

February 27, 2017

BUSINESS NAME: _____
CLIENT NAME: _____
ADDRESS: _____

Dear CLIENT:

We appreciate the opportunity to work with you. To ensure a complete understanding between CLIENT (client), the entities listed in **Appendix D**, and WhippleWood CPAs, PC (firm), we are setting forth the pertinent information about the nature and limitations of the services the client has asked us to perform. Please read this letter carefully as it outlines the expectations by both the firm and your organization. This engagement letter constitutes an agreement between the firm and client. It may be referred to below as "*Engagement Letter*," "*Engagement*," or "*Agreement*."

This letter must be signed and dated by you prior to our undertaking the responsibilities set out in this letter.

Services to be Provided:

WhippleWood CPAs will be pleased to provide any management, advisory or tax services as requested by the client. In order to provide any of these additional services in the most efficient manner, WhippleWood CPAs should be advised in advance of any major transactions the client proposes to undertake. At your request and under your direction, we will perform services described in **Appendix A**.

Client Responsibilities:

The Client is responsible for:

- a) Presenting up-to-date and accurate data to the firm in a timely manner. It is the client's responsibility to provide all the information required for the preparation of complete and accurate returns;
- b) Promptly giving the firm any additional, requested information;
- c) Retain all of the documents, canceled checks, and other data forming the basis of income and deductions. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority;
- d) Informing the firm of any current or past adverse encounters or actions involving the Internal Revenue Service (IRS) or any other federal, state, or local agency; and
- e) Reviewing carefully all income tax returns and other documents before they are submitted by the firm.

Additional client responsibilities if the client is operating a business:

- a) The preparation and fair presentation of the financial statements in accordance with the appropriate method of accounting;
- b) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- c) Preventing and detecting fraud;
- d) Identifying and ensuring that the company complies with the laws and regulations applicable to its activities; and
- e) Making all financial records and related information available to the firm;

- f) For the accuracy and completeness of all information submitted to the firm;
- g) Making all management decisions and performing all management functions;
- h) Designating an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services;
- i) Evaluating the adequacy and results of the services performed;
- j) Accepting responsibility for the results of the services;
- k) Determining all account coding;
- l) Deciding which proposed journal entries should be implemented;
- m) Acknowledging the firm will use information provided by the client to complete the services, without further verification or investigation regarding this information by the firm; and
- n) By signing below the client is confirming that the travel, entertainment, gifts, and related expenses are supported by the necessary records required under Section 274 of the Internal Revenue Code. If there are any questions as to the type of records required, please ask for advice in that regard.

Disclaimers:

This *Engagement* cannot be relied upon to disclose errors, fraud, fraudulent financial reporting, misappropriation of assets, or illegal acts that may exist. However, WhippleWood CPAs will inform the appropriate individual of any material errors, potential fraud, illegal acts, and any adverse information that comes to the firm's attention during the performance of the services, unless they are clearly inconsequential.

The firm has no responsibility to identify and communicate deficiencies in the client's internal control as part of this *Engagement*.

If other data is presented to accompany the services, it is only for supplementary analysis purposes, and it will be compiled from information presented by the client. It is presented without audit or review, and the firm will not express an opinion or any other form of assurance on this data.

The client has the final responsibility for the income tax returns and, therefore, the client should review them carefully before they are submitted.

Unless the client specifically seeks the firm's advice, WhippleWood CPAs cannot assume responsibility for advising the client with respect to the tax consequences of transactions entered into by the client or the impact of the development in the tax law.

If the firm's work is suspended or terminated as provided in this *Engagement*, the client agrees the firm will not be responsible for any failure to meet government and other deadlines, for any penalties or interest that may be assessed resulting from a failure to meet such deadlines, and for any other damages, including consequential damages.

Electronic (Email) Communications: In connection with this *Engagement*, the firm may communicate via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails will be properly delivered and read only by the addressee. Therefore, the firm specifically disclaims any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by the firm in connection with the performance of this *Engagement*. In that regard, the client agrees the firm shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental,

direct, indirect or special damages, by way of example and not limitation, loss of revenues, anticipated profits, or disclosure or communication of confidential or proprietary information.

Additional Services:

If the client requests the firm to perform additional services not contemplated by this *Engagement Letter*, the firm will outline the scope of the additional services and the estimated fee. The firm will issue a separate *Engagement Letter* covering the additional services.

Fees for Services Provided:

The fees for the Services to be Provided are on **Appendix B**.

All invoices are due and payable upon receipt.

WhippleWood CPAs will add a 1.5% per month service charge to all accounts 30 days or more past due. The firm reserves the right to suspend or terminate services, as well as to withdraw as experts, if the invoices are not paid as agreed. The client will be obligated to compensate the firm for all time expended and out-of-pocket expenses through the date of suspension or termination. The client must notify the firm within ten (10) business days of the date of an invoice should there be a question regarding any invoiced charges.

If the firm is called upon to render services, give testimony, produce documents, answer depositions or interrogatories, or otherwise become involved in connection with any administrative or judicial proceedings, investigations, or inquiries relating to the *Engagement*, the client will pay, in addition to the fees set out above, for the time required by any partner or employee of the firm at the firm's standard hourly rates as then in effect, plus out-of-pocket expenses. The firm's current hourly rates are on **Appendix C**.

This *Engagement* is limited to the "Services to be Provided" set out above. Any work requested or performed in addition to those services shall be the subject of a separate, written, *Engagement Letter*.

If the firm retains an attorney for the collection of any amounts due, it shall be entitled to recover all costs of collection including reasonable attorney's fees.

Hardware and Software Warranties:

During the course of the *Engagement*, the firm may recommend the client purchase an installation of computer or technological hardware, software, communications, or services. Warranties, to the extent they exist, are provided only by the manufacturer/developer/vendor of those computer or software products. The firm is not responsible for repairs, replacement, or servicing of this equipment. The firm will make its best efforts to provide appropriate recommendations when available, but the final decision and responsibility to purchase any computer or software products is at the client's sole cost and discretion.

Use of the Firm's Client Portal:

- A. WhippleWood CPAs owns and provides a Client Portal to permit easy and secure electronic transfer of documents between the client and the firm as well as client access to certain documents created or maintained by the firm. All drafts and completed financial statements and tax returns will be accessible via the Client Portal. The Client Portal web-based applications are exclusively provided to the firm's clients and intended for their sole use. Once the firm receives this *Engagement Letter* signed by the client, the firm will send instructions on how to access it.
- B. By using any feature of the firm's Client Portal, the client consents to the following terms and conditions and acknowledges that the firm is relying on this consent in allowing the client to use the firm's Client Portal. The client's continued use of the firm's Client Portal after the posting of any amended terms and conditions shall constitute the client's agreement to be bound by any such changes. The firm may modify, suspend, discontinue, or restrict the use of any portion of the Client Portal, including the availability of any portion of the content at any time, without notice or liability.
- C. The firm will use its best, reasonable efforts to provide 24-hour daily availability of the Client Portal Service. However, the firm makes no representation or warranty that 24-hour service will be available. The firm shall not be responsible for any error, omission, interruption, deletion, defect, delay in operation or transmission, communications line failure, theft or destruction or unauthorized access to the Client Portal. The firm is not responsible for any problems or technical malfunctions of any telephone or fiber network or lines, computer on-line systems, servers or providers, computer equipment, software, failure of any e-mail to be received by the firm on account of technical problems or traffic congestion on the Internet or at any website, or any combination thereof, including any injury or damage to the client's computer or peripherals related to downloading any materials in from the Client Portal.
- D. Client Portal utilizes 256-bit, Secure Socket Layer (SSL) encryption with password protected access. Documents are encrypted before being passed over the internet and while being stored on the Client Portal. Documents are hosted on a Business Logic Layer, so a username and password are required to access files. In addition, documents added to Portal are scanned for viruses before being uploaded. All files are maintained behind firewalls to protect against outside intruders. The firm will use its best efforts to make the Client Portal secure from unauthorized access. However, the client recognizes that no completely secure system for electronic data transfer has yet been devised, and the client understands and agrees that the firm has no liability in this regard.
 - 1. The firm will set up an individual login account for each Client Portal. The firm strongly recommends that the client establishes a policy that logon information not be shared with others. All initial logon passwords will be transmitted to the designee by email, which will then be changed by the client.
 - 2. The client acknowledges that the use of username and password is an adequate form of security. The client is solely responsible for (a) authorizing, monitoring, controlling access to and maintaining the strict confidentiality of the username and password, (b) not allowing another person to use the username or password, (c) any charges or damages that may be incurred as a result of the client's neglect to maintain the strict confidentiality of the username and password, and (d) promptly informing the firm in writing of any need to deactivate a username due to security concerns or otherwise. The firm is not liable for any harm related to the misuse or theft of usernames or passwords, disclosure of

usernames or passwords, or the client's authorization to allow another person or entity to access and use the firm's Client Portal using the client's username or password. The client shall immediately notify the firm of any unauthorized use of the username or password and any breach of confidentiality. Until the firm receives this notification from the client, the client will be held liable for any harm ensuing from the use of the username on the firm's Client Portal.

- E. The client agrees to notify the firm's portal maintenance department via e-mail at portal@whipplewoodcpas.com in writing when an individual logon account is to be terminated. The firm will make every effort to confirm and terminate access as soon as possible. However, the client cannot be assured that access has been terminated until they a confirmation of termination email is received.
- F. The Client Portal website may contain links to other websites ("Linked Sites"). The Linked Sites are not under the control of the firm and the firm is not responsible for the contents of any Linked Site, including without limitation any link contained in a Linked Site, or any changes or updates to a Linked Site. The firm is not responsible for webcasting or any other form of transmission received from any Linked Site. The firm is providing these links to you only as a convenience, and the inclusion of any link does not imply endorsement by the firm of the site or any association with its operators.
- G. As a condition of the client's use of the Client Portal website, the client warrants to the firm that the client will not use the firm's Client Portal website for any purpose that is unlawful or prohibited by these terms, conditions, and notices. The client may not use the firm's Client Portal website in any manner which could damage, disable, overburden, or impair the firm's website or interfere with any other party's use and enjoyment of the Client Portal Website. The client may not obtain or attempt to obtain any materials or information through any means not intentionally made available or provided for through the Client Portal website.
- H. The firm reserves the right at all times to disclose any information as necessary to satisfy any applicable law, regulation, legal process, or governmental request, or to edit, refuse to post or to remove any information or materials, in whole or in part, in the firm's sole discretion.
- I. The client must both, at the client's own cost: (a) provide for access to the internet and pay any service fees, telephone charges, and online service usage associated with this access, and (b) provide all equipment necessary for connection to the Client Portal, including a computer and modem.
- J. **WhippleWood CPAs makes no warranty, express or implied, regarding the efficacy of the security of the Client Portal. The content and services are provided on an "as is" basis and the firm specifically disclaims any express or implied warranties, including without limitation, warranties of fitness for a particular purpose, warranties of merchantability or warranties against infringement. The firm, its affiliates, employees and agents shall not be liable for any damages or losses, including, without limitation, indirect, consequential, special, incidental, or punitive damages, resulting from or caused by the Client Portal, its content, security or any services provided herein. The firm does not warrant that CLIENT's portal functions will be uninterrupted or error-free, that defects will be corrected, or that the firm's Client Portal or the server that makes it available is free of viruses or other harmful components.**
- K. This *Agreement* and the services contemplated by it may be terminated by either the firm or client with or without cause and with or without notice at any time.

E-Filing Program:

The Internal Revenue Service and the state tax agencies require tax preparers to use the e-file program. If the client does not want to e-file the tax returns, WhippleWood CPAs is required to obtain a waiver signed by the taxpayers. The returns will be filed electronically unless the firm is advised otherwise or the firm determines that the e-file method is not practical for the returns. This service is offered at no additional charge.

As stated, the firm will provide the tax returns for review via the firm's Client Portal. After review of these returns, the client will sign the e-file consent forms and return them to the firm's office. Once these signed consent forms are received, the firm will release the returns electronically to the taxing authorities. Please note that although the firm will use its best efforts to ensure the returns are successfully transmitted to the appropriate taxing authorities, the firm will not be financially responsible for electronic transmission or other errors arising after the returns have been successfully submitted by our office.

Third Party Disclosure and the use of Third Party Services:

Unless the client indicates otherwise, the client consents to and authorizes the firm to transmit confidential information to third parties in order to facilitate delivering services. Examples of these transmissions may include the access to contact information by members of the firm's team (independent contractors such as consultants, administrative assistants, or third party developers), transfer of accounting information and other data files via the internet, online back-up services, web site developer and hosting services, credit card processing company, etc. The firm only works with established, reputable companies that have demonstrated their commitment to safeguarding data. Please feel free to request additional information regarding the transmission of confidential information to entities outside the firm.

Record Retention:

The firm's policy is to keep our electronic and work paper files electronically for seven (7) years. However, the firm does not keep any original client records, so these will be returned to the client at the completion of the services rendered under this *Engagement*. When records are returned, it is the client's responsibility to retain and protect the records for possible future use, including potential examination by any government or regulatory agency. All work paper and miscellaneous report copies that are not required to be retained are shredded at the conclusion of the *Engagement*. The client acknowledges that upon the expiration of the seven (7) year period, the firm shall be free to destroy records related to this *Engagement*.

Dispute Resolution:

WhippleWood CPAs and the client understand and acknowledge their respective rights to a jury trial and hereby waive that right and agree that any litigation resulting from this *Agreement* will proceed to a trial before the court without a jury.

The jurisdiction and venue for any litigation resulting from this *Engagement Letter* shall be in Jefferson County, Colorado.

Third Party Requests and Settlements:

In the event the firm receives a request from a third party (including a subpoena, summons, discovery demand in litigation, etc.) calling for the production of privileged or other information, our firm will promptly notify the client. If the client instructs the firm in writing to assert the privilege on the client's behalf, the firm will do so to the extent allowed by law. The client will hold the firm harmless from, reimburse for, and be responsible for any expenses (including attorney's fees, court costs, and any other costs imposed whether by way of penalty or otherwise) incurred by the firm as a result of the client's assertion of the privilege or the client's direction to assert the privilege on the client's behalf. The client will be responsible for the cost of reproduction as well as reasonable attorney's fees and expenses of litigation incurred by the firm in responding to these requests, subpoenas, summons, discovery demands, and the like.

In the event the firm is or may be obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, then to the extent that such obligation is or may be a direct or indirect result of the client's intentional or knowing misrepresentation or provision to us of inaccurate or incomplete information in connection with this *Engagement*, and not any failure on our part to comply with professional standards, the client agrees to indemnify, defend, and hold the firm harmless as against these obligations.

Assignment:

Neither party shall assign any rights or delegate any obligations under this *Engagement* without the other party's prior written consent.

Governing Law:

This *Agreement* shall be governed by and construed in accordance with the laws of the State of Colorado, without regard to the principles of conflicts of law. Jurisdiction and venue for any dispute arising in accordance with this *Engagement* letter will be in Jefferson County, Colorado.

Termination of Services:

Either party may terminate this *Agreement* by providing written notice to the other party.

WhippleWood CPAs may withdraw from this *Engagement* at any time for any reason at our sole discretion. In particular, if the client fails to provide the requested information or pay for services on the agreed upon schedule the firm may discontinue performing services until all outstanding balances are paid and/or may withdraw from the *Engagement* ten (10) days after the mailing of written notice at the address to which statements are sent.

If work is suspended due to lack of payment and the firm later receives payment along with a request that services be resumed, the firm will provide an updated timeline for completion of any past due work. This may result in significant delays in processing.

The firm reserves the right to terminate services immediately if, during the course of services, the firm becomes aware of any matters that would compromise the firm's professional or legal standing in any way, either in fact or based on confirmed or potential public perception.

In the event the client terminates services, the client assumes responsibility for the transfer to any third party vendor services as described earlier in this *Agreement*.

If this *Engagement* ends for any reason, the client will have the option to continue any third party subscription based services at the client's expense. (In some cases, the firm may have absorbed the cost of these services.) The client agrees to complete the transfer of services to its name and assume responsibility for payment within ten (10) days of termination. The "end date" will be defined as the 11th business day following the date shown on the email or letter of termination/resignation transmitted by either party. If the client does not assume responsibility for these services, they may be cancelled. Additional fees may apply if the client elects to restore those services (if that option is available from the service provider) or request copies (digital or hard copy) of records from the third party provider.

Conclusion

WhippleWood CPAs, PC appreciates the opportunity to be of service and believes this letter accurately summarizes the significant terms of the *Engagement*. If there are any questions regarding this *Letter*, or believe the terms have missed or misstated our understanding, please call to discuss prior to signing. If the foregoing terms are in accordance with our understanding, please print and sign an original in the space provided and return it via fax or email.

Sincerely,



WhippleWood CPAs

I have read this *Engagement Letter*, been given the opportunity to ask questions, and fully understand its obligations. Accordingly, I understand and accept the terms of the *Agreement* and those set out on the **Appendix**:

Client: _____

By Printed name: _____, Signature: _____

Date: _____

Appendix A

Services to be Provided

(Please print and circle the services needed)

Prepared Financial Statements

WhippleWood CPAs will prepare monthly financial statements comprised of the monthly balance sheets and the related statements of income, changes in stockholders' equity, and cash flows.

We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion or provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

The engagement to be performed is conducted on the basis that management acknowledges and understands that our role is to prepare financial statements in accordance with the basis of accounting prescribed by the client. Management has the following overall responsibilities that are fundamental to our undertaking the engagement to prepare your financial statements in accordance with SSARSs:

- a. The selection of the financial reporting framework to be applied in the preparation of the financial statements
- b. The prevention and detection of fraud
- c. To ensure that the entity complies with the laws and regulations applicable to its activities
- d. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement to prepare financial statements
- e. To provide us with:
 - i. Documentation and other related information that is relevant to the preparation and presentation of the financial statements
 - ii. Additional information that may be requested for the purpose of the preparation of the financial statements, and
 - iii. Unrestricted access to persons within the Company of whom we determine necessary to communicate.

Accounting and Bookkeeping Services

The firm will assist the client with various accounting and bookkeeping functions, including consultation on recordkeeping, recording of transactions, adjustments to the general ledger, reconciliations of the bank accounts and credit cards, bill payment processing, importing bank account activity from client's bank to the QuickBooks file, payroll transactions, budgeting and cash management, and the other services listed on this **Appendix A**.

The firm will assist the client with the monthly sales and use tax filing from information provided by the client. This includes calculating the sales and use tax due, along with filing the monthly reports online. If online filing is not available, the firm will complete the paper form.

Tax Services

WhippleWood CPAs will perform the following Tax Services for the client:

1. The firm will prepare the 2016 federal and state income tax returns from information provided by the client.
2. The firm will prepare the annual Form 1099 and 1096 from information provided by the client.
3. The firm will prepare the annual Personal Property Tax Reports from information provided by the client.
4. The firm will prepare Payroll Quarterly and Annual Payroll Tax returns.

The client has the final responsibility for all tax returns and, therefore, the client should review them carefully before they are submitted.

The firm will use professional judgment in preparing the client's returns. Whenever the firm is aware that a possible applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (e.g., tax agencies and courts) the firm will explain the possible positions that may be taken on the client's return. The firm will follow whatever position the client requests so long as it is consistent with the codes, 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. The firm assumes no liability for any such additional penalties or assessments.** In the event the client asks the firm to take a tax position that in our professional judgment will not meet the applicable laws and standards as promulgated, the firm reserves the right to stop work and it shall not be liable to the client for any damages occurring as a result of ceasing to render services.

The client's 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 government tax examination, the firm will be available upon request to represent you, and it will render additional invoices for the time and expenses incurred.

Appendix B

Fees for Services to be Provided

(TBD)

WhippleWood CPAs will bill the client a flat fee of \$*** for the initial assessment of the records and the on-boarding and set up of the books. The firm requires an advance payment equal to 50% of the flat fee. This advance payment is due upon the client's signature on this *Engagement Letter*. The remaining balance is due upon completion of the initial assessment and on-boarding.

The firm will bill the client [an ongoing fee of \$*** per month] **OR** [separately for time spent at an hourly rate, as shown in **Appendix C**] for the services listed in **Appendix A**. This fee includes the monthly QuickBooks remote hosting fee. This ongoing monthly payment is to be paid via automatic bank draft by the 3rd day of the month in which services are rendered. The firm and client will review this fee on a quarterly basis to discuss any appropriate changes. In the absence of an agreement to adjust the fee, the firm will continue to charge the above stated ongoing fee.

All tax work, including tax planning meetings as well as the income tax returns, will be billed separately for time spent at an hourly rate, listed in **Appendix C**.

Appendix C

Current Standard Hourly Rates

Principals	\$300 - \$375
Directors	\$175 - \$325
Managers	\$165 - \$225
Senior Accountants	\$140 - \$160
Staff Accountants	\$100 - \$135
Administrative	\$75 - \$95

Appendix D

The following entities are included in the services described in the *Engagement Letter* dated Monday, February 27, 2017:

▪