[Date]

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

RE: Management Letter Regarding Significant Deficiencies in Internal Controls over ESOP Valuation

Dear **[Name of Contact]**,

In planning and performing our audit of the financial statements of **[Company Name]** (the "Company") and the **[ESOP Plan Name]** (the "Plan") as of and for the year ended **[Year End Date]**, we considered the Company's internal control over financial reporting as a basis for designing audit procedures. This was done for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, during our audit, we identified certain deficiencies in internal control related to the Employee Stock Ownership Plan (ESOP) valuation process that we consider to be significant deficiencies.

Significant Deficiency: Controls Over ESOP Valuation Inputs and Review

Observation:
During our testing of the annual fair market value determination of the Company's stock held by the ESOP, we noted that the controls surrounding the data provided to the independent appraiser were insufficient. Specifically, **[describe specific gap, e.g., management did not formally verify the accuracy of the financial projections provided to the appraiser, or there was no documented review of the final valuation report by the Plan Trustee]**.

Potential Effect:
Inaccurate valuation inputs or a lack of rigorous oversight can result in a misstatement of the Plan's assets. This may lead to incorrect share allocations, improper distributions to participants, and potential non-compliance with Department of Labor (DOL) and IRS regulations regarding "adequate consideration."

Recommendation:
We recommend that management implement a formal review process that includes:

- A signed attestation by the CFO or Controller verifying the accuracy and completeness of all internal financial data and projections provided to the third-party valuation firm.

- A documented meeting between the Plan Trustee and management to review the valuation methodology, discount rates, and peer group selections used in the report.
- A checklist to ensure that the final valuation report conforms to the requirements of the ESOP Plan Document.

Management's Response:
[Insert Management's Response and Corrective Action Plan here]

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 provided by your staff during the course of our audit.

Sincerely,

[Partner Name/Signature]
[Audit Firm Name]