Example: Legal Representation Letter

(Prepared on client’s letterhead)

(Date)
(Name and address of attorney)

Dear __________:

In connection with an audit of our financial statements as of December 31, 200X and for the year then ended, please furnish to our independent auditors (insert name and address of auditors) the following information concerning certain contingencies involving matters as to which you have devoted substantive attention on behalf of the Company (and any of its subsidiaries, if applicable) in the form of legal consultation or representation. These contingencies are regarded by us as material for this purpose if they involve claims amounting to more than (insert materiality dollar amount), individually or in the aggregate.

Pending or Threatened Litigation, Asserted Claims, and Assessments

Please furnish to our auditors a description and evaluation of all pending or threatened litigation, asserted claims, and assessments. Your response should include the following:

1. The nature of each matter, including (a) the proceedings, (b) the amount of monetary damages sought, or if no amounts are indicated, a statement to that effect, (c) the extent to which potential damages are covered by insurance, and (d) the objectives sought by the plaintiff other than monetary or other damages.

2. The progress of each matter to date.

3. The way we are responding or intend to respond (e.g., to contest the case vigorously or to seek an out-of-court settlement).

4. An evaluation of the likelihood of an unfavorable outcome and an estimate, if one can be made, of the amount or range of potential loss. If you cannot express an opinion on the outcome of certain litigation, please so state, together with your reasons for that position.

Unasserted Claims and Assessments (considered by us to be probable of assertion, and that, if asserted, would have at least a reasonable possibility of an unfavorable outcome)

[The client should prepare a list describing all such material contingencies. Ordinarily, management’s information would include (1) the nature of the matter, (2) how management intends to respond if the claim is asserted, and (3) an evaluation of the likelihood of an unfavorable outcome and an estimate, if one can be made, of the amount or range of potential loss.]
Please furnish to our auditors an explanation, if any, that you consider necessary to supplement the foregoing information, including an explanation of those matters as to which your views may differ from those stated.

We have represented to and assured our auditors that the unasserted claims and assessments mentioned in this letter include all unasserted claims and assessments that you have advised us are probable of assertion and must be disclosed in accordance with International Accounting Standards.

Other Matters

[The auditor may request the client to inquire about additional matters (e.g., specified information on certain contractually assumed obligations of the Company, such as guarantees of indebtedness of others).

Response

Your response should include matters that existed as of December 31, 200X and additional information about those matters or new matters that arose during the period from that date to the effective date of your response.

Please specifically identify the nature of and reasons for any limitation on your response.

We expect to have our audit completed about (insert expected completion date). Therefore, we appreciate receiving your reply by that date with a specified effective date no earlier than (insert date).

Your response will not be quoted or referred to in the Company’s financial statements without prior consultation with you.

Please send your response directly to our auditors, with a copy to me.

Thank you for your anticipated timely cooperation with this request.

Respectfully,

(Name of client)

(Client’s authorized signature and title)