[Your firm name and logo]

[Firm name]
[Firm address]
[Date]
[Engaging party legal name] ([buyer / seller])
Attention: [Name, title]
Re: Quality of earnings analysis of [Target legal name]

Dear [Name],

Parties and purpose
[Buy-side: You are considering the acquisition of (Target legal name) (the “Target”) and have asked us to analyze its earnings and working capital to support your diligence.] [Sell-side: You have asked us to analyze the earnings and working capital of (Target legal name) before you offer it for sale.]

Nature of our work
We will perform this engagement as a consulting service under the AICPA Statement on Standards for Consulting Services. We will not audit, review or compile any financial statements, and we will not express an opinion, a conclusion or any other assurance. We will rely on information provided by the Target’s management and will not verify it, except as described in the scope.

Scope
Covering the fiscal years ending [dates] and the trailing twelve months to [date], by month, we will: [ ] adjust reported EBITDA for owner compensation, one-time and out-of-period items; [ ] analyze revenue by customer, including concentration and cutoff; [ ] trend net working capital to support a peg; [ ] perform a proof of cash for [months]; [ ] list debt and debt-like items; [ ] identify tax filing gaps and exposures; [ ] summarize headcount and payroll.

Agreed-upon procedures (optional)
If you ask us to perform any procedure under the AICPA attestation standards, we will agree on it in a separate letter under AT-C 215.

Data the Target will provide
The Target will open the data room by [date] with: monthly trial balances and general ledger detail; bank statements for each proof-of-cash month; receivable and payable agings; payroll registers and a headcount roster; customer contracts, leases and debt agreements; federal and state tax returns and notices for open years; and, for an asset deal, the draft purchase price allocation. The Target will answer our questions within [number] business days.

Access to management
The Target’s CFO and controller will be available for interviews during [dates]. You will arrange that access through [deal contact].

Deliverables and timing
We will deliver a databook and a written report in draft by [date] and in final by [date]. These dates assume the data and access described above. Delays move the dates, and time spent waiting is billed.

Use of the report and third parties

The report is for your use in evaluating the transaction. You may share it with [lenders / investors / advisers] only after each signs our access letter, which confirms that it may not rely on the report or bring claims against us. Any reliance letter requires our separate written agreement.

Independence check (optional)
[We do not provide attest services to the Target.] / [We audit the Target; we have checked that this engagement is permitted under the AICPA independence rules and we will not assume any management responsibility for the Target.]

Confidentiality
We will keep all deal information confidential under the terms of [the NDA dated (date)], which this letter adopts, and use it only for this engagement.

Fees and a terminated deal
Our fee is [fixed amount for the scope ticked / hourly at (rates), capped at (amount)]. A retainer of [amount] is due on signing. If the transaction ends before we finish, we will bill work performed to that date, and the draft report will be released only after payment.

Limitation of liability (optional)
Our total liability for any claim relating to this engagement is limited to the fees paid to us under this letter, except where the law does not allow such a limit. We owe no duty to any third party who has not signed an access or reliance letter.

Governing law and disputes
This letter is governed by the laws of [state]. Any dispute about our services will first go to non-binding mediation in [city, state] before either party starts other proceedings.

Acceptance
Please countersign to confirm the scope and terms. We will request data room access once we receive your signature.

Regards,
[Firm name]
[Partner name], Transaction Advisory
Signature: _____ Date: _____
Agreed for [Engaging party legal name]:
[Officer name], [Title] Signature: _____ Date: _____