

SAMPLE MANAGEMENT LETTER

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[Auditor Letterhead]

[DATE]

To Management and the Audit Committee
[APPLICANT ENTITY AND SUBSIDIARIES]
[CITY, STATE]

We have audited the consolidated financial statements of APPLICANT ENTITY and Subsidiaries (the Organization) as of and for the year ended [DATE], and have issued our report thereon dated [DATE]. Professional standards require that we advise you of the following matters relating to our audit.

In planning and performing our audit of the consolidated financial statements of the Organization as of and for the year ended [DATE], in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Certain deficiencies in internal control that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

[Below are samples of findings, actual statements will vary with the facts of each audit]

Uncorrected and Corrected Misstatements

During the course of our audit, we proposed a financial statement presentation reclassification related to the restricted cash of [DOLLAR AMOUNT] that was contributed back to the ABC Subsidiary, as part of the overall unwind of the XYZ Subsidiary.

The related contribution expense related to this cash donation was reclassified to be included with overall net contribution of fixed assets and forgiveness of debt to present a net gain relating to the projects unwind. We believe the net presentation of all three elements (cash, fixed assets, and debt) to be a preferable way of presenting the essence of the transaction. Management reclassified this entry correctly during the course of our audit.

Impaired Loan Analysis

During our testing of a collateral-dependent impaired loan, we noted that management’s analysis did not adequately support its conclusion on estimated fair value. Management should ensure the estimate of fair value of impaired loans and foreclosed assets is thoroughly documented and supported with the use of either external valuation (i.e., appraisal or broker opinion of value) or internal valuation of fair value.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Other Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This communication is intended solely for the information and use of management, the Audit

Committee, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

[AUDITOR]