Confirmation of Engagement: Tax Return Preparation

Dear Client:

Thank you for engaging John Livernois dba PADGTT BUSINESS SERVICES, an independently owned franchisee of SmallBizPros, Inc. operating in Chico, CA to provide the services described below to _____ (referred to herein as "you" or "your"). Pursuant to our agreement with SmallBizPros, Inc., we operate using the trademark Padgett Business Services®. This letter is to specify and confirm the terms of our engagement with you and to clarify the nature and extent of the services we will provide.

Scope of Services. We will prepare your_____ year(s) federal and requested state or local income tax and related returns from information you will furnish us. We will perform those accounting and bookkeeping tasks that we deem necessary for preparation of the income tax returns. The scope of services to be provided cannot and will not be expanded unless mutually agreed to in writing.

We will use professional judgment in resolving questions where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretation of the law and other supportable positions. Unless otherwise instructed by you, we will attempt to resolve all such questions in your favor. There is no guaranty that the IRS will agree with our interpretation.

This engagement does not include the preparation of returns or other filings for sales, use, franchise, property, or other taxes, except to the extent that franchise returns are integral to and filed on the same form as a required state income tax return. It is your responsibility to provide all the information required for the preparation of complete and accurate returns. You represent that the information you are supplying to us is accurate and complete to the best of your knowledge and that your expenses for meals, entertainment, travel, business gifts, charitable contributions, dues and memberships, and vehicle use are supported by records as required by law. We may furnish you an organizer to guide you in gathering the necessary information. Your use of the organizer will assist in keeping pertinent information from being overlooked. The filing deadline is_____. We will need all information at the earliest possible time, but no later than_____ in order to meet the deadline.

We will not audit or otherwise verify the information you provide, although it may be necessary to ask you for clarification of some of the information. Our engagement cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud and defalcations, which may exist. We may inform you of any such matters that come to our attention, but we undertake no duty to discover any of the same. You should retain all the documents, cancelled checks, receipts, records or other evidence to substantiate the items of income and deduction shown on your tax returns. These may be necessary to support the accuracy and completeness of the returns to a taxing authority. In preparing your tax returns, we rely on your representation that you understand and have complied with these documentation requirements. **You have the final responsibility for the income tax returns. You therefore should review them carefully before you sign and file them.**

As part of this engagement, we may provide certain tax planning and investment services. Tax planning services will be limited to advice in connection with the specific tax returns listed above that we are now preparing on your behalf. No other tax planning services you may need assistance on will be provided as part of this engagement unless we later agree in writing to do so. Investment services will be limited to advice on the tax implications, if any, of specific matters you bring to our attention in connection with the specific tax returns listed above that we are now preparing on your behalf. We will advise you of the general implications of an investment considering today's tax laws and our opinion, if any, of the economy. We may give you our opinion of the merits of an investment, but our opinion should not be relied upon for making the ultimate investment decision. Our opinion of any investment under consideration is not to be construed as an endorsement of said investment.

Management Responsibilities. You are required to provide us with: (i) all documentation, and other related information that is relevant to the preparation and presentation of the filings required by this engagement (ii) additional information that may be requested for the purpose of the preparation of such filings, and (iii) access to persons with whom we determine necessary to communicate. You agree to indemnify and hold us harmless from any damages we may suffer as a result of your failure to comply with the foregoing. In no event shall we be liable to you or any third-party as a result of your breach of these obligations. These obligations and the limitations of our engagement are further described in Attachments A and B incorporated herein.

[FOR BUSINESSES: State Tax Returns. Please note that if _____ had a taxable presence in more than one state, such as an employee or sales within the state or any tangible property owned or rented within the state, the company, its shareholders, directors or officers may be subject to state income, sales, use, payroll or franchise tax in that state, depending upon the particular facts. We will not express a conclusion on that issue. It is your responsibility, not ours, to determine if assistance is needed in deciding whether the company, its shareholders, directors or officers may be liable for state income, sales, use or franchise tax or may have a filing requirement in various states.]

[FOR INDIVIDUALS: Estimated Taxes. For your convenience, we may determine the amounts of your quarterly estimated tax payments, if applicable, for the next year based on “safe harbor” payments to avoid underpayment penalties. If your estimated tax payments are not based on a “safe harbor,” such as your prior year tax liability, we will base your estimated tax payments on information that you provide to us when we prepare your returns. We will assume that tax withholding will be the same as during the prior year unless you provide us additional information about withholding. It is your responsibility to notify us if the information upon which estimates are based changes during the course of the year. We cannot be responsible for the adequacy of your estimated tax payments relative to underpayment penalties. In no case can we assure you that your estimated payments for the next year will be sufficient to cover your actual tax liability if your income or deductions change and in no event can we be held liable for any underpayment penalty.]

Payment of Tax with Extension. If an extension of time to file your return(s) is required, any tax that may be due with the return(s) must be paid with the extension. Any amounts not paid by the filing deadline are subject to interest and late payment penalties when those amounts are actually paid. All costs in this regard are your responsibility. This includes any additional fees for the extension as well as any penalties and/or interest that may be due because of the late payment.

Accuracy of Returns. The law provides for various penalties that may be imposed when taxpayers understate their tax liability. If you would like information on the amount or the circumstances of these penalties, please contact us. Under no circumstances shall we be held responsible for any interest or penalty you may owe on any tax liability.

Your returns may be selected for review by the taxing authorities. Any proposed adjustments resulting from that review are subject to certain rights of appeal. In the event of such government review or tax examination, we will be available upon request to represent you. Such representation is not, however, within the scope of this engagement, and we will issue additional invoices for the time and expenses incurred in any appeal.

Fees and Payment. Our fee for preparation of your tax returns will be based on the amount of time required at standard billing rates plus out-of-pocket expenses. The amount of time will depend upon the number of schedules associated with your returns, the extent to which organizational effort is required, including obtaining additional information from you and the presence of issues that arise in the review of your information or preparation of the return. Unless other arrangements are made in advance, our invoices are due and payable upon presentation of your final return. To the extent permitted by state law, we reserve the right to charge interest on unpaid invoices as set forth in the attached General Terms and Conditions of Engagement.

Completion of Engagement. We may be required to file your tax returns electronically. If required, unless you sign the appropriate forms we will not be able to file tax returns on your behalf, so our services for this engagement will be concluded upon the delivery to you of your tax returns for which you will be responsible

for filing with all materials we provide to you for that purpose. If we file your returns electronically, our services will be concluded when we have obtained confirmation that your electronically filed returns have been accepted by the taxing authorities.

You and we each have the right to cancel this engagement at any time by any form of written or electronic notice. If you cancel and we have performed any work prior to our receiving your cancellation notice, you agree to pay us for such work performed based upon our current rate schedule. In such a case, we may use any deposits or payments already received and apply them to your account.

You and we agree that there are no other agreements or understandings between us relating to the subject matter of this engagement agreement, as described under “Scope of Services” above, and that this agreement supersedes all prior engagement agreements and the like, either written or oral, that exist or may have existed to the extent related to the tax returns to which this agreement pertains. Neither this engagement agreement nor its execution has been induced by any reliance, representation, stipulation, warranty, agreement, or understanding of any kind other than those expressed in this agreement. No change or modification of this engagement agreement shall be valid unless made in writing and signed by the parties.

General Terms and Conditions. Other material terms and conditions of this engagement are set forth in the attached General Terms and Conditions of Engagement. Your acceptance of this engagement letter also constitutes your acceptance of and agreement to abide by the attached General Terms and Conditions of Engagement. If any of these are not acceptable to you, please advise us now so that we may resolve any differences and proceed with this engagement with a clear understanding of the essential terms of our business relationship.

Nature of Relationship. No lawyer-client or fiduciary relationship is created between you and John Livernois dba PADGETT BUSINESS SERVICES. Additionally, other than SmallBizPros, Inc., there are no third-party beneficiaries to this agreement.

Thank you for permitting us to be of service. We value our relationship with you and hope you view us as your most trusted advisor. We will work to continue earning that trust. If the foregoing and the attachments fairly set forth your understanding of this engagement, please sign the enclosed copy of this letter in the space indicated and return it to our office.

Sincerely yours,

John Livernois

_____
Office Location

_____
Owner’s Name

_____
Date

TO BE COMPLETED BY THE CLIENT:

The engagement terms described in this letter and the attached General Terms and Conditions of Engagement fairly set forth our understanding of this engagement, are acceptable and hereby are agreed to. We also agree to the record retention and privacy policies set forth in the attached General Terms and Conditions of Engagement.

This engagement letter is contractual in nature, and includes all of the relevant terms that will govern the engagement for which it has been prepared. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties. If you would like us to provide you with any other services not specifically outlined in this engagement letter, you must make that request of us in writing. If we agree to provide the requested additional services, we will create a separate engagement letter specifically addressing the same, and that engagement letter, upon your signature, will govern our provision of those additional services. Under no circumstances shall the scope of our service under this agreement be construed as covering, in any fashion, the providing of legal advice. If, after full consideration and consultation with counsel if so desired, you agree that the foregoing terms shall govern this engagement, please sign the copy of this letter in the space provided and return the original signed letter to me, keeping a fully-executed copy for your records.

Accepted by:

Print taxpayer name	Signature	Date
Print spouse name	Signature	Date

Or if business entity:

Representative name	Title	Date

On behalf of _____
(business name)

GENERAL TERMS AND CONDITIONS OF ENGAGEMENT

The following policies apply to our performance of services on behalf of our clients, unless other arrangements are made in writing.

1. Privacy Policy. This is being furnished to you as required by the Gramm-Leach-Bliley act of 1999, which addresses in part the protection of individuals' privacy. This is the annual notice required by law.

It has long been the policy of our firm to treat any information concerning our clients and former clients with strict confidentiality. Consistent with that policy, we restrict access to nonpublic personal information concerning you to staff members who must have it in order to provide you the products and services for which you have retained us. We do not disclose any personal or confidential information to anyone else without your express permission to do so, except as permitted by law. In addition, we maintain physical, electronic and procedural safeguards that comply with federal regulations to guard your nonpublic personal information. We may disclose any nonpublic personal information that we collect about our customers or former customers to our affiliates or to non-affiliated third parties as permitted by law.

You understand that we make no representation, warranty or promise, and offer no opinion, with respect to the applicability of any confidentiality privilege to any information supplied or to any communications you have with us, and you agree that we shall have no liability to you should the privilege be determined not to apply to particular information or communications.

As part of performing services, including the preparation of tax returns, we may communicate with others, and you hereby authorize that communication. When applicable under the Internal Revenue Code or otherwise, we will obtain your specific consent prior to disclosing information, and you agree to execute such other documents or forms as may be necessary to document the granting of such consent.

2. Record Retention Policy. In accordance with our firm's current record retention policy, we will retain our work papers and copies of your financial reports and other records for the engagement for seven calendar years after the calendar year in which the work was performed. We will provide you copies of all reports prepared that should be a part of your books and records. If you should need replacements, we will provide additional copies at our standard copying fee. At our option, copies may be provided in .pdf or similar electronic form. All of your original records will be returned to you. After seven years, our records pertaining to this engagement will no longer be available. Physical deterioration or catastrophic events may shorten the term during which our records will be available. The working papers and files of our firm are not a substitute for the original records of your company. It is agreed and understood that in connection with the performance of our engagement, the work papers prepared by us will remain our property.

3. Invoices; Payment; Interest on Past Due Invoices. Our Fee is owed whether or not an invoice is received by you. If we invoice you, payment is due and payable on receipt. To the extent permitted by state law, we reserve the right to add interest charges of one percent (1%) per month, compounded monthly, on all balances not paid within thirty (30) days of the invoice date. If you do not adhere to these payment arrangements, we reserve the right to suspend work until the account is brought current, require additional security, or terminate or revise the terms and conditions of this engagement.

4. Deposits. We reserve the right to request an appropriate deposit as security for payment of our fees and other charges. This deposit, unless it is applied to outstanding invoices, will be held by us as security for your payment of our invoices from other funding sources. In the event the deposit is utilized to cover any unpaid invoices, we reserve the right to require that the deposit be replenished. Any unapplied balance remaining from the deposit at the conclusion of a project after payment of all invoices will be promptly sent to you.

5. Collection. If we are required to resort to judicial proceedings to collect or recover from you any monies which may be due to us in respect of this engagement, whether for our fees, costs and expenses advanced or incurred by us on your behalf, or otherwise, we shall also be entitled to collect and recover from you in such proceedings all costs and expenses incurred by us in the prosecution of such proceedings, including the reasonable attorneys' fees and expenses of our counsel in such proceedings.

6. Estimates. Although we may from time to time respond to a client request for an estimate of the amount(s) of fees and/or costs and expenses that may be incurred in an engagement, or on a particular task or undertaking in furtherance of an engagement, such estimates, even though given by us in good faith and on the basis of our best judgment when given, are inherently inexact and are always subject to unforeseen contingencies and changed facts and/or circumstances. Accordingly, we cannot and will not be bound by any such estimates, and will not, except to the extent that we may expressly agree in writing at the time such estimate is given, limit our compensation to the amount(s) of any such estimates.

7. Communication. If there are limitations on how you would like us to communicate with you in connection with this engagement, please advise us of your preference(s) as to acceptable methods of communication. For example,

some methods of communication, such as facsimile transmissions or e-mail correspondence may not be convenient for some clients or may be considered to compromise confidentiality or otherwise present greater risk of interception than other methods of communication. We will make every reasonable effort to accommodate your expressed preferences in that regard. However, unless you notify us, in writing, to the contrary, we will assume that you agree and consent to our communication with you by facsimile transmission and/or e-mail correspondence, as well as by telephone, regular mail and/or overnight courier services, as appropriate to the circumstances.

With respect to e-mail communications to us, you should be aware that, in order to reduce spam e-mail and prevent viruses from entering our computer network, we may utilize computer software and engage the services of an independent third-party contractor or contractors to filter our incoming e-mail correspondence. This filtering process may result in certain incoming e-mail correspondence to us (i.e., that identified as spam or suspected of having a virus) being quarantined (thus, potentially not received at our site at all) and/or delayed in reaching us. For this reason, we cannot be certain that we will receive all e-mail correspondence and/or that we will receive it in a timely manner. Therefore, if you need to communicate particularly important or time sensitive material to us, you should consider sending such communications via means other than e-mail.

8. SmallBizPros, Inc. Our firm is an independently owned franchisee of SmallBizPros, Inc., from which we license the mark Padgett Business Services®. You agree that SmallBizPros, Inc. is not responsible for any of the services provided under this agreement and that in no event will you bring any legal action against SmallBizPros, Inc. relating to our services hereunder. You agree to indemnify and hold SmallBizPros, Inc. harmless (including its reasonable attorneys' fees) resulting from your breach of this provision.

9. No Attest Services. SmallBizPros, Inc. does not perform any attestation services, however, local franchisees and affiliates may be licensed to do so. When attestation services are provided by local franchisees or affiliates, those services are being done independent of SmallBizPros, Inc.

10. Limitations of Claims. The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between us. We both agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute that may arise between us, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any dispute must be commenced as provided below, or the party with any claim shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery. An action to recover on a dispute shall be commenced within the shorter of these periods ("Limitations Period"):

- For tax return preparation, within thirty-six (36) months after the date when we deliver the tax returns to you, regardless of whether we provide other services for you, whether or not relating to those returns.
- For tax planning engagements or general business services, within thirty six (36) months from the date of billing for the services in respect of which a claim is made.
- For all other engagements, within twelve (12) months from the date when you terminate this or any other engagement of our services.

The applicable Limitations Period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

11. Assignment. Our rights and interest under this engagement agreement shall be freely assignable and transferable.

12. Limitation on Damages. As additional consideration for us to provide you these services, you agree that the extent of our liability for damages to you for any actions taken will not exceed the total amount actually paid by you for our services. You agree that this will be your only remedy and you hereby waive any other claims you have now or in the future for actual, incidental, and consequential damages, including, but not limited to, lost profits and third party claims.

13. WAIVER OF JURY TRIAL. EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY FOR ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE SERVICES PROVIDED UNDER THIS AGREEMENT.

14. The laws of the State of California shall govern this engagement agreement. If any controversy, dispute or claim arising out of the services rendered pursuant to this engagement is not settled by mutual agreement or arbitration, we both designate and consent to Butte County CA as the venue for resolution of any such disputes, regardless of the location of the residence or business of a party to this agreement. Should a court of competent jurisdiction determine that any provision of this agreement is unenforceable as a matter of law, the parties consent to and authorize the court to modify such provision to the extent necessary to make such provision enforceable.

You are responsible for adopting sound accounting policies, for maintaining an adequate and efficient accounting system, for safeguarding assets, for authorizing transactions, for retaining supporting documentation for those transactions, and for devising a system of internal controls that will, among other things, help assure the preparation of proper financial statements.

Furthermore, you are responsible for management decisions and functions, for designating a competent employee to oversee any of the services we provide, and for evaluating the adequacy and results of those services.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting your business involving (a) management (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements.

You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting your business received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

If our engagement involves the preparation of your income tax returns, it does not include any procedures designed to discover defalcations or other irregularities, should any exist. You are responsible for the proper recording of transactions in the books of accounts, for the safeguarding of assets, and for the substantial accuracy of the financial records. Provided that we offer such services and are certified to perform such services, you may separately engage us, for an additional fee, to provide services that focus on identifying and addressing weaknesses in internal controls and searching for the existence of fraud.

If our engagement requires us to create financial statements or other reports, it is imperative that we state the scope of your responsibilities in connection with this engagement. It is your responsibility to provide an internal control structure, including a control environment, an accounting system and control procedures, which will result in the production of financial statements that fairly present your financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. Financial statements which derive from your accounting system are your financial statements, not ours. You are responsible for them. It is your responsibility to adjust financial statements to correct material misstatements, and for ensuring that you comply with laws and regulations applicable to its activities.

Even though we may print or otherwise prepare your financial statements, or assist in preparing them, they are inherently your financial statements since they are based on your transactions as recorded in your accounting system. We are not a party to those transactions. It is your responsibility to make all financial records and related information available to us in a timely fashion, and to provide us with a representation letter, so that we may rely upon important representations made by you concerning your accounting system and financial statements. Your failure to meet these responsibilities may prevent or delay the completion of this engagement.

We will not express an opinion or a conclusion or provide any assurance on any financial reports or related documents we may generate. Our engagement cannot be relied upon to disclose errors, fraud, or other **illegal acts that may exist. We have no responsibility to identify and communicate significant deficiencies** or material weaknesses in your internal controls as part of this engagement, and our engagement cannot be relied upon to disclose the same.

ATTACHMENT A

ATTACHMENT B

U.S. Treasury. Any person or entity subject to the jurisdiction of the United States (includes individuals, corporations, partnerships, trusts, and estates) having a financial interest in, or signature or other authority over, bank accounts, securities, or other financial accounts having an aggregate value exceeding $10,000 in a foreign country, is required to report such a relationship.

Filing requirements also apply to taxpayers that have direct or indirect control over a foreign or domestic entity with foreign financial accounts, even if the taxpayer does not have foreign account(s). For example, a corporate-owned foreign account would require filings by the corporations and by the individual corporate officers with signature authority. Failure to disclose the required information to the U.S. Department of the Treasury may result in substantial civil and/or criminal penalties.

If you and/or your entity have a financial interest in any foreign accounts, you are responsible for providing our firm with all the information necessary to prepare Form TD-F-90-22.1 required by the U.S. Department of the Treasury.

Effective July 1, 2013, electronic filing of FBAR reports is mandatory using the Bank Secrecy Act (BSA) e-filing system for the Financial Crimes Enforcement Network (FinCEN). If you would like our firm to submit your electronic FBAR report (FinCEN Form 114) on your behalf, we must receive a signed consent form (FinCEN Form 114a) from you prior to submitting the foreign reporting form.

If you do not provide our firm with information regarding any interest you may have in a foreign account, or if we do not receive your signed authorization to file your foreign reporting form, we will not be able to prepare and file any of the required disclosure statements.

Internal Revenue Service. In addition, the Internal Revenue Service also requires information reporting under applicable Internal Revenue Code sections and related regulations, and the respective IRS tax forms are due when your income tax return is due, including extensions. The IRS reporting requirements are in addition to the U.S. Department of the Treasury reporting requirements stated above. Therefore, if you fall into one of the below categories, or if you have any direct or indirect foreign interests, you may be required to file applicable IRS forms.

- You are an individual or entity with ownership of foreign financial assets and meet the specified criteria (Form 8938);
- You are an officer, director or shareholder with respect to certain foreign corporations (Form 5471);
- You are a foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business (Form 5472);
- You are a U.S. transferor of property to a foreign corporation (Form 926);
- You are a U.S. person with an interest in a foreign trust (Forms 3520 and 3520-A); or
- You are a U.S. person with interests in a foreign partnership (Form 8865).

IRC section 6038(b)(1) provides for a monetary penalty of $10,000 for each Form 5471 that is filed after the due date of the income tax return (including extensions) or that does not include complete and accurate information as defined under the regulations.