

February 12, 2018

1120 – 2017 C CORPORATION TAX RETURN ENGAGEMENT LETTER

Dear Client:

This letter is to confirm and specify the terms of our engagement with your corporation for the year ended December 31, 2017 and to clarify the nature and extent of the services we will provide. In order to ensure an understanding of our mutual responsibilities, we ask all clients for whom we prepare returns to confirm the following arrangements. Also, by signing this engagement letter, you acknowledge that you are the person authorized by the corporation to act on its behalf with respect to the tax matters of the corporation.

We will prepare your 2017 federal and related State of New Jersey corporate income tax returns, as determined from the information you provide to us. We will prepare the returns based on our understanding of the current tax laws, regulations, rulings and judicial precedents. In preparing the returns, we will rely upon the completeness and accuracy of the supporting documents and other data that you supply to us, as well as documents that you authorize other service providers to forward to us on your behalf. We will not monitor the activities of third party providers who forward us such information. In the event we prepared your income tax returns for any prior years, we will also rely upon the information you supplied to us to prepare those returns. To the extent you become aware that any information you previously supplied to us is inaccurate or has changed, you agree to notify us in writing as soon as practicable. 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. This engagement pertains only to the 2017 tax year, and our responsibilities do not include preparation of any other tax returns that may be due to any other taxing authorities, the preparation of any tax returns for any entities that you may own or the review of any tax returns prior years prepared by another firm or tax preparer. Our services **are not** intended to determine whether you have filing requirements in other taxing jurisdictions other than the one(s) you have informed us of. Our firm can refer you to an outside accounting firm under the terms of a separate engagement letter to provide a nexus study that will enable us to determine whether any other state tax filings are required. The corporate returns are due by April 15, 2018. Our office will need all of the information necessary to prepare this return no later than March 15, 2018. Information submitted to our office after March 15, 2018, will cause the return to go on extension. Our office is not liable for any resulting tax, interest, or penalties to the corporation or shareholders as a result of placing the return on extension.

If you and/or your entity have a financial interest in any foreign accounts, you are responsible for providing our firm with all the information necessary to prepare and electronically file a Financial Crimes Enforcement Network (finCEN) report required by the U.S. Department of the Treasury. If you do not provide our firm with information regarding any interest you may have in a foreign account, we will not be able to assist you in complying with your filing obligations in this regard.

It is your responsibility to provide all the information required for the preparation of complete and accurate returns. You should retain all the documents, canceled checks and other data that form the basis of your income and deductions. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority.

Our engagement cannot be relied upon to disclose errors, fraud or other illegal acts that may exist. However, we will inform you of any material errors that come to our attention and any fraud that comes to our attention. We will also inform you of any other illegal acts that come to our attention, unless clearly inconsequential. Our responsibility as tax preparer is limited to the tax period specified above and does not extend to any later periods of which we are not engaged as the tax preparer.

Our services **are not** designed to provide assurance on internal controls or to identify reportable conditions, that is, significant deficiencies or material weaknesses in the design or operation of internal control. Accordingly, we have no responsibility to identify and communicate significant deficiencies or material weaknesses in your internal controls as part of this engagement, and our engagement cannot be relied upon to disclose the same. However, during the procedures, if we become aware of such reportable conditions, we will communicate them to you.

This engagement **does not** include any other ancillary services. However, through the use of outside firms, we can refer you to firms that provide these services such as a studies specifically focused on identifying and addressing weaknesses in internal controls (internal control review), and on searching for the existence of fraud within your company (fraud audit). The additional costs of these services are generally \$4,000-\$7,000 on average, and fluctuate with the different levels of service requested. Also, our firm **does not** provide any compliance services relating to State of New Jersey or any other state sales and use tax as part of this engagement. A sales tax compliance review determines whether or not your business is charging and remitting sales tax properly and whether any use tax is being properly reported and paid. We do offer a sales and use tax compliance review through the use of an outside firm at an estimated cost of \$3,000 to \$5,000. After consideration of such services, and by signing this letter, you are acknowledging that you wish to retain us to perform only the income tax return preparation services described in this letter. **Any request for these additional services must be made in writing.**

We **will not** be responsible for advising you with respect to independent contractor status as part of our services. If you have any questions regarding the classification of employees versus independent contractors, we strongly encourage you to consult with legal counsel experienced in labor law matters.

You are responsible for adopting sound accounting policies, for maintaining an adequate and efficient accounting system, for safeguarding assets, for authorizing transactions, for retaining supporting documentation for those transactions, and for devising a system of internal controls that will, among other things, help assure the preparation of proper income tax returns. Furthermore, you are responsible for management decisions and functions, for designating a competent employee to oversee any of the services we provide, and for evaluating the adequacy and results of those services. You have the final responsibility for the income tax returns and, therefore, should review them carefully before you sign and file them.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Company involving (a) management (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

Because of their special purpose, nature and format, income tax returns do not constitute financial statements prepared in accordance with generally accepted accounting principles. The tax returns will be used only for income tax purposes and will not be used as a substitute for financial statements. Our work in connection with the preparation of the corporate returns does not include any procedures designed to discover fraud, theft or other illegal acts, should any exist. You have indicated that you will be responsible for overseeing the preparation and filing of these tax returns, for evaluating the adequacy and accepting the results of these returns, and for making all management decisions with respect to these returns.

We will use our professional 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 whenever possible.

The law provides for a penalty to be imposed where a taxpayer makes a substantial understatement of their tax liability. For corporations, a substantial understatement exists when the understatement for the year exceeds the greater of 10 percent of the tax required to be shown on the return, or \$5,000. The penalty is 20 percent of the tax underpayment. Taxpayers other than "tax shelters" 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 item's tax treatment were adequately disclosed on Form 8275 or 8275-R attached to the return and there was reasonable basis for the position. A taxpayer is considered a "tax shelter" if its principal purpose is to avoid federal income tax. 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 purpose of ascertaining whether, in our opinion, there is "substantial authority" for the position proposed to be taken on such issue in your returns.

Since the administration of the tax laws is dependent upon interpretation and verification, it is possible that issues may arise which will result in the examination of your income tax returns 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, we can

refer you to another tax professional or be available upon request to represent you and will render additional invoices for the time and expenses incurred. Below is a list of the most popular reasons for audit adjustments:

Common Reasons for Audit Adjustments

- Inadequate documentation of income earned or expenses paid especially in the area of vehicle mileage logs and meals and entertainment.
- Paying personal expenses with business funds.
- Failing to charge and/or pay sales tax or failure to pay use tax on taxable purchases made by the business. Use tax is generally due on taxable purchases made out of state.
- An insufficient accounting system and procedures to support the amounts listed on the tax return.
- Insufficient frequency of accounting services. Clients that generally submit information to our offices on an annual basis do not allow time to correct mistakes and allow for tax planning.
- Borrowing money from your business with no specific plan to repay.

This list does not include all reasons for audit adjustments. If you have any questions regarding this list, please contact our office.

Our fee for these services will be based upon the amount of time required to complete the task and the experience level of the professional performing the task, based on our standard billing rates, plus out-of-pocket expenses. It is possible that a non-licensee principal may provide certain services in connection with this engagement. All invoices are due and payable upon presentation. A service charge will be assessed to unpaid invoices after 30 days.

You agree that Blair & Associates, LLC, and its personnel shall not be liable for any claims, liabilities, or expenses relating to this engagement for an aggregate amount in excess of the fees paid by you to Blair & Associates, LLC, pursuant to this engagement, except to the extent finally judicially determined to have resulted primarily from the bad faith or intentional misconduct of Blair & Associates, LLC.

Payment for services is due when rendered. If you fail to comply with any of the terms of this engagement, as outlined herein, we reserve the right to withdraw from the engagement without completing your tax returns, and we will notify you of our withdrawal in writing. Blair & Associates, LLC, will not be responsible for any tax, interest or penalties that the taxing authorities may levy against you.

We will retain a copy of any records relating to this return for a period of five years.

Any dispute (other than our efforts to collect an outstanding invoice) that may arise regarding the meaning, performance or enforcement of this engagement or any prior engagement that we have performed for you, will, prior to resorting to litigation, be submitted to mediation, and the parties will engage in the mediation process in good faith. Any mediation initiated as a result of this engagement shall be administered with NJ Mediation Center, LLC located in Tinton Falls, NJ, according to its mediation rules, and any ensuing litigation shall be conducted within Ocean county, according to New Jersey law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding (other than professional fees incurred by each party) shall be shared equally by the participating parties. If the dispute is not resolved through mediation, the parties agree to enter into binding arbitration using a mediator appointed by the American Arbitration Association.

Our liability relating to the performance of the services rendered under this letter is limited solely to direct damage sustained by the company. In no event shall we be liable for the consequential, special, incidental or punitive loss, damage or expense caused to the company or to any third party (including without limitation, lost profits, opportunity costs, etc.). Notwithstanding the foregoing, our maximum liability relating to services rendered under this letter (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fees received by us for this engagement. The provisions set forth in this paragraph shall survive the completion of the engagement.

All claims relating to the performance of these services rendered under this letter must be asserted within 1 year of the delivery of the returns or they will be stale and time-barred.

If any provision of this letter is unenforceable, the remaining provisions shall be enforced to the maximum extent possible. If any provision of this letter is overbroad or unreasonable, such provision shall be given effect to the maximum extent possible by narrowing or removing that aspect of the provision found overbroad or unreasonable, and enforcing the remaining portions to the full extent reasonable.

Notwithstanding anything contained herein, both accountant and client agree that regardless of where this agreement is physically signed, this agreement shall have been deemed to have been entered into at our office located in Ocean County, New Jersey, U.S., and Ocean County, New Jersey, U.S., shall be the exclusive jurisdiction for resolving disputes related to this agreement. This agreement shall be interpreted and governed in accordance with the laws of New Jersey.

If the above fairly sets forth your understanding, please sign the enclosed copy of this letter and return it to us. If this firm does not receive this letter signed from you, in fully executed form, but receives supporting documentation requested therein, then such receipt by this office shall be deemed to be evidence of your acceptance of all of the terms set forth above and we will have the right to commence with the tax return preparation process.

We want to express our appreciation for this opportunity to work with you.

Very truly yours,

 2/12/18
Blair & Associates, LLC

Accepted:

By _____

Date _____

Name of Corporation