

AUDIT ENGAGEMENT LETTER

Name of Client: _____
Address: _____
City, State, Zip: _____, _____, _____

Dear Client:

This letter will confirm the terms and limitations of the audit services our firm, _____, has agreed to perform for the Client for the year ending _____, 20____.

We will audit the consolidated balance sheet as of _____, 20____ and the related consolidated statements of income, retained earnings (deficit), and cash flows for the year then ended, for the purpose of expressing an opinion on them.

The financial statements are the responsibility of the Company management. Encompassed in that responsibility is the establishment and maintenance of effective internal control over financial reporting, the establishment and maintenance of proper accounting records, the selection of appropriate accounting principles, the safeguarding of assets and compliance with relevant laws and regulations. Management is also responsible for making all financial records and related information available to us.

Our responsibility is to express an opinion on the financial statements based on our audit and is limited to the period covered by our audit. If circumstances preclude us from issuing an unqualified opinion, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of the engagement.

We will conduct our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The term "reasonable assurance" implies a risk that material monetary misstatements may remain undetected and precludes our guaranteeing the accuracy and completeness of the financial statements. 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.

Our procedures will include obtaining an understanding of the company's internal control structure and testing those controls to the extent we believe necessary. Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of physical inventories and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected customers, creditors, legal counsel, and banks. At the conclusion of our audit, we will request certain written representations from you about the financial statements and matters related thereto.

Although the audit is designed to provide reasonable assurance of detecting errors and irregularities that are material to the financial statements, it is not designed and cannot be relied upon to disclose all fraud, theft, embezzlements or other illegal or dishonest acts. However, we will inform you of any material errors, and all irregularities or illegal acts, unless they are clearly inconsequential, that come to our attention.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

As part of our engagement for the year ending _____, 20____, we will review the federal and state income tax returns for the Client.

Further, we will be available during the year to consult with you on the tax effects of any proposed transactions or contemplated changes in business policies.

Assistance to be supplied by your personnel, including the preparation of schedules and analyses of accounts, is described in a separate attachment. Timely completion of this work will facilitate the completion of our audit.

Our fees will be billed as work progresses and are based on the amount of time required plus out-of-pocket expenses. Invoices are payable upon presentation. We will notify you immediately of any circumstances we encounter that could significantly affect our initial estimate of total fees, which will range from \$ _____ to \$ _____ while being paid the hourly rate of \$ _____ / hour.

The working papers for this engagement are the property of our firm and constitute confidential information and will be retained by us in accordance with our policies and procedures.

If any dispute arises (between/among) the parties hereto, the parties agree first to try in good faith to settle the dispute through non-binding mediation. The costs of mediation shall be shared equally by the parties.

The parties agree that, if any dispute cannot be settled through mediation, the dispute may then be brought before a court of competent jurisdiction, but the matter will ultimately be decided by the court, sitting without a jury. The parties recognize they have knowingly and voluntarily agreed to waive all rights to have any such dispute determined by a jury, but otherwise retain all rights afforded under the applicable civil justice system.

This Agreement, and the rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws located in the State where the services are being provided.

This Agreement is fully and voluntarily entered into by the Parties. Each Party states that he, she, or it has read this Agreement, has obtained advice of counsel if he, she, or it so desired, understands all of this Agreement, and executes this Agreement voluntarily and of his, her, or its own free will and accord with full knowledge of the legal significance and consequences of this Agreement.

If this letter correctly expresses your understanding, please sign the enclosed copy where indicated and return it to us.

We appreciate the opportunity to serve you and trust that our association will be a long and pleasant one.

Sincerely,

Date: _____

Print Name _____

Date: _____

Client Signature

Print Name _____