
SAMPLE REPORT

January 9, 2006

Mr. Kevin Jones
City Investors
1234 Fifth Avenue
New York, NY 10029

FILE NAME: HEDGE FUND CAPITAL, LLC

SUBJECTS: HEDGE FUND CAPITAL, LLC; JAMES Q. SMITH

Dear Mr. Jones:

At your request, we conducted BACKGROUND INVESTIGATIONS on Hedge Fund Capital, LLC and James Q. Smith. Our investigator was specifically instructed to research the applicable public record offices in order to assist in compiling a profile on the subjects.

In order to facilitate our search, you provided us with basic information on the subject. Based on the information provided and our preliminary research, the ten (10) year search of public records concentrated in New York County, New York. We also conducted a nationwide database search and contacted the applicable entities for confirmation purposes.

The enclosed report was prepared through a combination of intensive research of public records information and the use of our unique and discreet investigative procedures.

We trust that this information will be of assistance in future decisions regarding the subject. Should you have any questions or desire additional assistance, please contact the undersigned or Paul Morrow, Jr.

Sincerely,

NCO FINANCIAL SYSTEMS, INC.
FINANCIAL INVESTIGATIVE SERVICES

Daniel Lawson
Senior Analyst

DL/lom

cc: Paul Morrow, Jr.
NCO File #711111



HEDGE FUND CAPITAL, LLC
NEW YORK COUNTY, NEW YORK
&
NATIONWIDE DATABASE SEARCH

SEARCH PARAMETERS	RESULT	YEARS SEARCHED
Bankruptcy	Yes	10
Secretary of State	Active	Not Applicable
Civil Records	Yes	10
Judgments	No	10
Tax Liens	No	10
Newspaper Article Search	Yes	10
Regulatory Agency Search	Yes	10



NATIONWIDE BANKRUPTCY SEARCH

A nationwide search of the records maintained at the applicable United States Federal Bankruptcy Courts (including New York) revealed the following information:

STATE: New York
DISTRICT: Southern District
BANKRUPTCY NUMBER: 01-234567
DATE FILED: January 1, 2001
TYPE OF FILING: Chapter 11
STATUS: Discharged February 15, 2003
TRUSTEE: Mike Jones

CORPORATE RECORDS SEARCH

Our investigation conducted at the New York Secretary of State's Office revealed the following listing for the subject entity:

CORPORATION NAME: **Hedge Fund Capital, LLC**
CHARTER NUMBER: 123456
DATE OF INCORPORATION: January 1, 1998
TYPE: Domestic Limited Liability Company
STATUS: Active

REGISTERED AGENT: James Q. Smith
ADDRESS: 555 Broadway, Suite 222
New York, NY 10012

CIVIL RECORD SEARCH

A search for suits filed in the court records of New York County, New York revealed the following civil court case involving the subject corporation:

DATE FILED: December 1, 2000
COURT: Supreme Court
DOCKET NUMBER: 00-2222ABC
DEFENDANT: Hedge Fund Capital, LLC; James Q. Smith
PLAINTIFF: ABC Advisors
TYPE: Contract dispute
AMOUNT: \$57,500
STATUS: Dismissed with prejudice on January 15, 2002



Our investigator performed a search of the United States Federal District Court – Southern District in New York, New York and found no record of Federal civil litigation involving the subject corporation.

NATIONWIDE JUDGMENT SEARCH

A nationwide search for judgments (including New York County, New York) revealed no filings involving the subject corporation.

NATIONWIDE TAX LIEN SEARCH

A nationwide search for tax liens (including New York County, New York) revealed no filings involving the subject corporation.

NEWSPAPER ARTICLE SEARCH

We conducted a database investigation to determine if there were any newspaper articles written with respect to our subject corporation. Through this extensive investigation, we found multiple newspaper articles involving our subject. Copies of these articles are enclosed for your review as Exhibit “A.”

REGULATORY SANCTIONS

Our investigator conducted a database investigation of the federally regulated agencies known as the Securities & Exchange Commission and the Financial Industry Regulatory Authority and found one (1) regulatory action disclosure on file with the Securities & Exchange Commission. On January 1, 2000 Hedge Fund Capital, LLC was, as a result of an offer of settlement, the subject of a consent order imposing remedial sanctions by the State of New York. The order found that Hedge Fund Capital, LLC had violated the New York State Uniform Securities Act by engaging in investment advisory activities without registration. The incident was settled with an \$8,000 monetary fine and \$1,400 in back fees, both of which were subsequently paid in full by the entity on April 1, 2000.

REGULATORY LICENSING

1

NAME: Financial Industry Regulatory Authority
CITY/STATE: Rockville, Maryland
TELEPHONE: (800) 289-9999

COMMENTS: We contacted this entity and were informed they have no information on file pertaining to the subject. We identified no derogatory information involving the subject entity.

2

NAME: Securities & Exchange Commission
CITY/STATE: Washington, DC
TELEPHONE: (202) 942-8088

COMMENTS: Based on this investigation, we confirmed the subject entity's current registration with the Securities & Exchange Commission under IARD number 123456. The subject entity has been actively registered with the SEC since March 1, 1998. The SEC lists the following directors and executive officers associated with the subject entity: James Q. Smith (Managing Director) and Jack Johnson (Chief Operating Officer and Chief Compliance Officer). SEC records further indicate the subject entity having been the subject of a regulatory action in January 2000, based on allegations of engaging in investment advisory activities without the proper registration. This action resulted in the issuance of a consent order assessing an \$8,000 monetary fine against Hedge Fund Capital, LLC and ordering the entity to pay \$1,400 in back fees. All fines and fees were noted as paid in full on April 1, 2000. We identified no further adverse disclosures involving the subject entity.

3

NAME: National Futures Association
CITY/STATE: Chicago, Illinois
TELEPHONE: (800) 621-3570

COMMENTS: Based on this investigation, we confirmed the subject entity's current registration with the National Futures Association under NFA ID number 444555. Hedge Fund Capital, LLC has been registered as a commodity pool operator and commodity trading advisor since September 1, 2000. The subject entity was previously registered as an approved NFA member from October 1, 2000 to November 1, 2004. James Q. Smith is currently listed as a managing member of Hedge Fund Capital, LLC. We identified no derogatory information involving the subject entity.



4

NAME: Office of the Attorney General – Investor Protection and Securities
Bureau
CITY/STATE: New York, New York
TELEPHONE: (212) 416-8192

COMMENTS: Based on this investigation, we confirmed the subject entity’s current registration with the New York Securities Bureau under IARD number 123456. The previously referenced consent order, issued against the subject by the SEC, was also disclosed.

5

NAME: Office of Foreign Assets Control
LOCATION: Washington, DC

COMMENTS: Our investigation of the Office of Foreign Assets Control revealed nothing detrimental on file with respect to the subject company. The entity is not found on OFAC’s list as a “watched” company.

GENERAL INFORMATION

COMMERCIAL VERIFICATION

SUBJECT: Hedge Fund Capital, LLC
ADDRESS: 111 5th Avenue, Floor 15
New York, NY 10003
TELEPHONE NUMBER: (212) 555-6666



JAMES Q. SMITH
NEW YORK COUNTY, NEW YORK
&
NATIONWIDE DATABASE SEARCH

SEARCH PARAMETERS	RESULT	YEARS SEARCHED
Bankruptcy	No	10
Secretary of State	Yes	Not Applicable
Civil Records	Yes	10
Judgments	Yes	10
Tax Liens	Yes	10
Criminal Records	Yes	10
Newspaper Article Search	Yes	10
Regulatory Agency Search	No	10



NATIONWIDE BANKRUPTCY SEARCH

A nationwide search of the records maintained at the applicable United States Federal Bankruptcy Courts (including New York) revealed no record of the subject having sought protection under the Federal Bankruptcy Act.

OFFICER / DIRECTOR CROSS INDEX SEARCH

Our search of the Officer/Director Cross Index maintained at the New York Secretary of State's Office revealed the following corporate filing identifiable with the subject:

CORPORATION NAME: **Hedge Fund Capital, LLC**
CHARTER NUMBER: 123456
DATE OF INCORPORATION: January 1, 1998
TYPE: Domestic Limited Liability Company
STATUS: Active

REGISTERED AGENT: James Q. Smith
ADDRESS: 555 Broadway, Suite 222
New York, NY 10012

CIVIL RECORD SEARCH

A search for suits filed in the court records of New York County, New York revealed the following civil court case involving the subject:

DATE FILED: December 1, 2000
COURT: Supreme Court
DOCKET NUMBER: 00-2222ABC
DEFENDANT: Hedge Fund Capital, LLC; James Q. Smith
PLAINTIFF: ABC Advisors
TYPE: Contract dispute
AMOUNT: \$57,500
STATUS: Dismissed with prejudice on January 15, 2002

Our investigator performed a search of the United States Federal District Court - Southern District in New York, New York and found no record of Federal civil litigation involving the subject.



NATIONWIDE JUDGMENT SEARCH

A nationwide search for judgments (including New York County, New York) revealed the following filing involving the subject:

STATE: New York
COUNTY: New York
DATE ENTERED: June 1, 2000
ENTRY NUMBER: 999888
JUDGMENT DEBTOR: James Q. Smith
JUDGMENT CREDITOR: ABC Insurance Company
TYPE: Judgment
AMOUNT: \$43,230
STATUS: Satisfied August 1, 2003

NATIONWIDE TAX LIEN SEARCH

A nationwide search for tax liens (including New York County, New York) revealed the following filing involving the subject:

STATE: New York
COUNTY: New York
DATE FILED: January 1, 2002
FILING NUMBER: 987654321
TYPE: State Tax Lien
NAME OF TAXPAYER: James Q. Smith
TAXING AUTHORITY: New York State Department of Taxation and Finance
TOTAL TAX DUE: \$126,500
STATUS: Released March 1, 2004

CRIMINAL RECORD SEARCH

A search for suits filed in the court records of New York County, New York revealed record of the subject having been charged with one (1) count of domestic violence on February 1, 2001. On March 1, 2001 the subject pled guilty to this charge and was sentenced to one (1) year of probation. This conviction was verified through the subject's name, address and date of birth.

Our investigator performed a search of the United States Federal District Court - Southern District in New York, New York and found no record of any Federal criminal litigation or convictions involving the subject.

NEWSPAPER ARTICLE SEARCH

We conducted a database investigation to determine if there were any newspaper articles written with respect to our subject. Through this extensive investigation, we found multiple newspaper articles involving our subject. None were found to be derogatory in nature. Copies of these articles are enclosed for your review as Exhibit "B."

REGULATORY SANCTIONS

Our investigator conducted a database investigation of the federally regulated agencies known as the Securities & Exchange Commission and the Financial Industry Regulatory Authority and found no sanctions or improprieties filed against James Q. Smith.

EMPLOYMENT

EMPLOYER: Hedge Fund Capital, LLC
ADDRESS: 111 5th Avenue, Floor 15
New York, NY 10003
TELEPHONE: (212) 555-6666

We contacted this entity and confirmed that James Q. Smith is currently employed as Managing Director.

RESIDENCE VERIFICATION

SUBJECT: James Q. Smith
ADDRESS: 456 James Street
New York, NY 11111
TELEPHONE: (212) 555-1234

The New York County, New York Tax Assessor's Office disclosed that John Q. Smith and Jane M. Smith are the assessed owners of the above referenced single-family residence. The total assessed value was reported to be \$850,000.

Additional addresses affiliated with the subject over the past several years, as identified via database sources, include:

1. 123 5th Street, Apartment 1F, New York, NY 11111
2. 456 Main Street, Unit 12, New York, NY 22222



EDUCATION

1

NAME: Stanford University
CITY/STATE: Palo Alto, California
TELEPHONE: (650) 723-2300

COMMENTS: A university official confirmed the subject attended this institution between September 1993 and December 1995; however, no degree was obtained.

2

NAME: Yale University
CITY/STATE: New Haven, Connecticut
TELEPHONE: (203) 432-2331

COMMENTS: A university official confirmed that the subject was awarded a Bachelor of Arts degree in Economics on May 28, 1990.

EMPLOYMENT HISTORY

1

NAME: Hedge Fund Management, Inc.
CITY/STATE: New York, New York
TELEPHONE: (646) 555-7777

COMMENTS: A company representative confirmed that the subject was employed by Hedge Fund Management, Inc. from March 6, 2003 to July 26, 2004 and last held the position of Executive Director.

2

NAME: ABC Investors, LLC
CITY/STATE: New York, New York
TELEPHONE: (212) 555-5555

COMMENTS: A company representative confirmed that the subject was employed by ABC Investors, LLC from November 8, 1999 to January 3, 2003 and last held the position of Vice-President.



REGULATORY LICENSING

1

NAME: Financial Industry Regulatory Authority
CITY/STATE: Rockville, Maryland
TELEPHONE: (800) 289-9999

COMMENTS: We contacted this entity and were informed they have no information on file pertaining to the subject. We identified no derogatory information involving the subject.

2

NAME: Securities & Exchange Commission
CITY/STATE: Washington, DC
TELEPHONE: (202) 942-8088

COMMENTS: We contacted this entity and confirmed that James Q. Smith is currently listed as Managing Director of Hedge Fund Capital, LLC. We identified no derogatory information involving the subject.

3

NAME: National Futures Association
CITY/STATE: Chicago, Illinois
TELEPHONE: (800) 621-3570

COMMENTS: Based on this investigation, we confirmed the subject's current registration with the National Futures Association under NFA ID number 1112223. Mr. Smith is currently registered in association with Hedge Fund Capital, LLC as an approved Principal since September 19, 2004 and as a registered associated person since September 1, 2004. We identified no derogatory information involving the subject.

4

NAME: CFA Institute
CITY/STATE: Charlottesville, Virginia
TELEPHONE: (804) 951-5499

COMMENTS: We contacted this entity and were informed that James Q. Smith has not been bestowed the designation of Chartered Financial Analyst.

5

NAME: Office of the Attorney General – Investor Protection and Securities
Bureau

CITY/STATE: New York, New York

TELEPHONE: (212) 416-8192

COMMENTS: We contacted this entity and were informed they have no information on file pertaining to the subject. We identified no derogatory information involving the subject.

6

NAME: Office of Foreign Assets Control

LOCATION: Washington, DC

COMMENTS: We confirmed that James Q. Smith was not on the United States government list of individuals who are being monitored by the federal government.

CONCLUSION

After reviewing the information developed during this investigation, we offer the following summary:

During the course of the investigation, we researched Hedge Fund Capital, LLC and James Q. Smith via direct public record retrieval in the appropriate jurisdictions. We utilized a multitude of database sources to research each subject on a nationwide level. We also contacted the appropriate entities for confirmation purposes.

Inquiries placed with the United States Federal Bankruptcy Court for the Southern District of New York revealed record of Hedge Fund Capital, LLC having filed for Chapter 11 bankruptcy protection in January 2001. This filing was discharged in February 2003.

The litigation investigation identified one (1) dismissed civil suit involving Hedge Fund Capital, LLC and James Q. Smith as defendants filed the New York County Supreme Court in December 2000. The suit was dismissed with prejudice in January 2002. We identified no further civil litigation involving either subject as plaintiff or defendant on either local or federal levels.

Public record research revealed one (1) judgment, in the amount of \$43,230, involving James Q. Smith as debtor filed in New York County, New York in June 2000. This judgment was satisfied in August 2003. This investigation further identified one (1) New York state tax lien in the amount of \$126,500 listing James Q. Smith as debtor filed in New York County, New York in January 2002. This lien was released in March 2004. We identified no additional judgments or tax liens involving either subject as debtor.

Direct courthouse research revealed one criminal conviction involving James Q. Smith. Mr. Smith was charged with one (1) count of domestic violence in New York County, New York in February 2001. The subject was convicted of this charge in March 2001 and sentenced to one (1) year of probation.

Our nationwide media search revealed various publications involving each subject; however, we found no material of a derogatory nature.

A search of the applicable regulatory agencies revealed one (1) regulatory sanction imposed on Hedge Fund Capital, LLC by the Securities & Exchange Commission in January 2000, based on allegations that the subject entity engaged in investment advisory activities without the proper registration. This sanction resulted in a monetary fine of \$8,000 and back fees of \$1,400, which have been paid in full. We identified no further regulatory fines or sanctions levied against the either subject.

This investigation confirmed Hedge Fund Capital, LLC to be an active limited liability company incorporated within the State of New York on January 1, 1998. James Q. Smith was confirmed to be a current Managing Director of Hedge Fund Capital, LLC. Our investigation successfully confirmed Mr. Smith's historic education and employment background. We



identified no discrepancies between the provided biographical information and our investigative findings.

We trust this information will be of assistance in determining your future course of action.

THE INFORMATION IN THIS REPORT DOES NOT REPRESENT A LEGAL OPINION, BUT RATHER, IT SHOULD BE USED TO ASSIST IN YOUR CREDIT EVALUATION. THE INVESTIGATION OF CREDIT AND FINANCIAL DATA IS COMPLEX, REQUIRING THE CONTACTING OF MANY SOURCES OF INFORMATION; CONSEQUENTLY, WE CANNOT GUARANTEE THE ACCURACY OF THE INFORMATION CONTAINED IN THIS REPORT.