

January 25, 2013

Mr. & Mrs. Prospective Client
1234 Sample Address
Austin, TX 78746

Dear Mr. & Mrs. Client,

It was a pleasure to meet with you this morning. I believe I will be of assistance to you in your financial planning and management, as you prepare for retirement.

This letter describes the breadth and scope of the services I provide, and gives you the option of choosing combinations of them. All three components are combined in my broader Investment Decision Management (IDM) services. Alternative Engagement #1 offers Investment Advisory-Only (IA) services, while Alternative Engagement #2 offers Personal Financial Modeling-Only (PFM) services. Alternative Engagement #3 is offered as a more limited consulting engagement.

Whereas we spoke of Alternative Engagement #3 as being appropriate for your needs, my Engagement Letter template describes all my services and includes descriptive information regarding your PFM-Only choice. So that we will each have originals of this agreement, I have sent you two signed copies. Please return my set to me.

Investment Decision Management Services Engagement Agreement

This Engagement Letter is to confirm our understanding of the nature, scope, and limitations of my services to be provided for you. I have sent you two copies to be signed that one will be returned to me so that we will each have an original of this agreement. If you wish to have this engagement agreement modified, please call me to discuss your thoughts.

Description of Investment Decision Management Engagement

The object of my engagement is to support you in the ongoing management of your financial and investment decisions, and to guide you through the investment management process. IDM Services provides my counsel, assistance with the ongoing monitoring and maintenance process.

There are three components to this engagement:

- Personal Financial Modeling, annually revised
- Investment Policy Statement, implemented and annually revised.
- Quarterly Monitoring and Maintenance reports, delivered 3-6 weeks after each calendar quarter.

Personal Financial Modeling

I will construct a financial model of your current planning scenario, with numerous decision-specific variables. This PFM provides a visual “Big Picture” of your projected financial lifetime, and it:

- Identifies if and when your projected Total Investment Portfolio is depleted to zero, and is constructed to include estate planning / lifestyle scenarios you may be considering.
- Provides a minimum target return your portfolio and helps identify your desired risk profile, used in the development of the Investment Policy Statement (IPS).
- Provides a powerful platform for illustrating estate planning options, and determining needed savings levels for retirement and college education purposes.
- Included in the PFM is a review and evaluation of your Life, Health, Disability and/or LTC insurance.
- Included in the PFM is a review and evaluation of your Investment Portfolio, with a focus on current and appropriate asset class diversification.
- The PFM can be designed to address any specific concerns you may have, and gives you the ability to toggle variables. Specific issues, such building a house, retiring from your job, liquidating closely held stock, or establishing a lifetime charitable entity, can be modeled and evaluated. Household spending plans can be developed, as well.

Note: *The PFM does not follow Generally Accepted Accounting Principles, and is not for use by third parties. Inaccuracies and material omissions may occur.*

Disclaimer: *The PFM should be reviewed annually. The assumptions used are “deterministic” in nature (i.e. – straight-lined inflation rates, for instance) and is not representative of the real world. Each year, asset values and the Primary Scenario should be updated, and the underlying investment assumption should be tested.*

These projections are not for use by third parties. They are not in compliance with GAAP, and material omissions may exist. This model is not an attestation of financial condition.

Investment Policy Statement (IPS)

I develop for you an Investment Policy Statement that will serve to bring a prudent process to the management of your investments. The IPS will:

- Identify the funds and accounts to be subject to its structure.
- Establish a diversified asset class allocation based on both an assessment of your risk/return profile and on the minimum target returns and cash flow needs as supported by the PFM.
- Identify a target level of risk and return.
- Articulate the process for receiving new money and processing liquidations, if needed,
- Periodic rebalancing portfolio as thresholds are crossed or new money is added.
- Establishing eight due diligence criteria for the selection and monitoring of professional money managers (Mutual Funds / Separate Account Managers).
- Implementation, to the extent that we liquidate or maintain your existing accounts, occurs through no-load, low-cost mutual funds at (discount) brokerage accounts in your name.

Note: I hold no authority or discretion on your accounts; you are always in direct control. When brokerage instructions are needed, I provide both you and the broker with identical sets of specific instructions. You, then, communicate (verbally or in writing/fax) directly with the broker to authorize the execution of the instructions.

Ongoing Quarterly Portfolio Monitoring & Maintenance (QM&M)

I will provide you four written quarterly portfolio monitoring and maintenance reports/meetings. These reports are integral to the monitoring process as described in the IPS, and they complete the IDM process. For the first year, these are face-to-face meetings, and then as needed (at least annually).

Each report contains a review of the current market and which asset classes have been driving factors, current portfolio holding values, allocation weightings and any need for rebalancing, and peer group comparisons of the selected money managers / mutual funds in the portfolio.

Fiduciary Analytics¹, the web based software that I use, screens the Morningstar database for Mutual Funds, Exchange Traded Funds, and Separate Account Managers, and applies eight due diligence criteria for both performance and risk assumed by each manager/mutual fund, and applies a scoring system.

The QM&M report provides an aggregated summary of your investment holdings, along with peer group comparisons for your investment portfolio. When money managers / mutual funds need to be replaced, I provide written recommendations to both yourself and the brokerage operation, who waits for your authorization by voice/fax/mail.

¹ A Web-based software developed by the Center for Fiduciary Studies.

Morningstar Office Web Portal – My Client Management System

I use Morningstar Office for my Client Management System, which provides my clients with a web portal that reports current valuations on their aggregated accounts, along with a whole host of Morningstar based information. Client account data is gathered daily using a company called ByAllAccounts operates a program called Account View. Additionally, I use a back office support company, CSSI, to do the daily work of my account aggregation into Morningstar Office.

This whole system requires that clients enter their web access credentials (username & password) into the Account View/ByAllAccounts aggregation program. I will provide you with detailed instructions about how to do that, and have walked many clients through it over the phone. If any of your passwords or usernames change I will be informed because of the lack of access, and we will need to go through data entry of credentials again.

Annual Updates

After the initial four quarterly portfolio performance reviews, I offer to continue to provide monitoring and maintenance services which include the following:

- Annually reviewing and updating the Personal Financial Model. Let's make sure the primary scenario and assumptions are still representative for you.
- Annually reviewing and updating the IPS. Have long-term expectations changed? Does our process need to be modified?
- Four Quarterly Monitoring and Maintenance Reports with memo by mail. Quarterly meetings available at no additional cost.
- Feel free to call me during the year with your financial planning and investment questions. I am available for your questions. If what you ask of me requires substantial time for research/analysis, we will discuss additional billings. My fee prepayment structure encourages clients to call me without feeling that the hourly rate clock will start ticking when I pick up the phone.

Establishing Accounts

If needed, I will assist you in having retail brokerage accounts established for you. While I wish to have no authority over your funds, I do want to have your web access credentials entered into my ByAllAccounts aggregation system that feeds Morningstar Office your account information.

Time Schedule

This agreement extends until four quarterly performance reports are presented. I anticipate that the development of the PFM might take 4-6 weeks, followed by the Investment Policy Statement for a total of 6-9 weeks until implementation. The quarterly reports will begin at the end of the calendar quarter closest to the completion of the IPS.

Fee and Payment

My fee for the services described above is \$8,750 in the first year, and \$6,500 annually thereafter for up to two more years. (Please see my posted rate schedule, attached.) An initial retainer of \$2,250 is due upon acceptance of this engagement agreement with \$6,500 due upon completion and implementation of the IPS.

After the initial four quarterly reports, my continued annual updating and quarterly monitoring service will be available for an additional two years, should you renew my services (a total engagement period offer of 3 years), for an annual retainer of \$6,500.

My billing rate for services outside the scope of this engagement agreement is \$250/hr. Any additionally billable work will be discussed and agreed-upon separately on an "as-needed" basis.

Alternative Engagement #1: IA-Only Engagement – Scope and Fee

Alternatively, you may wish to engage me only for the Investment Advisory (IA) services, excluding the PFM. My IA service includes an analysis of your aggregated investment holdings, the development an Investment Policy Statement for your securities portfolio, and ongoing QM&M services. The exclusion of the PFM leaves me without a full understanding of your larger financial planning picture, and is therefore much more reliant upon your input in developing targeted levels of risk and return.

The flat fee for this service will be \$6,250 in the first year, and \$5,000 each year an additional two years, should you continue to renew my services (a total engagement offer of 3 years). This flat fee is pre-paid each year.

Alternative Engagement #2: PFM-Only - Scope and Fee

Alternatively, you may wish to engage me for only the construction of your Personal Financial Model. I offer to construct your PFM (as described above) for a flat fee of \$2,500. With this alternative scope/fee agreement, a retainer of \$1,250 is due with the remainder due as the PFM is delivered to you. Subsequent annual updates will be additionally billed in a consultative mode.

Upon delivery of the PFM, if you wish to broaden the engagement to include the above described IDM services, we can simply re-date this agreement with a payment adjustment to the IDM retainer, and move forward with the development and implementation of the your Investment Policy Statement.

Alternative Engagement #3: Limited Consultation

This is a more limited consulting engagement that limits my time and provides a less comprehensive rendition of the PFM. This engagement limits me to three billable hours at \$250 per hour for a total of \$750. To be paid with a \$250 deposit and the remainder upon completion.

View Samples of Real Life Cases on Web Site

Samples of my work can be viewed at my web site, www.fredmyerscpa.com. Follow the links under "Real Life Cases", and you will be able to see the type of output I generate.

Required Disclosures

The Texas State Securities Board requires that I provide you with my "Form ADV, Part II", which provides informational disclosures of my practice as an Investment Advisor. This disclosure is posted and annually updated on my web site: www.fredmyerscpa.com. Your signature below recognized that this information has been delivered to you via my web site.

My Privacy, Non-Assignment, and Refund, and Insider Trading Clauses and Policies

The Texas State Securities Board requires that I disclose my policies covering the following:

Privacy Policy: All information specific to you is kept confidential and is used only as required by law or as authorized by you for the purpose of providing my service. I do not sell or loan your information to other parties.

Non-assignment Clause: This agreement is not assignable to another service provider without your written consent.

Termination and Refund Policy: This agreement may be terminated by either party without cause by written notice. Upon the premature termination of this agreement, refunds for prepaid services are available upon request, and are to be determined by myself, Fred Myers.

Insider Trading: I have established, and do maintain and enforce written policies and procedures reasonably designed to prevent the misuse of nonpublic information.

Internet and E-Mail:

I frequently use the internet and e-mail to transmit certain information and documents to and from my clients, if they desire. Law regarding the protection of the client confidentiality in this area is currently developing and is not clear. Unless you indicate otherwise in writing, however, I will use e-mail for communications and transmission of documents between us. You agree that you understand and accept the risks that e-mail and the use of the Internet may present to protection of the client confidentiality. As a precondition to the transmission of e-mail between you and me, you or I may, at a later date, require at any time that encryption software be used; any such requirement from you to the Firm must be in writing to be effective.

Agreed, Use Email _____

Initial, Please

Do Not Use Email for Document Delivery _____

Signatures

By signing below, you agree to the terms above and engage me to perform these services. Please return to me the following:

- Signed, initialed, and dated originals of both this agreement and the supplement (one copy each for your files)
- A check, payable to Fred Myers, CPA, P.C. retaining/pre-paying my services in the amount of (check your selection of service levels):
 - \$2,250 retainer for the IDM Services Engagement totaling \$8,750.
 - \$6,250 pre-payment for the IA-Only Engagement, Alternative #1
 - \$1,500 retainer for the PFM-Only Engagement, Alternative #2
 - \$ 375 retainer for 3-Hours of Consultation Time, Alternative #3

I/We acknowledge receipt of Part II of Form ADV [*via web site access*]; a disclosure statement containing the equivalent information; or a disclosure statement containing at least the information required by Schedule H of Form ADV, if the client is entering into a wrap fee program sponsored by the investment adviser [*which you are not*]. If the appropriate disclosure statement was not delivered to the client at least 48 hours prior to the client entering into any written or oral advisory contact with this investment adviser, then the client has the right to terminate the account without penalty within five business days after entering into the contract. For the purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract, or, in the case of an oral contract, otherwise signified their acceptance, any other provisions of this contract notwithstanding.

Agreed,

**Return This
Copy**

Fred Myers, CPA, CFP, CLU, AIF

Prospective Client

Date

**AUTHORIZATION TO RELEASE CONFIDENTIAL
FINANCIAL AND/OR LEGAL INFORMATION**

I/we have engaged Fred Myers, CPA to provide financial consultation services, and hereby authorize you, my: attorney, accountant, insurance carrier / agent / administrator / registered representative / brokerage house, to provide any and all information as may be requested to my consultant, Fred Myers, CPA.

Please cooperate with him promptly and completely.

Signed:

Prospective Client

Date

**Return
This
Copy**

Please send/fax any information requested to:

Fred Myers, CPA, P.C.
1411 West Avenue, Suite 100
Austin, TX 78701
Phone: 512/457-8555
Fax: 512/233-2882

List of Needed Documents & Statements

Please provide for me, as soon as is convenient, copies of the following documents and statements, if available:

Current Monthly Statements from:

- Investment Accounts [] Terms of each/any mortgage or note payable
- Retirement Accounts (401(k)s, IRAs, etc.) - Initial Principal Amount
- Pension Payments - Interest Rate, Date of 1st Payment
- Social Security - Number of Years
- Detailed listings of direct holdings in CDs, Bonds, Stocks, etc.
- Checking Account, Page 1, showing account # and current balance
- Savings Account, Page 1, showing account # and current balance

Your most current Tax Returns (complete copies)

- Form 1040
- From other related entities
 - Form 1041 (trusts)
 - Form 1065 (partnerships)
 - Form 1120 / 1120S (corporation)

Insurance Policies

- Life Insurance
- Disability Insurance
- Health / Medicare Supplement
- Long-Term Care
- Employer's Benefits Booklet

Estate Planning Documents

- Will
- Living Trust
- Directive to Physicians, Durable Power of Attorney, 5 Wishes, Other Documents
- Trust Agreements, as Grantor or Beneficiary

Property Settlement Agreements

- Divorce Agreements
- Marital Property Agreements
- Other

Personal Standard of Living / Cash Flow

- A copy of a recent and typical pay stubs
- Your best guess of what your monthly personal financial needs are: \$_____
- A (Quicken, etc.) report of your spending for the last 12 months.
- Statements for last 3-months for Credit Cards and On-line Payment/Checking Accounts.

Fred Myers, CPA, P.C.
2013 Service and Flat Fee Structure

\$								
<table border="1"> <tr> <td>QM&M Services (Quarterly Monitoring & Maintenance)</td> <td rowspan="3" style="writing-mode: vertical-rl; text-orientation: mixed;">IA Services</td> </tr> <tr> <td>IPS (Investment Policy Statement)</td> </tr> <tr> <td>PFM (Personal Financial Modeling)</td> </tr> </table>	QM&M Services (Quarterly Monitoring & Maintenance)	IA Services	IPS (Investment Policy Statement)	PFM (Personal Financial Modeling)	\$	\$	\$	IA
	QM&M Services (Quarterly Monitoring & Maintenance)		IA Services					
	IPS (Investment Policy Statement)							
PFM (Personal Financial Modeling)								
QM&M	QM&M	QM&M						
IPS Update	IPS Update	IPS Update						
PFM Update	PFM Update	PFM Update						
First Year	Second Year	Third Year	+ Years					

Flat Fee Schedule

Estate / Portfolio Size	IDM Services (PFM, IPS, QM&M)		IA Only (IPS & QM&M)		PFM Only <small>(annual / periodic updates available on consultative basis)</small>
			<small>based not on estate size but on liquid investment portfolio size</small>		
	<u>First Year</u>	<u>+ Years</u>	<u>First Year</u>	<u>+ Years</u>	
\$0 - \$2M	\$4,750	\$3,250	\$3,250	\$2,500	\$1,500
\$2M - \$5M	\$8,750	\$6,500	\$6,250	\$5,000	\$2,500
\$5M - \$10M	\$11,000	\$8,500	\$7,500	\$6,500	\$3,500
\$10M - \$20M	\$17,000	\$13,500	\$12,500	\$10,000	\$4,500

Hourly Consultation Fee
\$250/hr for services beyond the scope as described in the Engagement Letter