

Susan E. Thomas, CPA

Certified Public Accountant

2008 Business Tax Engagement Letter

This letter is intended to confirm the terms of our agreement to provide tax preparation services to your company. Based upon the information you furnished to us, we will prepare a federal corporate or partnership income tax return, corporate franchise (state) tax return (partnerships are not required to file state income tax returns), local income tax return(s) and county tax return. Please note that our services will be limited to the preparation of the foregoing tax returns and we will not be preparing other tax returns which you may be required to file, such as returns for sales, unemployment, and worker's compensation, payroll and excise taxes. We will be happy to discuss those additional tax return obligations with you, should you so desire.

In preparing your company's returns, we will not audit or verify the data you submit, although we may ask that you clarify portions of it. Because we will not be performing an audit, our services, as more fully explained in the Defalcation Warning Section, cannot be relied upon to detect employee thefts or embezzlements.

Under the Internal Revenue Code and state tax laws, taxpayers are required to maintain records supporting their returns, including receipts and canceled checks for all deductible expenditures. Your company will be responsible for maintaining all necessary tax records and for the veracity and completeness of the information submitted to us in connection with the preparation of the above described return.

As certified public accountants, we are obligated to call to the attention of the taxing authorities any positions taken in your tax return, which the IRS has not expressly accepted. However, we will resolve all questions involving application of tax rules in your favor, provided, there is a reasonable justification for it.

Your returns are, of course, subject to review by the taxing authorities. Any items resolved against you by the examining agent are subject to certain rights of appeal. In the event of an examination, we will be available to represent you for an additional fee. We will also be available to answer your inquiries on specific tax matters and to consult with you on income tax planning.

Our fees will be based upon the complexity of your return, the amount of time required and the staff member involved, plus out-of-pocket expenses. If accounting services are required, you will be billed separately for the accounting work that is not considered part of the preparation of the tax return. It is our policy to bill for phone consultations. All invoices for services rendered are due and payable upon receipt of your tax returns. Billing arrangements, made at our discretion, will be charged interest at the rate of 2.0% per month (24% per annum) from the invoice date. We reserve the right to raise our rates, and at anytime your account is overdue, to suspend or terminate our services hereunder. If you meet with us and then decide that you do not want us to prepare your returns, you will be billed for any time spent on your account, including the initial information gathering, at our standard hourly rates. Our liability for any damages will be limited to the fees charged to prepare your returns. Our liability will not extend to lost profits or for any claim or demand made against you by any other party. Any legal action may not be brought more than one year after the date services were provided under this engagement letter.

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The completed tax return is for government and your internal management use only. Because it will not be prepared in accordance with generally accepted accounting principles, but rather according to principals specified in the tax code, it could be misleading and therefore may not be quoted from or copied and provided to any other person without our prior written consent.

Privacy Policy

We do not disclose any non-public personal information about our customers or former customers to anyone, except as instructed to do so by such customers or as required by law. We restrict access to non-public personal information to those professionals necessary to prepare tax returns and financial statements and provide tax advice and we maintain physical, electronic, and procedural safeguards to guard your non-public personal information.

Defalcation Warning

Each year hundreds of companies like yours are victimized by employee thefts. These thefts are frequently perpetrated by highly trusted persons holding key positions and often involve substantial sums of money.

Many companies depend upon their accountants to protect them against the acts of disloyal employees, a dependence which, in terms of our present engagement, is badly misplaced since the procedures used by us in preparing your tax returns are neither designed nor intended to uncover any errors or irregularities in your accounting system. In preparing your tax returns, we merely compile your financial statements using tax accounting rules from the information contained in your books and records as maintained by your bookkeeping staff.

In a tax return engagement, an accountant is not required to examine your internal controls, observe your inventory or confirm your accounts payable and receivable. Moreover, we have no need to reconcile your bank statements or to check or otherwise supervise the work of your staff, although we will naturally bring to your attention any erroneous or unusual activity, which we may observe.

It must be remembered that many persons holding key corporate financial positions either are former accountants or, through their other experience, have gained an understanding of the limitations of a compilation engagement. They are, therefore, usually capable of siphoning off a company's assets by methods that are likely to escape our detection. Accordingly, we are not likely to be able to uncover defalcations by your key employees.

Although you may have encountered minor acts of employee disloyalty, you will probably never experience a major defalcation. On the other hand, the probabilities are high that at least one of our clients will be so victimized every few years.

One unhappy way for us to help our clients avoid this nightmare would be to insist that every client have its financial statements audited, utilizing audit procedures far more extensive than those generally recommended by our profession. In addition, we would also have to insist that every client adopt stringent internal control procedures and that vigilant daily managerial oversight be exercised over all persons with access to liquid assets and accounting records. This solution, however, would not only be costly, but would also necessarily reduce your operating efficiency. Thus, you would be forced to pay a significant price for protection against a danger, which you may never face. It would be akin to the doctor who puts his patients through countless tests to rule out a myriad of possibilities which his experience has already told him are not likely to be the source of his patient's problem. We believe this approach is foolish as it makes all of our clients pay for protection against a problem, which only a few of them will experience.

A more cost effective answer to this problem lies in your exercising your managerial oversight over your employees in key financial and accounting positions. Among the particular measures, which you might take, are the following:

- ◆ Check with your banks and obtain a list of every account, which your company maintains, and the persons authorized to draw or transfer funds from each account.
- ◆ Have all bank and brokerage statements delivered to you unopened each month.
- ◆ Peruse each check to make sure it was signed by an authorized person and that there are no strange payees on those checks.
- ◆ Check all transfers of funds are appropriate.
- ◆ Personally hand out paychecks every few months, but not on a regular basis.

We hope you find this information useful and utilize the prevention measures listed above. If you have any questions or would like to discuss this matter further, please feel free to call me.

We are pleased to have you as a client and look forward to a long and mutually satisfying relationship. Please sign and date the one copy of this letter and return it in the envelope provided. A copy is enclosed for your files.

Sincerely,

Susan E. Thomas, CPA

Read & accepted by:

Authorized Agent

Title

Company Name (please print)

Date

Guaranteed by:

Signature

Name (please print)

Date