



CERTIFIED PUBLIC ACCOUNTANTS

CONSULTING · TAX · ASSURANCE

We want to express our appreciation for the opportunity to work with you. This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitation of the services we will provide. The engagement between you and our firm will be governed by the terms of this Agreement.

Engagement Objective and Scope

We will prepare your federal and/or state tax returns listed below:

Business Name:

**Tax Form and Year: 2016 Federal Returns and 2017 Texas Franchise Report
2016 & 2017 Payroll Tax Reports and 1099/1096 forms, as requested**

We will not prepare any tax returns except those identified above, without your request, and our consent to do so. We will prepare your tax returns based upon information and representations that you provide to us. We have not been engaged to and will not prepare financial statements. We will not audit or otherwise verify the data you submit to us, although we may ask you to clarify certain information.

We will prepare the above referenced tax returns solely for filing with the Internal Revenue Service ("IRS") and state and local tax authorities as identified above. Our work is not intended to benefit or influence any third party, either to obtain credit or for any other purpose.

You agree to indemnify and hold our firm and its partners, principals, shareholders, officers, directors, members, employees, agents or assigns (collectively, "firm," "we," "us," or "our") harmless with respect to any and all claims arising from the use of the tax returns for any purpose other than filing with the IRS and state and local tax authorities regardless of the nature of the claim, including the negligence of any party.

Our engagement cannot be relied upon to identify or disclose any errors, fraud, theft, illegal acts, wrongdoing within the entity or noncompliance with laws and regulations. In addition, we have no responsibility to identify and communicate deficiencies or material weaknesses in your internal control system as part of this engagement.

This engagement is limited to the professional services outlined above.

KHA Accountants, PLLC Responsibilities

Unless otherwise noted, we will perform our services in accordance with the Statements on Standards for Tax Services ("SSTS") and with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants ("AICPA") and U.S. Treasury Department Circular 230.

Bookkeeping assistance

At your request, we may post coded transactions to your general ledger and prepare a trial balance based on the adjusting general ledger for purposes of tax return preparation. We will propose adjusting or correcting journal entries to be reviewed and approved by you. We will not audit or otherwise verify the data you submit, although it may be necessary to ask you for clarification of some of the information.

KHA ACCOUNTANTS, PLLC

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We will not prepare your financial statements, nor will we perform an audit, review, or compilation of your financial statements, and no accountant's report will be prepared or submitted. If you ask us to perform any of these services, we will confirm this representation in a separate engagement letter.

Our firm will not perform management functions or make management decisions on behalf of your company or companies. However, we will provide advice and recommendations to assist your management in performing its functions and making decisions.

Estimated tax payments

You may be required to make quarterly estimated tax payments. At your request, we will calculate these payments for the 2017 tax year based upon the information you provide to prepare your 2016 tax returns and have no obligation to update recommended payments after the engagement is completed. In the event that you should desire this additional service, we will be available upon request.

Tax planning services

Our engagement does not include tax planning services. During the course of preparing the tax returns identified above, we may bring to your attention potential tax savings strategies for you to consider as a possible means of reducing your taxes in subsequent tax years. However, we have no responsibility to do so, and will take no action with respect to such recommendations, as the responsibility for implementation remains with you, the taxpayer. In the event that you should desire this additional service, we will be available upon request.

Government inquiries

This engagement does not include responding to inquiries by any governmental agency or tax authority. If your tax return is selected for examination or audit, you may request our assistance in responding to such an inquiry. If you ask us to represent you, we will confirm this representation in a separate engagement letter.

Tax advice

We will use our judgment to resolve questions in your favor where a tax law is unclear, provided there is substantial support for doing so. If there are conflicting interpretations of the law, we will explain the possible positions that may be taken on your return. We will follow the position you request, provided it is consistent with our understanding of the Internal Revenue Code ("IRC"), tax regulations, Revenue Rulings, Revenue Procedures, Private Letter Rulings and court cases. If the IRS, state or local tax authorities later contest the position taken, there may be additional tax, penalties, interest, and professional fees. We assume no liabilities, and you hereby release us from any liability for such additional tax, penalties, interest, and professional fees.

Reliance on others

In preparing your federal income tax return, we are subject to a diligence as to accuracy regarding reliance on others standard as defined in revisions to Circular 230, Sec 10.22(b). To the extent a position is based upon the advice of another tax advisor, prior to preparing or signing the tax return, the AICPA SSTS No. 1 also requires our firm to have a good faith belief that the position has, at a minimum, a realistic possibility of being sustained administratively or judicially on its merits, if challenged. Additional charges will apply to such research.

Client Responsibilities

You will provide us with a trial balance and other supporting data needed to prepare your tax returns. You must provide us with accurate and complete information. Income from all sources, including those outside of the U.S., is required.

We rely upon the accuracy and completeness of both the information you provide in the trial balance and other supporting data you provide in rendering professional services to you.

Your management is responsible for:

- designing, implementing, and maintaining internal controls, including those relevant to bookkeeping processes, monitoring ongoing activities;
- preventing and detecting fraud, including the design and implementation of programs and controls to prevent and

- detect fraud;
- identifying and ensuring that you comply with the laws and regulations applicable to your activities; and
- making all personnel, financial records and related information available to us on a timely basis and ensuring that the records and information are complete and accurate.

Your management agrees to:

- make all management decisions and perform all management functions, including determining account codings and approving all proposed journal entries;
- designate an individual who possesses suitable skill, knowledge, and experience, preferably within senior management, to oversee our services;
- evaluate the adequacy and results of the services performed; and
- accept responsibility for the results of the services.

You agree that your management and employees are ultimately responsible for the proper recording of transactions in the records, the safekeeping of assets, and the accuracy of your trial balance and financial statements. Your management and employees also are responsible for custody and safekeeping of check stock, blank checks, signatory stamps and all other items needed for production or approval of checks.

This engagement is limited to the bookkeeping and/or tax services outlined above. KHA Accountants PLLC, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or performing management functions, including determining account coding and approving journal entries.

Documentation

You are responsible for maintaining adequate documentation to substantiate the accuracy and completeness of your tax returns. You should retain all documents that provide evidence and support for reported income, credits, and deductions on your returns, as required under applicable tax laws and regulations. You are responsible for the adequacy of all information provided in such documents. You represent that you have such documentation and can produce it, if needed, to respond to any audit or inquiry by tax authorities. You agree to hold harmless our firm and its partners, principals, shareholders, officers, directors, members, employees, agents or assigns with respect to any additional tax, penalties, or interest imposed on you by tax authorities resulting from the disallowance of tax deductions due to inadequate documentation.

Personal expenses

You are responsible for ensuring that personal expenses, if any, are segregated from business expenses and that expenses such as meals, travel, entertainment, vehicle use, gifts, and related expenses are supported by necessary records required by the IRS and other tax authorities.

State and local filing obligations

You are responsible for determining your tax filing obligations with any state or local tax authorities, including, but not limited to income, franchise, sales, use, property or unclaimed property taxes. You agree that we have no responsibility to research these obligations or to inform you of them. If upon review of the information you have provided to us, along with information that comes to our attention, we believe you may have additional filing obligations, we will notify you and ask you to contact us. We would be available to provide this additional service upon your request.

U.S. filing obligations related to foreign financial assets

As part of your filing obligations, you are required to report the maximum value of specified foreign financial assets, which include financial accounts with foreign institutions and certain other foreign non-account investment assets that exceed certain thresholds. You are responsible for informing us of all foreign assets, so we may properly advise you regarding your filing obligations.

These assets include any ownership interest you directly or indirectly hold in businesses located in a foreign country, and any assets or financial accounts located in a foreign country over which you have signatory authority. Based upon the information you provide, this information will be used to calculate any applicable foreign tax credits. We will also use this data to inform you of any additional filing requirements, which may include *Form 8938, Statement of Specified Foreign*

Assets, and FinCEN Form 114, Report of Foreign Bank and Financial Accounts ("FBAR"). Failure to file required forms can result in the imposition of both civil and criminal penalties, which may be significant. The FBAR is not a tax return. If you ask us to prepare the FBAR, we will require a written request from you.

Foreign filing obligations

You are responsible for complying with the tax filing requirements of any other country. You acknowledge and agree that we have no responsibility to raise these issues with you and that foreign filing obligations are not within the scope of this engagement.

Ultimate responsibility

You have final responsibility for your income tax returns. We will provide you a copy of your income tax returns and accompanying schedules and statements for review prior to filing with the IRS and state and local tax authorities (as applicable). You agree to review and examine them carefully for accuracy and completeness.

Extensions of Time to File Tax Returns

It may become necessary to apply for an extension of the filing deadline if there are unresolved tax issues or delays in processing, or if we do not receive all of the necessary information from you on a timely basis. Applying for an extension of time to file may extend the time available for a government agency to undertake an audit of your return or may extend the statute of limitations to file a legal action. All taxes owed are due by the original filing due date. Additionally, extensions may affect your liability for penalties and interest or compliance with governmental or other deadlines.

Penalties and Interest Charges

Federal, state, and local tax authorities impose various penalties and interest charges for non-compliance with tax laws and regulations, including, failure to file or late filing of returns, and underpayment of taxes. You, as the taxpayer, remain responsible for the payment of all tax, penalties, and interest charges imposed by tax authorities.

We rely on the accuracy and completeness of the information you provide us in connection with the preparation of your tax returns. Failure to disclose or inadequate disclosure of income or tax positions may result in the imposition of penalties and interest charges.

Professional Fees

Our fee for these services will be based upon the complexity of the work to be performed, and our professional time, plus out-of-pocket expenses. All invoices are due and payable upon presentation. In the unlikely event that you are unable to provide all of your tax information 15 days prior to the extended due date, an additional 50% fee will apply.

Your signature below confirms your consent to the transfer of your tax returns and supporting documents from KHA Accountants and Advisors, PC to KHA Accountants, PLLC.

We appreciate the opportunity to be of service to you. If this letter fairly sets forth your understanding, please sign and date below.

Sincerely,

KHA Accountants, PLLC

Accepted by: _____ 

Representative of:

Title: _____

Date: _____