

Audit Defender, Inc.
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Certified Public Accountant license number 38277
California accountancy corporation number COR 4161

15 December 2011

Client's name
Client's street
Client's city, state and ZIP code

Dear Client;

1. I appreciate the opportunity of working with you and advising you regarding your income taxes and other accounting matters. To ensure an understanding of our mutual responsibilities, I ask all clients for whom I prepare tax returns and/or render other professional services to confirm the following arrangements.

SCOPE:

2. I will, from information which you will furnish to me, (1) prepare, as you request, your Federal and/or state income tax and/or information returns for each requested Tax Year; and (2) perform other services, as needed and/or as requested by you, for example (a) tax planning including tax projections; b) negotiating, as and if needed, on your behalf, with the applicable taxing authorities; and c) compilation of your financial statements. I will make no audit or other verification of the data you submit, although I may need to ask you for clarification of some of the information. If requested, I would furnish you with questionnaires and/or worksheets to help guide you in gathering the necessary information for me. Your use of such forms would assist me in keeping my fee to a minimum. You would be responsible for management decisions and functions, and for designating, as and if applicable, an individual with suitable skill, knowledge or experience to oversee any bookkeeping services, tax services or other services I 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.

3. My work in connection with the preparation of your income tax returns and other services rendered, does not include any procedures designed to disclose defalcations (embezzlements) or other irregularities (lawless and/or dishonest acts), should any exist. I would render such accounting and bookkeeping assistance as I find necessary for the preparation of the income tax returns and/or information returns.

4. It is your responsibility to provide all the information required for the preparation of complete and accurate returns. The Internal Revenue Service and the California Franchise Tax Board impose penalties upon taxpayers and return preparers for failure to observe due care in reporting for income tax and other returns. You should retain all the documents, canceled checks and other data that form the basis of income and deductions, etcetera. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You have the final responsibility for the returns and, therefore, you should review them carefully before you sign and file them.

5. I will use professional judgment in resolving questions where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretations of the law and other supportable positions. Unless otherwise instructed by you, I would resolve such questions in your favor whenever possible.

TERMS & PROFESSIONAL FEES, ETCETERA:

6. The following paragraph "6." terms would be applicable " X " or not applicable "N/A", as handwritten or typed in each below box:

N/A a. As services be requested by you, a retainer of \$_____ would be paid, in advance, as part of the projected fees and any prior balance must be fully paid before the commencement of and towards said services.

N/A b. As services be performed, I would keep you informed, at appropriate intervals, of when additional advance payments of \$_____ would be due from you, with the intention that there always be a credit or zero balance on your account with me.

X c. If there be any remaining balance, it would be due and payable upon the conclusion of this engagement. Conversely, should there be a credit balance on account, I would promptly refund it to you, should you so request.

X d. Unless other arrangements be specifically agreed to by me in writing, if there be any failure by you to pay fees as herein agreed, such failure would constitute a material breach of our agreement and, as such, would relieve me of my obligation to render further services on your behalf, regardless of the state of work-in-process and/or this engagement at that time.

7. My fee for these services will be based upon the amount of time required at my standard billing rates, plus computer charges and out-of-pocket expenses. If a general estimate were made, given the fact that each client's fact pattern is unique and given the complexity of the tax laws, there can be no guarantee that the related fees would not exceed that amount. Billable time includes any work done on your behalf, including, but not limited to time spent during telephone calls. At my discretion, unless otherwise instructed by you, the telephone charges on any long distance telephone calls made on your behalf would be a "third party bill" to your telephone number, if allowed by the applicable telephone company, in lieu of billing you for telephone out-of-pocket expenses. As is customary in the accounting profession, billable time also includes one-way driving time, on your behalf, to locations, other than my office, for example, to your office, to an IRS office for the purpose of representing you, etcetera. Further, billable time would include any time incurred on your behalf in connection with any of your legal matters, if any, for example, giving a deposition, testifying in a court and/or arbitration proceeding, etcetera. For services not involving audit defense, for example, income tax return preparation, financial consultation, general accounting, etcetera, rendered during calendar year 2012, my standard rate is \$260 per hour, for myself. For tax controversy services, for example, audit defense services such as income tax audit preparation, representation, appeals, assistance with United States Tax Court matters, negotiations with collection agents of IRS or a state, etcetera, my premium rate for calendar year 2012 is \$310 per hour. (Hourly rates are adjusted once per year as of January 1st of each year and will be \$265 and \$315 per hour, for standard and premium rates, respectively, effective the 1st of January, 2013.) The minimum charge to prepare a single year's U.S. income tax return and one related state return is \$315. Other staff time, if any, would be billed at an equal or lesser rate commensurate with their experience and skill level. All time is billed to the nearest 1/20 (one-twentieth) of an hour. Subject to paragraph "6.," above:

1) I would bill you on that basis, and all invoices would be due and payable upon presentation; and 2) a 5% discount would be allowed on time and computer charges if a) I receive payment-in-full within ten days from the invoice date; and b) all prior invoices have been paid in full. A service charge of 1.5% per month would be added to any amount still outstanding thirty days from the date of my invoice, including prior accrued service charges, if any, and this service charge would continue to be added each month until my invoice has been paid in full. (Monthly compounding makes this equal to an Annual Percentage Rate of 19.57%.) Payments received would first be applied to service charges, if any, and then to the oldest invoices.

Computer charges are billed on a flat rate basis as follows, subject to annual inflation adjustments and rounded to the nearest \$:

- a. A single year's U.S. and state (for example California) Individual Income Tax Return: \$52. Each additional related state is \$26.
- b. A single year's U.S. and state (non-individual, for example Corporate, Partnership, LLC, Trust, etcetera) Income Tax Return: \$72. Each additional state return is \$36.
- c. Quarterly U.S. and California payroll tax returns, per Quarter: \$32.
- d. Annual U.S. and California payroll tax returns, per year: \$64.
- e. Annual U.S. Form 1099 series, per 1099 type: \$32.

TAX AUDIT:

8. Your returns may be selected for review by the taxing authorities. Any proposed adjustments by the examining agent would be subject to certain rights of appeal. In the event of such government tax examination, I would be available, upon request, to represent you and would render additional invoices for the time and expenses involved.

DISPUTE:

9. If there be a dispute between us which necessitate an arbitration and/or legal proceeding, then the prevailing party shall be awarded all reasonable arbitration and/or attorneys' fees and Court costs. Except for Small Claims Court matters, you agree to have any other dispute and/or legal action decided by binding arbitration, and you therefore expressly waive your right to litigation in the higher level courts, for example, Superior Court.

YOUR ACCEPTANCE:

10. If the foregoing fairly set forth your understanding, please indicate your approval in the "Accepted By" space below and return it to my office, either through scanned e-mail attachment, postal mail or in person. I want to express my appreciation for this opportunity to work with you.

Sincerely,

By: Ronald C. Singerman, CPA
President

Accepted By: **X** _____

Please print your name:

Date:

Please print your title, if applicable:

Please print company name, if applicable: _____