

fredmyerscpa

January 4, 2005

Ms. Mary Sue Jacobson
27081 Wintergreen Court
Austin, TX 78700

Dear Mary Sue,

I enjoyed meeting with you last Wednesday, and I look forward to being of service to you.

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.

Please indicate your choice of engagement, sign where indicated. So that we will each have originals of this agreement, I have sent you two signed copies. Please sign where indicated and 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 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, and the tools needed to have a prudently designed portfolio with an ongoing assisted 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.

Fred Myers, CPA, P.C.

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Personal Financial Modeling – I will construct for and give to you, a financial model¹ of your current planning scenario, with numerous decision-specific variables that you can “play” with. 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 (under an interactive set of assumptions), 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.
- Included in the PFM is a review and evaluation of your Life, Health, Disability and 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 as purchasing another rental property, can be modeled and evaluated. Cash management and personal spending plans can be developed, as well.
- At the delivery of the PFM, in addition to a diskette containing a zipped Excel file, you will receive a printed copy of the PFM reflecting several planning scenarios.

Note: *The PFM does not follow Generally Accepted Accounting Principles, and is not for use by third parties. Inaccuracies and material omissions may occur. The PFM requires a basic navigational knowledge of Excel. The model has not been further constructed in a “user friendly” formatted. Beginning values and dates can be altered so that the PFM is a useful tool in and of itself – with or without my ongoing services.*

Disclaimer: *The PFM should be reviewed annually. They are based on a set of “deterministic” assumptions (i.e. – straight-lined inflation rates, for instance) which do not occur in 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.*

The following **Software Propriety Agreement** is included in this agreement:

The proprietary nature of the Personal Financial Model, an Excel template designed by Fred Myers, is recognized, respected, and will not be used by persons other than myself/ourselves.

_____ Initials

¹ An Excel template, requiring a zCalc upload. For PC use only. Not Mac/Apple compatible.

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Investment Policy Statement (IPS) – I will 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 an 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,
- Periodically rebalance the portfolio as thresholds are crossed or new money is integrated.
- 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 Analytics², the web based software that I use, screens the Morningstar database (the Mobius database for 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.

² A Web-based software developed by the Center for Fiduciary Studies. Go to www.fi360.com to get free 1-week trial offer, enabling you to view this evaluative tool.

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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 (with a working copy to you, including zCalc³ renewals). 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 have retail brokerage accounts established for you. While I wish to have no authority over your funds, I would like to receive duplicate statements on all your accounts.

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 \$5,000 in the first year, and \$2,500 annually thereafter for up to two more years.

An initial retainer of \$2,500 is due upon your acceptance of this engagement agreement with \$2,500 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 \$2,500.

My billing rate for services outside the scope of this engagement agreement is \$200/hr. Any additionally billable work will be discussed and agreed-upon separately on an "as-needed" basis.

³ Zcalc is a software program attachment that must be downloaded by you in order for the PFM to work. I annually provide you with a password to download current versions at no additional cost.

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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 \$2,000 in the first year, and \$1,250 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 \$2,250. 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 of the your Investment Policy Statement.

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. My fee schedule is also posted for you to examine.

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.

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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.

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):
 - [] \$2,500 retainer for the IDM Services Engagement
 - [] \$3,000 pre-payment for the IA-Only Engagement, Alternative #1
 - [] \$1,250 retainer for the PFM-Only Engagement, Alternative #2

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

Mary Sue Jacobson

Date

Fred Myers, CPA, P.C.

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**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:

Mary Sue Jacobson

Date

**Return
This
Copy**

Please send/fax any information requested to:

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Fax: 512/457-8556

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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.

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