

SAMPLE ENGAGEMENT LETTER

Dear Client:

We appreciate the opportunity of working with you and advising you regarding your income tax. To ensure a complete understanding between us, we are setting forth the pertinent information about the services that we will perform on your behalf.

Returns we will prepare/Tax information required

We will prepare your 2001 and future federal and state(s) income tax returns from information which you will furnish to us. We will make no audit or other verification of the data you have submitted and we perform our tax services under the assumption that all the information you submit to us is true, complete and accurate according to documents and other information retained in your files (particularly auto, travel and entertainment expenses). While it is not necessary that you provide us with support documents at the time we prepare your returns, you should retain all necessary written support and documentation should it be required by an IRS examination at a later date. We reserve the right to withdraw from this engagement if requested information is not received in a reasonable period of time.

We will furnish you with questionnaires and/or worksheets to guide you in gathering the necessary information. If you prefer to assemble data in your own organized manner, please do so. Complete and organized data will assist us in keeping our fee to a minimum.

We will advocate positions in your favor

We will use our professional judgement to resolve any questions involving application or interpretation of tax laws. We will resolve such questions in your favor if there is reasonable justification for it. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign them.

Penalties

You should note that the IRS provides for interest and penalties which may be imposed on you. Most of these penalties provide for assessment in the event of some wrongdoing or negligence on the part of the taxpayer. However, penalties may be imposed even though there is no fraud, negligence or willfulness on your part. The only way to avoid certain penalties is to show that there was either "substantial authority" for the position taken or to make "adequate disclosure" on the return.

Income tax planning and tax notices

Remember that the most important part of the income tax return can be done when you can plan and have control over the return's ultimate results. We urge you to call us during the year if you are about to enter into important transactions or make important business decisions. The questions you ask us before you make decisions could result in large tax savings. Also, please contact us if you receive any correspondence or notices from the Internal Revenue Service or Franchise Tax Board.

Additional services

Your returns are subject to review by taxing authorities. Any items, which may be resolved against you by the examining agent, are subject to certain rights of appeal. In the event of any tax examinations, we will be available, upon request, to represent you. Billing for such additional services is at our standard hourly rates for the nature of services performed.

Our fees

Fees for our services will be at our standard rates for tax matters. Generally, we will bill you after we complete the returns, for time spent plus out-of-pocket expenses and reasonable costs of collection incurred on your behalf. However, progress billings may be prepared for returns that cannot be completed due to incomplete information from you. Our invoices are due and payable on presentation. In fairness to our clients

who pay promptly we charge a late payment service charge on all accounts unpaid after 45 days from billing at the rate of one and one half percent (1 ½%) per month of all such delinquent balances. It is agreed that any dispute over fees may be submitted for resolution by arbitration in our sole discretion.

Privacy

As your CPA, we collect information provided by you from your tax organizer, worksheets, documents and discussions and information that we develop as part of the engagement. We are required to keep all information about our engagement confidential so we will not make any disclosure about you unless we have your approval or are required/permitted by law. This applies even if you are no longer a client. We are committed to safekeeping of your confidential information and we maintain physical, electronic, and procedural safeguards to protect it.

General

Your original records, which will be returned to you, comprise the backup and support for your income tax returns. Our records and files are our property and not a substitute for your own records. Our firm destroys client files after a retention period of seven (7) years, after which time these items will no longer be available. Also, catastrophic events or physical deterioration may result in our records being unavailable.

We are pleased to have you as a client and look forward to a long and mutually satisfying relationship.

If the above fairly sets forth your understanding, please sign on the line below and return it to us. This letter will be in effect regarding our engagement until superceded by a subsequent understanding.

Approved by _____

Date _____ No. _____