[Audit Firm Letterhead]

[Date]

To the Board of Directors and Management
[Company Name]
[Company Address]

Subject: Management Letter Regarding Internal Controls Over Employee Stock Ownership Plan (ESOP) Valuation Assumptions

Dear Management,

In planning and performing our audit of the financial statements of [Company Name] as of and for the year ended [Date], in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting as a basis for designing audit procedures. This review included an evaluation of the controls surrounding the valuation of the Employee Stock Ownership Plan (ESOP).

During our audit, we noted certain matters involving internal controls and their operation regarding valuation assumptions that we want to bring to your attention. These observations are intended to improve internal controls and operational efficiency.

1. Review and Documentation of Key Assumptions
We observed that while the Company engages an independent qualified appraiser to perform the annual ESOP valuation, there is limited formal documentation reflecting management's internal review and challenge of the underlying assumptions used by the appraiser. Specifically, assumptions regarding [e.g., projected revenue growth, discount rates, or EBITDA multiples] should be rigorously compared against historical performance and industry benchmarks.

Recommendation: Management should implement a formal checklist or memorandum process to document the review of the draft valuation report. This should include a sign-off indicating that management agrees with the reasonableness of the projections and the discount rates applied.

2. Accuracy of Data Provided to the Appraiser
We noted instances where the financial data provided to the appraiser required subsequent adjustments during the audit process. Inaccurate internal financial forecasts or interim statements provided to the valuer can lead to material misstatements in the final ESOP share price.

Recommendation: Implement a secondary internal review of all financial data and projections before they are transmitted to the independent appraiser to ensure consistency with the audited financial statements.

3. Methodology Consistency
It was noted that the weightings assigned to different valuation approaches (e.g., Asset, Income,

and Market approaches) are not explicitly reviewed for year-over-year consistency based on changes in the business cycle.

Recommendation: Management should require the appraiser to justify any changes in weighting methodologies and document management's acceptance of these changes based on current economic conditions.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our audit. We are available to discuss these comments and recommendations at your convenience.

Sincerely,

[Partner Name/Signature]
[Audit Firm Name]