

Our engagement cannot be relied upon to disclose errors, fraud or illegal acts that may exist. However, we will inform you of any material errors and any evidence or information that comes to our attention during the performance of our compilation procedures, that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate significant deficiencies or material weaknesses in your internal control as part of this engagement.

Based on our discussions with you, the financial statements, if included on Schedule 1- Services Provided, are for **management's-use-only and are not intended for third-party use.** Furthermore, you represent and agree that the use of the financial statements will be limited to members of management with similar knowledge. You also represent that it is your responsibility to educate other members of management with whom you choose to share the financial statements to enable them to understand the potential limitations of such statements and place the information in its proper context. Furthermore, the use and distribution of such management-use only financial statements is not intended for third parties. If our work product is given to any third party and the third party later files claim, Chrest CPA Tax & Financial PC and its owners are held harmless. Furthermore, you, The Client, will indemnify Chrest CPA Tax and Financial PC of any damages that were incurred.

Regarding **certain business expenses,** the law requires that any deduction for business meals and entertainment must be substantiated by records indicating the amount, time, place and business purpose of the expenses. Contemporaneous substantiation of business use of "listed" property, which includes vehicles, personal computers and cellular phones, is required. If you claim a deduction for those types of expenses, you represent, by submitting those expense items to us, that you have the required records and receipts. Regarding the decision of **classing an individual as an employee or an independent contractor,** the IRS has guidance in the form of code section and revenue rulings in making this decision. The IRS also imposes penalties against taxpayers if this decision is not made correctly. If you made a classing decision for those types of individuals, you represent, by submitting those expense items to us, that you have the required backup to support your decision.

Regarding **Issuing 1099 Forms** to Independent Contractors, The IRS imposes rules and regulations on which individuals and businesses must receive a 1099 from you as the Payer stating the amount that was paid during the calendar year. The IRS also imposes penalties against taxpayers if 1099's are not properly submitted. Either You represent to us that you have fulfilled your obligation to issue 1099's to independent contractors or that the data provided to us for us to prepare the 1099 forms is complete and accurate.

If your return reports **non-cash contributions,** then those donations of clothing and household items must be in good used condition or better to allow a charitable contribution deduction. This rule does not apply for donated single items appraised at more than \$500 if a qualified appraisal and Form 8283 are filed with your return. If you donated property during the year, you should keep a receipt or written record from the organization to which the donation was made, or a similar written statement that shows the organization's name and address, the date and location of the gift, and a description of the donated property. If your return reports **cash contributions,** then all charitable contributions claimed as a deduction on your tax return must be substantiated by keeping a written record of each contribution. Written substantiation from the charitable organization must be obtained by the earlier of the date you file your return or the due date of the tax return. Acceptable written records used to substantiate each contribution include a cancelled check or bank record that supports the donation, or a written receipt or similar statement that includes (1) the name of the donee organization, (2) the date and amount of the contribution and (3) if any goods or services were received in exchange for the contribution. Contributions of \$250 or more require a statement from the charitable organization. If the resulting returns are examined by the IRS, requests may be made for the written record of the contribution.

We will not prepare Third Party **personal or business financial statements**. As of September 2006, our Firm instituted a policy of not preparing financial statements for any third parties.

You have **the final responsibility** for your tax returns and, therefore, you should review them carefully before you sign and file them. Our policy is to put all advice in writing, and that you will not rely upon any unwritten advice because it may be tentative, incomplete, or not fully reviewed.

Payroll Check Writing Services – Addendum (If Applicable – See Schedule 1)

Compute/Print/Deliver payroll checks for _____ employees weekly/biweekly/monthly from data provided to our office via fax/phone/automatic/mail. Must have data at least two days before payday. If direct deposit is required, must have data four days prior to payday. In case of a Holiday, the direct deposit is required five days prior to payday. All tax forms and payments will be sent electronically, unless otherwise requested.

In the event that **an audit results in additional taxes**, interest or penalties, for an error of omission or commission by you, our company shall not be responsible for payment of such. Payment, if any, is your responsibility. In the event that additional tax, interest or penalty results from an error made by our company, we will be responsible for the reimbursement to you of the penalties; however, you are responsible for the payment of any taxes due, as well as the interest, since you had the use of the money in the interim.

THIRD PARTY DISCLOSURES: At times, requests, by you (the Client), will be made to provide financial data, i.e. payroll reports, payroll forms, tax returns, letters to banks and mortgage companies, insurance company audit reports, and letters to insurance companies and agents and/or employees of all of the above, and more..... This list is in no way a complete list, it is made to just show a sample of possibilities. These requests referred in the previous sentence will be honored and performed by us if we are given ample time to perform such task and billed at our hourly rate for a FEE for SERVICE, meaning that we charge for such service and it is not included in any pre-determined flat fee. Any and all requests, as mentioned in the previous two (2) sentences will be mailed to you (the CLIENT). It is your responsibility (The Client) to make certain that the correct intended third party receives the requested financial data and that it was the correct and expected financial data. When we send you (The Client) the copy of the requested financial data it will include a cover sheet reminding you (The Client) of your responsibility. You (The Client) hereby agree to hold this firm harmless from any claims related to our furnishing reports or other financial data to third parties, via the Client, as described above. Furthermore, all requests for documents or records of you, the Client, must be made in writing. Please read our Third Party Disclosure Rules.

RETENTION POLICY: In accordance with our Firm's current document retention policy, we will retain our work papers and your tax returns for your engagement for 7 years. We will provide you a copy of the tax returns. All of your original records will be returned to you. After 7 years, our work papers and files will no longer be available. The work papers and files of our firm are not a substitute for your original records. It is agreed that the work papers prepared by us shall remain the property of Chrest CPA Tax & Financial, PC.

Our liability, if any, for the performance of the services listed on Schedule 1 shall not, in any event, exceed the amount that you have paid us for fees for our services under this agreement for the time period in question. You, the client, may elect unlimited coverage on damages for an additional fee of 50% more. No action, regardless of form, arising out of the services provided under this agreement, may be brought by either party more than one year after date of last services provided under this agreement. This reduces the period in which a claim may be brought. Furthermore, Chrest CPA Tax & Financial PC will not be liable for any lost profits, or for any claim or demand against you by any other party. Chrest CPA Tax & Financial PC will not be liable for incidental or consequential damages even if we have been advised of the possibility of such damages. Furthermore, you agree to bring any claim resulting from prior services to our attention within 1 year of signing this engagement letter.

Any unpaid fee shall constitute a lien against your tax return, tax records, and your file. Furthermore, if any portion of our fee is not paid by you, the Client, you waive your rights to make any claims for damages associated with the services provided under this engagement.

(c) ARBITRATION: In the event of a dispute related, in any way, to our services, our firm and you (The Client) agree to submit for resolution through an arbitrator (“Arbitrator”) any such dispute. We will meet and negotiate in good faith to select a judge who has retired from the position of sitting judge on a Maryland Circuit Court to serve as the Arbitrator. If we cannot agree on a judge, each of us will submit a list of not more than three (3) acceptable judges, listed in the order of preference. The Arbitrator will be selected from the combined highest order of preference of a judge appearing on both lists or, if there is no judge appearing on both lists, the judge will be selected by a random drawing of a name from the names of all judges listed. The Arbitrator shall have the authority to set rules for the conduct of arbitration and all such procedures shall be deemed binding on the both of us. We will share equally in the cost of arbitration, other than attorney’s fees and expenses incurred by each of us in the prosecution or defense of our respective claims. The Arbitrator may award any remedy of the nature of a legal or equitable remedy, other than exemplary or punitive damages, that could be awarded by a court having general jurisdiction over the matters at issue. In addition, the parties agree that the award may include, and the parties agree to pay, an amount equal to the reasonable attorney’s fees and expenses incurred by the prevailing party in the prosecution or defense of the arbitration proceedings and, if applicable, court proceedings initiated to enforce an arbitration award. The arbitration shall be confidential in all respects, as allowed or required by law.

In the case of work product **covering more than one party**, the undersigned enters into agreement on behalf of all affected parties. (i.e. husband signing for both spouses.)

If any provision herein is inoperative, the remainder of this agreement shall remain in force and effect. This agreement is intended as the complete agreement and can only be modified in writing signed by both of us.

You are **responsible for management decisions** and functions, and for designating an individual with suitable skill, knowledge or experience to oversee any bookkeeping services or other services we provide. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services. You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

This is a **legal and binding contract**, and thus, should be reviewed by a professional.

Please indicate your acceptance of the above understanding by signing page one. A copy is enclosed for your records. If your needs change during the year, the nature of our services can be adjusted appropriately. Likewise, if you have special projects with which we can assist, please let us know. Thank you! Brian F. Chrest CPA & Randy C. Chrest

