



CHREST CPA TAX & FINANCIAL, PC
Certified Public Accountant

Engagement Letter

Name of Client _____ Signature of Client _____

Client Initials for: (a) Third Party Disclosures _____ (b) Retention Policy _____ (c) Arbitration Policy _____

We are very pleased to provide tax services to you. This letter is to confirm our understanding of the terms and objectives for our engagement and the nature and limitations of the services we will provide. This engagement letter covers only such services specifically mentioned in it. We are required by our professional insurance carrier to have an engagement letter on file for each client.

We will perform the following services:

- _____ **Federal Income Tax Return – Form _____**
- _____ **Maryland Income Tax Return – Form _____**
- _____ **Maryland Personal Property Tax Return – Form _____**
- _____ **Other Tax Returns – Forms _____**

We will prepare the 2008 federal and state(s) income tax returns, with supporting schedules based on the information you furnish. We will not audit or verify the data you submit. In regard to your business, our procedures are not designed to disclose defalcations or other irregularities, should they exist. We may need clarification on some issues, and we may need to do some bookkeeping, at our discretion, in order to develop complete and accurate returns. We can provide you with an organizer, which may help you in gathering information needed to prepare your returns. Your completion and use of the organizer will aid us in finding as many allowable deductions and other favorable information as possible, which can be incorporated into your returns. We find that the organizer can remind you of income and deductions that you may have otherwise forgotten. However, it is up to you whether, or not, to use the organizer. We may need to perform any bookkeeping necessary for preparation of your tax returns. The amount of bookkeeping, if any, is dependent upon the completeness and accuracy of the data (business books and records) submitted to us.

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. The tax laws require that meals and entertainment be separately accounted for. 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.

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 use our 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, we will resolve such questions in your favor, wherever possible, provided that our position can be supported by tax law or other proper authority. Where major issues arise, we will coordinate with you.

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

(a) 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.

You are responsible for advising us during the year of any significant changes in your income or withholding, so that estimated taxes can be adjusted accordingly. We are not responsible for situations where additional tax, penalties and interest accrue due to higher income or lower withholding than we estimated when your prior year tax returns were prepared. You are also responsible for the proper recording of transactions in any books of accounts and for the substantial accuracy of financial records and data furnished us. This includes acquisition dates and basis for stock and bonds. If you have a substantial number of trades, please call us prior to setting up your preparation interview, as we have some suggestions that may be able to save you significant tax preparation costs. You have the final responsibility for your tax returns and, therefore, you should review them carefully before you sign and file them.

Your returns may be selected for review by the taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such tax examination, we will be available, upon request, to represent you. Our services and expenses incurred in the audit process are additional services and the cost of such are not included in your tax preparation fees. 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.

(b) 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.

We will not file any federal or state tax extensions unless you specifically request us to do so in writing, by fax or email. Our policy is to put all tax advice in writing, and that you will not rely upon any unwritten advice because it may be tentative, incomplete, or not fully reviewed.

Our fixed fee does not include responding to inquiries or examination by taxing authorities. However, we are available to represent you and our fees for such services are at our standard rates. You understand that, in the event

of preparer error, you are responsible for additional tax and interest that may be due, but our responsibility is to pay for any penalty that the tax authority may assess.

Our fixed fees for tax preparation are based on the number and type of forms, schedules and exhibits and states involved as well as the level of organization your paperwork is in. If additional services are desired, such as entering a large number of stock market trades, or bookkeeping (as in Schedule C businesses) in order to organize the data for tax preparation, business consulting, business tax planning or personal tax planning and financial planning, charges will be based on the number of hours required to accomplish such, at our Standard Billing Rates assigned to the engagement. Fees are due and payable when your return is completed and full payment is required when delivery of your return is made. Our fees contemplate your active participation in the process and the appropriateness of our recommendations and work depend upon the reliability of the data you provide us. Our liability, if any, for the performance of the above services shall not, in any event, exceed the amount that you have paid us for fees for our services under this agreement.

Any unpaid fee shall constitute a lien against your tax return, tax records, and your file.

(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.

If the foregoing fairly sets forth your understanding of our engagement, please sign this letter in the space provided below and provide us with one signed copy. If you have any questions or disagree with any part of this letter, please let us know immediately and in writing. You may bring the signed copy to your first tax preparation interview, or you may send it, as you wish; however, we cannot complete your return without a signed engagement letter. Thank you very much for your business. We look forward to serving you.

Thank you! Brian F. Chrest CPA & Randy C. Chrest

