nonattest Services

<i>Type of Nonattest Service</i>	<i>Independence Would Not Be Impaired</i>	<i>Independence Would Be Impaired</i>
Bookkeeping	<ul style="list-style-type: none"> <li>Record transactions for which management has determined or approved the appropriate account classification, or post coded transactions to a client's general ledger.</li> <li>Prepare financial statements based on information in the trial balance.</li> <li>Post client-approved entries to a client's trial balance.</li> <li>Propose standard, adjusting, or correcting journal entries or other changes affecting the financial statements to the client provided the client reviews the entries and the member is satisfied that management understands the nature of the proposed entries and the impact the entries have on the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>Determine or change journal entries, account codings or classification for transactions, or other accounting records without obtaining client approval.</li> <li>Authorize or approve transactions.</li> <li>Prepare source documents.</li> <li>Make changes to source documents without client approval.</li> </ul>
Non tax disbursement	<ul style="list-style-type: none"> <li>Using payroll time records provided and approved by the client, generate unsigned checks, or process client's payroll.</li> <li>Transmit client-approved payroll or other disbursement information to a financial institution provided the client has authorized the member to make the transmission and has made arrangements for the</li> </ul>	<ul style="list-style-type: none"> <li>Accept responsibility to authorize payment of client funds, electronically or otherwise, except as specifically provided for with respect to electronic payroll tax payments.</li> <li>Accept responsibility to sign or cosign client checks, even if only in emergency situations.</li> </ul>

Benefit plan administration <sup>fn.11</sup>	<p>financial institution to limit the corresponding individual payments as to amount and payee. In addition, once transmitted, the client must authorize the financial institution to process the information.<sup>fn.10</sup></p>	<ul style="list-style-type: none"> <li>• Maintain a client's bank account or otherwise have custody of a client's funds or make credit or banking decisions for the client.</li> <li>• Approve vendor invoices for payment</li> <li>• Make policy decisions on behalf of client management.</li> </ul>
	<ul style="list-style-type: none"> <li>• Communicate summary plan data to plan trustee.</li> <li>• Advise client management regarding the application or impact of provisions of the plan document.</li> <li>• Process transactions (e.g., investment/benefit elections or increase/decrease contributions to the plan; data entry; participant confirmations; and processing of distributions and loans) initiated by plan participants through the member's electronic medium, such as an interactive voice response system or Internet connection or other media.</li> <li>• Prepare account valuations for plan participants using data collected through the member's electronic or other media.</li> <li>• Prepare and transmit participant statements to plan participants based on data collected through the member's electronic or other medium.</li> </ul>	<ul style="list-style-type: none"> <li>• When dealing with plan participants, interpret the plan document on behalf of management without first obtaining management's concurrence.</li> <li>• Make disbursements on behalf of the plan.</li> <li>• Have custody of assets of a plan.</li> <li>• Serve a plan as a fiduciary as defined by ERISA.</li> </ul>
Investment—advisory or management	<ul style="list-style-type: none"> <li>• Recommend the allocation of funds that a client should invest in various asset classes, depending upon the client's desired rate of return, risk tolerance, etc.</li> <li>• Perform recordkeeping and reporting of client's portfolio balances including providing a</li> </ul>	<ul style="list-style-type: none"> <li>• Make investment decisions on behalf of client management or otherwise have discretionary authority over a client's investments.</li> <li>• Execute a transaction to buy or sell a client's investment.</li> </ul>

	<ul style="list-style-type: none"> <li>comparative analysis of the client's investments to third-party benchmarks.</li> <li>• Review the manner in which a client's portfolio is being managed by investment account managers, including determining whether the managers are (1) following the guidelines of the client's investment policy statement; (2) meeting the client's investment objectives; and (3) conforming to the client's stated investment styles.</li> <li>• Transmit a client's investment selection to a broker-dealer or equivalent provided the client has authorized the broker-dealer or equivalent to execute the transaction.</li> </ul>	<ul style="list-style-type: none"> <li>• Have custody of client assets, such as taking temporary possession of securities purchased by a client.</li> </ul>
Corporate finance— consulting or advisory	<ul style="list-style-type: none"> <li>• Assist in developing corporate strategies.</li> <li>• Assist in identifying or introducing the client to possible sources of capital that meet the client's specifications or criteria.</li> <li>• Assist in analyzing the effects of proposed transactions including providing advice to a client during negotiations with potential buyers, sellers, or capital sources.</li> <li>• Assist in drafting an offering document or memorandum.</li> <li>• Participate in transaction negotiations in an advisory capacity.</li> <li>• Be named as a financial adviser in a client's private placement memoranda or offering documents.</li> </ul>	<ul style="list-style-type: none"> <li>• Commit the client to the terms of a transaction or consummate a transaction on behalf of the client.</li> <li>• Act as a promoter, underwriter, broker-dealer, or guarantor of client securities, or distributor of private placement memoranda or offering documents.</li> <li>• Maintain custody of client securities.</li> </ul>
Executive or employee search	<ul style="list-style-type: none"> <li>• Recommend a position description or candidate</li> </ul>	<ul style="list-style-type: none"> <li>• Commit the client to employee compensation</li> </ul>

	specifications.	or benefit arrangements.
	<ul style="list-style-type: none"> <li>• Solicit and perform screening of candidates and recommend qualified candidates to a client based on the client-approved criteria (e.g., required skills and experience).</li> <li>• Participate in employee hiring or compensation discussions in an advisory capacity.</li> </ul>	<ul style="list-style-type: none"> <li>• Hire or terminate client employees.</li> </ul>
Business risk consulting	<ul style="list-style-type: none"> <li>• Provide assistance in assessing the client's business risks and control processes.</li> <li>• Recommend a plan for making improvements to a client's control processes and assist in implementing these improvements.</li> </ul>	<ul style="list-style-type: none"> <li>• Make or approve business risk decisions.</li> <li>• Present business risk considerations to the board or others on behalf of management.</li> </ul>
Information systems—design, installation or integration	<ul style="list-style-type: none"> <li>• Install or integrate a client's financial information system that was not designed or developed by the member (e.g., an off-the-shelf accounting package).</li> <li>• Assist in setting up the client's chart of accounts and financial statement format with respect to the client's financial information system.</li> <li>• Design, develop, install, or integrate a client's information system that is unrelated to the client's financial statements or accounting records.</li> <li>• Provide training and instruction to client employees on an information and control system.</li> </ul>	<ul style="list-style-type: none"> <li>• Design or develop a client's financial information system.</li> <li>• Make other than insignificant modifications to source code underlying a client's existing financial information system.</li> <li>• Supervise client personnel in the daily operation of a client's information system.</li> <li>• Operate a client's local area network (LAN) system.</li> </ul>

### **Tax Compliance Services**

Tax compliance services addressed by this interpretation are preparation of a tax return,<sup>fn 12</sup> transmittal of a tax return and transmittal of any related tax payment to the taxing authority, signing and filing a tax return, and authorized representation of clients in administrative

proceedings before a taxing authority.

Preparing a tax return and transmitting the tax return and related tax payment to a taxing authority, in paper or electronic form, would not impair a member's independence provided the member does not have custody or control <sup>fn 13</sup> over the client's funds and the individual designated by the client to oversee the tax services:

- Reviews and approves the tax return and related tax payment; and,
- If required for filing, signs the tax return prior to the member transmitting the return to the taxing authority.

However, signing and filing a tax return on behalf of client management would impair independence, unless the member has the legal authority to do so and:

- a. The taxing authority has prescribed procedures in place for a client to permit a member to sign and file a tax return on behalf of the client (for example, Form 8879 or 8453), and such procedures meet, at the minimum, standards for electronic return originators and officers outlined in I.R.S. Form 8879; or
- b. An individual in client management who is authorized to sign and file the client's tax return provides the member with a signed statement that clearly identifies the return being filed and represents that:
  1. Such individual is authorized to sign and file the tax return;
  2. Such individual has reviewed the tax return, including accompanying schedules and statements, and it is true, correct and complete to the best of his or her knowledge and belief; and
  3. Such individual authorizes the member or another named individual in the member's firm to sign and file the tax return on behalf of the client.

Authorized representation of a client in administrative proceedings before a taxing authority would not impair a member's independence provided the member obtains client agreement prior to committing the client to a specific resolution with the taxing authority. However, representing a client in a court <sup>fn 14</sup> to resolve a tax dispute would impair a member's independence.

### **Transition**

Independence would not be impaired as a result of the more restrictive requirements of the tax compliance services provisions provided such services are pursuant to engagements commenced prior to February 28, 2007, and completed prior to January 1, 2008, and the member complied with all applicable independence interpretations and rulings in effect on February 28, 2007.

### **Appraisal, Valuation, and Actuarial Services**

Independence would be impaired if a member performs an appraisal, valuation, or actuarial service for an attest client where the results of the service, individually or in the aggregate, would be material to the financial statements and the appraisal, valuation, or actuarial service involves a significant degree of subjectivity.

Valuations performed in connection with, for example, employee stock ownership plans, business combinations, or appraisals of assets or liabilities generally involve a significant degree of subjectivity.

Accordingly, if these services produce results that are material to the financial statements, independence would be impaired.

An actuarial valuation of a client's pension or postemployment benefit liabilities generally produces reasonably consistent results because the valuation does not require a significant degree of subjectivity. Therefore, such services would not impair independence. In addition, appraisal, valuation, and actuarial services performed for nonfinancial statement purposes would not impair independence. <sup>fn 15</sup> However, in performing such services, all other requirements of this interpretation should be met, including that all significant assumptions and matters of judgment are determined or approved by the client and the client is in a position to have an informed judgment on, and accepts responsibility for, the results of the service.

### Forensic Accounting Services

For purposes of this interpretation, forensic accounting services <sup>fn 16</sup> are nonattest services that involve the application of special skills in accounting, auditing, finance, quantitative methods and certain areas of the law, and research, and investigative skills to collect, analyze, and evaluate evidential matter and to interpret and communicate findings and consist of:

- Litigation services; and
- Investigative services.

Litigation services recognize the role of the member as an expert or consultant and consist of providing assistance for actual or potential legal or regulatory proceedings before a trier of fact in connection with the resolution of disputes between parties. Litigation services consist of the following services:

- a. Expert witness services <sup>fn 17</sup> are those litigation services where a member is engaged to render an opinion before a trier of fact as to the matter(s) in dispute based on the member's expertise, rather than his or her direct knowledge of the disputed facts or events.

Expert witness services create the appearance that a member is advocating or promoting a client's position. <sup>fn 18</sup> Accordingly, if a member conditionally or unconditionally agrees to provide expert witness testimony for a client, <sup>fn 19</sup> independence would be considered to be impaired.

However, independence would not be considered impaired if a member provides expert witness services for a large group of plaintiffs or defendants that includes one or more attest clients of the firm provided that at the outset of the engagement: 1) the member's attest clients constitute less than 20 percent of (i) the members of the group (ii) the voting interests of the group, and (iii) the claim; (2) no attest client within the group is designated as the "lead" plaintiff or defendant of the group; and (3) no attest client has the sole decision-making power to select or approve the expert witness.

While testifying as a fact witness, <sup>fn 20</sup> a member may be questioned by the trier of fact or counsel as to his or her opinions pertaining to matters within the member's area of expertise. Answering such questions would not impair the member's independence.

- b. Litigation consulting services are those litigation services where a

member provides advice about the facts, issues, and strategy of a matter. The consultant does not testify as an expert witness before a trier of fact.

The performance of litigation consulting services would not impair independence provided the member complies with the general requirements set forth under this interpretation. <sup>fn 21</sup> However, if the member subsequently agrees to serve as an expert witness, independence would be considered to be impaired.

- c. Other services are those litigation services where a member serves as a trier of fact, special master, court-appointed expert, or arbitrator (including serving on an arbitration panel), in a matter involving a client. These other services create the appearance that the member is not independent. Accordingly, if a member serves in such a role, independence would be considered to be impaired. However, independence would not be considered impaired if a member serves as a mediator or any similar role in a matter involving a client provided the member is not making any decisions on behalf of the parties, but rather is acting as a facilitator by assisting the parties in reaching their own agreement. <sup>fn 22</sup>

Investigative services include all forensic services not involving actual or threatened litigation such as performing analyses or investigations that may require the same skills as used in litigation services. Such services would not impair independence provided the member complies with the general requirements set forth under this interpretation.

#### **Transition**

Independence would not be impaired as a result of the more restrictive requirements of the forensic accounting services provisions, provided such services are pursuant to engagements commenced prior to February 28, 2007, and the member complied with all applicable independence interpretations and rulings in existence on February 28, 2007.

#### **Internal Audit Assistance Services**

Internal audit services involve assisting the client in the performance of its internal audit activities, sometimes referred to as "internal audit outsourcing." In evaluating whether independence would be impaired with respect to an attest client, the nature of the service needs to be considered.

Assisting the client in performing financial and operational <sup>fn 23</sup> internal audit activities would impair independence unless the member takes appropriate steps to ensure that the client understands its responsibility for directing the internal audit function, including the management thereof. Accordingly, any outsourcing of the internal audit function to the member whereby the member in effect manages the internal audit activities of the client would impair independence.

In addition to the general requirements of this interpretation, the member should ensure that client management:

- Designates an <sup>fn 25</sup> individual or individuals, who possess suitable skill, knowledge, and/or experience, preferably within senior management, to be responsible for the internal audit function;

- Determines the scope, risk, and frequency of internal audit activities, including those to be performed by the member providing internal audit assistance services;
- Evaluates the findings and results arising from the internal audit activities, including those performed by the member providing internal audit assistance services; and
- Evaluates the adequacy of the audit procedures performed and the findings resulting from the performance of those procedures by, among other things, obtaining reports from the member.

The member should also be satisfied that the client's board of directors, audit committee, or other governing body is informed about the member's and management's respective roles and responsibilities in connection with the engagement. Such information should provide the client's governing body a basis for developing guidelines for management and the member to follow in carrying out these responsibilities and monitoring how well the respective responsibilities have been met.

The member is responsible for performing the internal audit procedures in accordance with the terms of the engagement and reporting thereon. The performance of such procedures should be directed, reviewed, and supervised by the member. The report should include information that allows the individual responsible for the internal audit function to evaluate the adequacy of the audit procedures performed and the findings resulting from the performance of those procedures. This report may include recommendations for improvements in systems, processes, and procedures. The member may assist the individual responsible for the internal audit function in performing preliminary audit risk assessments, preparing audit plans, and recommending audit priorities. However, the member should not undertake any responsibilities that are required, as described above, to be performed by the individual responsible for the internal audit function.

The following are examples of activities (in addition to those listed in the "General Activities" section of this interpretation) that, if performed as part of an internal audit assistance engagement, would impair independence:

- Performing ongoing monitoring activities or control activities (for example, reviewing loan originations as part of the client's approval process or reviewing customer credit information as part of the customer's sales authorization process) that affect the execution of transactions or ensure that transactions are properly executed, accounted for, or both, and performing routine activities in connection with the client's operating or production processes that are equivalent to those of an ongoing compliance or quality control function
- Determining which, if any, recommendations for improving the internal control system should be implemented
- Reporting to the board of directors or audit committee on behalf of management or the individual responsible for the internal audit function
- Approving or being responsible for the overall internal audit work plan including the determination of the internal audit risk and scope, project priorities, and frequency of performance of audit procedures

- Being connected with the client as an employee or in any capacity equivalent to a member of client management (for example, being listed as an employee in client directories or other client publications, permitting himself or herself to be referred to by title or description as supervising or being in charge of the client's internal audit function, or using the client's letterhead or internal correspondence forms in communications)

The foregoing list is not intended to be all-inclusive.

Services involving an extension of the procedures that are generally of the type considered to be extensions of the member's audit scope applied in the audit of the client's financial statements, such as confirming of accounts receivable and analyzing fluctuations in account balances, are not considered internal audit assistance services and would not impair independence even if the extent of such testing exceeds that required by generally accepted auditing standards. In addition, engagements performed under the attestation standards would not be considered internal audit assistance services and therefore would not impair independence.

#### **Transition**

Independence would not be impaired as a result of the more restrictive requirements of interpretation 101-3, provided the provision of any such nonattest services are pursuant to arrangements in existence on December 31, 2003, and are completed by December 31, 2004, and the member was in compliance with the preexisting requirements of this interpretation.

[Formerly paragraph .04, renumbered by adoption of the Code of Professional Conduct on January 12, 1988. Revised, effective June 30, 1990, by the Professional Ethics Executive Committee. Revised, effective May 31, 1999, by the Professional Ethics Executive Committee. Revised, effective April 30, 2000, by the Professional Ethics Executive Committee. Revised, July 2002, to reflect conforming changes necessary due to the revision of interpretation 101-1. Revised, effective December 31, 2003 (except for the documentation requirement, which takes effect for any new engagements that begin after December 31, 2004), with earlier application permitted, by the Professional Ethics Executive Committee. Revised, effective October 31, 2004, by the Professional Ethics Executive Committee. Revised, effective January 27, 2005, by the Professional Ethics Executive Committee.]

# **EXHIBIT F**

The guidance will be included as a footnote to Interpretation 101-17. The footnote text will provide as follows: “Members should review the implementation guidance issued by the Ethics Division regarding this Interpretation 101-17. The guidance may be found on the AICPA/Ethics Division website.”

### **DRAFT GUIDANCE**

Paragraph 2 of Interpretation 101-17 – Networks and Network Firms [ET section 101.19] requires a network firm to be independent of financial statement audit and review clients of the other network firms if the use of the audit or review report for the client is not restricted as defined by professional standards. Accordingly, before entering into an engagement or arrangement to perform audit or review services, a member who practices in a network firm should determine whether other firms in the network (or their personnel) have a prohibited relationship (*i.e.*, a relationship that would impair independence under the AICPA Rules of Professional Conduct) with a prospective or existing client.

When making inquiries of other network firms, members should be careful to abide by applicable antitrust law and avoid sharing information that may be deemed to be competitively sensitive (or is otherwise confidential client data). To evaluate independence, the member should endeavor to obtain as much information as is reasonably possible from the prospective or existing audit or review client by asking, for example, whether any of the network firms are its professional service providers, investors, lenders, directors, or otherwise have relationships that may impair independence.

The member should determine that he or she has obtained the necessary information to make a determination that the firm is independent prior to accepting the audit or review engagement. To the extent that the member inquires of other network firms to ascertain the firm’s independence, that inquiry should be limited to asking the other network firms whether they had potentially prohibited relationships with or provided potentially prohibited non-audit services to the prospective or existing client during the relevant time period and should not entail communications about any other entity’s bid(s), bidding strategy, capacity to bid, pricing, or other terms of competition.