

Pendleton & Goudy Services

2009 Income Tax Year

Dear Client:

My staff and I appreciate the opportunity to work with you. To minimize the possibility of a misunderstanding between us, I am setting forth pertinent information about the services we will perform for you.

- We will prepare your current and future federal and state corporate income tax returns from information you have furnish to us. We will advise you on income tax matters as to which you specifically request our advice. I am responsible for preparing only the returns listed above.
- We will not audit or verify the data you submit, although we may ask you to clarify it, or furnish us with additional data.

By your signature below, you are confirming to us that unless we are otherwise advised, the travel, entertainment, gifts, and related expenses are supported by the necessary records required under Section 274 of the Internal Revenue Code. If you have any questions as to the type of records required, please ask us for advice in that regard.

The law provides for a penalty to be imposed where taxpayers make a substantial understatement of their tax liability. For corporate taxpayers, a substantial understatement exists when the understatement for the year exceeds the greatest of 10 percent of the tax required to be shown on the return, or \$10,000. The penalty is 20 percent of the tax underpayment. Taxpayers may seek to avoid all or part of the penalty by showing:

- (1) That they acted in good faith and there was reasonable cause for the understatement;
- (2) That the understatement was based on substantial authority; or
- (3) That the relevant facts affecting the items tax treatment were adequately disclosed on the return.

You agree to advise us if you wish disclosure to be made in your returns or if you desire us to identify or perform further research with respect to any material tax issues for the purposes of ascertaining whether, in our opinion, there is "substantial authority" for the position proposed to be taken on such issues in your returns.

Our work in connection with the preparation of your income tax returns does not include any procedures designed to discover fraud, defalcations, or other irregularities, should any exist. We will render such accounting and bookkeeping assistance as we find necessary for preparing the income tax returns. You are also confirming that you will furnish us with all the information required for preparing the returns.

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We will use our professional judgment in preparing your returns. Whenever we are aware that a possibly applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (e.g., tax agencies and courts) we will explain the possible positions that may be taken on your return. We will follow whatever position you request on your return so long as it is consistent with the codes and regulations and interpretations that have been promulgated. If the Internal Revenue Service should later contest the position taken, there may be an assessment of additional tax plus interest and penalties. We assume no liability for any such additional penalties or assessments.

As your Tax Preparer, I collect:

- Information provided by you from your tax organizer, worksheets, documents, and discussions and
- Information that we develop as part of this engagement.

As your Tax Preparer, I am required to keep all information about our engagement confidential, so I will not disclose any information about you unless I have your approval or are required/permitted by law. This applies even if you are no longer a client.

As your Tax Preparer, I am committed to the safekeeping of your confidential information and my staff and I maintain physical, electronic, and procedural safeguards to protect your information. Federal law has extended the attorney-client privilege to some, but not all, communications between a client and the client's Tax Preparer. The privilege applies only to non-criminal tax matters that are before the IRS or brought by or against the U.S. government in a federal court. The communications must be made in connection with tax advice. Communications solely concerning the preparation of a tax return will not be privileged.

In addition, the confidentiality privilege can be inadvertently waived if the contents of any privileged communication are discussed with a third party, such as a lending institution, a friend, or a business associate. We recommend that you contact us before releasing any privileged information to a third party. As a corporation, you need to be especially careful about privileged communications. If a communication is made in the presence of a corporate employee who is not authorized to act or speak for the corporation in relation to the communications subject matter, then the communication will be deemed to be made in the presence of a third party and any privilege will be waived.

If we are asked to disclose any privileged communication, unless we are required to disclose the communication by law, we will not provide such disclosure until you have had an opportunity to argue that the communication is privileged. You agree to pay any and all reasonable expenses that we incur, including legal fees, that are a result of attempts to protect any communication as privileged. Our fees for these services will be computed at our standard rates and will be billed as the work progresses or, by agreement, when the returns are completed @ \$50 per hour. Invoices are due when received.

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The fee(s) do not include responding to Internal Revenue Service inquiries, and the client understands that the tax preparer is not responsible for Internal Revenue Service disallowance of doubtful deductions or deductions unsupported neither by adequate documentation nor for resulting taxes, penalties, and interest. If any dispute arises among the parties hereto, the matter could be turned over to the Columbia County Magistrate Court for litigation and resolution. Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution to the Columbia County Magistrate Court and shall be binding and final.

I will be pleased to discuss this letter with you at your convenience. If the foregoing is acceptable to you, please sign below in the space provided and return it to us. By signing below you agree to and accept the terms and conditions of this engagement letter. Further, you agree and accept that these terms and conditions will be in effect in future years or until you are so notified otherwise

By signing below, I acknowledge that I have been explained the engagement letter and fully understand, agree and accept the terms and conditions thereof and have been provided a copy of same.

[Sign here]