



15655 W. Roosevelt St. Suite 101
Goodyear, AZ 85338
623.935.7483

Letter of Engagement: S-Corporations

Officer or Managing Member:

Thank you for choosing Desert Edge Tax & Accounting to assist with the 2020 taxes for your S-Corporation. This letter confirms the terms of the engagement and outlines the nature and extent of the services we will provide.

We will prepare the 2020 federal and state income tax returns for your S-Corporation. We will depend on management to provide the information we need to prepare complete and accurate returns. We may ask management to clarify some items but will not audit or otherwise verify the data submitted.

We will perform accounting services only as needed to prepare the tax returns. Our work will not include procedures to find defalcations or other irregularities. Accordingly, our engagement should not be relied upon to disclose errors, fraud, or other illegal acts, though it may be necessary for management to clarify some of the information submitted. We will, of course, inform management of any material errors, fraud, or other illegal acts we discover.

We will return the original records to management at the end of this engagement. These records, along with all supporting documents, canceled checks, etc., should be securely stored, as these items may later be needed to prove accuracy and completeness of a return. We will retain copies of the records and our work papers for the engagement for seven years, after which time these documents will be destroyed.

Our engagement to prepare the 2020 tax returns will conclude with the delivery of the completed returns to management (if paper-filing) or with the tax matters member's signature and our subsequent submittal of the tax return (if e-filing). If management has not selected to e-file the returns with our office, management will be solely responsible to file the returns with the appropriate taxing authorities. A Managing Member or Corporate Officer should review all tax-return documents carefully before signing them.

We may encounter instances where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretations of the law and other supportable positions. In those instances, we will outline each of the reasonable alternative courses of action, including the risks and consequences of each such alternative. In the end, we will adopt, on your behalf, the alternative that you select after having considered the information provided by us.

Pursuant to standards prescribed in IRS Circular 230 and IRC §6694, we are forbidden from signing a tax return unless we have a reasonable belief that there is substantial authority for a tax position taken on the return, or unless we have a reasonable belief that there is a reasonable basis for the tax position taken on the return and we disclose this tax position on a separate attachment to the tax return. Substantial authority is generally viewed by tax professionals as requiring at least a 40% probability that the tax position taken will be sustained on its merits. However, under no circumstances may we sign a tax return with a tax position that has no reasonable basis.

Federal law has extended the attorney-client privilege to some, but not all communications between a client and the client's tax professional. The privilege applies only to non-criminal tax matters that are before the Internal Revenue Service or brought by or against the U.S. government in a federal court. The communications must be made in connection with tax advice. You must request that the information you will provide be privileged before providing us with the information. Communications solely concerning the preparation of a tax return will not be privileged.

Our fees for this engagement are not contingent on the results of our service. Rather, our fees for this engagement will be based on a number of factors, including, but not limited to, the time spent and the complexity of the services we will

perform. In addition, you agree to reimburse us for any out-of-pocket costs incurred in connection with the performance of our services.

We reserve the right to suspend our services or withdraw from this engagement. If we elect to terminate our services, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed your return. You will be obligated, through the date of termination, to compensate us for all outstanding invoices as well as our final invoice, and to reimburse us for all of our out-of-pocket costs. For these purposes, any nonpayment, inability to sign the tax return, or non-response by you of information requested (among other things) will constitute a basis for our election to terminate our services.

You should retain all the documents, canceled checks and other data that form the basis of income and deductions. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You are responsible for ensuring that personal expenses, if any, are segregated from business expenses and that expenses such as meals, travel, vehicle use, gifts, and related expenses are supported by necessary records required by the IRS and other tax authorities. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign them. Unless you otherwise advise us, your signature below also confirms that you have the necessary documentation under Code §274 for the business gift, travel, entertainment, and related expenses claimed.

In the event we are required to respond to a subpoena, court order or other legal process to produce documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us, as set forth above, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

In the event that we become obligated to pay any judgment under a court proceeding, an award under any mediation proceeding, or penalty assessed by any taxing authority in our capacity as a tax preparer, you agree to pay any amount in settlement, and any costs incurred as a result of any inaccurate or incomplete information that you provided to us during the course of this engagement. You agree to indemnify us, defend us, and hold us harmless against such obligations, agreements, and/or costs.

You agree that any dispute that may arise regarding the meaning, performance, or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation, and that you will engage in the mediation process in good faith once a written request to mediate has been given by either party to the engagement. Any mediation initiated as a result of this engagement shall be administered by a law firm specializing in the mediation process, not associated with either party, and selected by us, according to its mediation rules. Any ensuing litigation shall be conducted within the County of Maricopa, State of Arizona, according to Arizona state 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 shall be shared equally by the participating parties.

Any litigation arising out of this engagement, except actions by us to enforce payment of our professional invoices, must be filed within one year from the completion of the engagement, notwithstanding any statutory provision to the contrary. In the event of litigation brought against us, any judgment you obtain shall be limited in amount, and shall not exceed the amount of the fee charged by us, and paid by you, for the services set forth in this engagement letter.

This engagement letter is contractual in nature and includes all of the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

You agree that notwithstanding anything to the contrary herein, your domicile, or the location at which this agreement shall be signed, this contract of engagement shall be deemed to have been entered into at our office located at 15655 W Roosevelt St. Suite 101 Goodyear, County of Maricopa, State of Arizona and any dispute arising under this contract or matters relating to it shall be interpreted, governed, and resolved exclusively by the laws of the State of Arizona.

You agree that you shall defend, indemnify, and hold harmless Desert Edge Tax & Accounting ("Company") and its officers, directors, employees, agents, successors and permitted assigns from and against all Losses arising out of or resulting from any third-party claim, suit, action or proceeding (each, an "Action") arising out of or resulting from:

(a) Bodily injury, death of any person or damage to real or tangible, personal property resulting from the willful, fraudulent or negligent acts or omissions of the Company or Company personnel; and

- (b) Company's breach of any representation, warranty or obligation of Company set forth in this Agreement; and
- (c) The use of the income tax returns for any purpose other than filing with the respective tax authority

If, after full consideration and consultation with counsel, if so desired, you agree to authorize us to prepare your S Corporation income tax returns pursuant to the terms set forth above, please execute this letter on the line(s) below designated for your signature(s) and return the executed letter to this office. You should keep a copy of this fully executed letter for your records. If this firm does not receive from you this letter, in fully executed form, but receives from you a completed copy of the client questionnaire and/or supporting documentation, then such receipt by this office shall be deemed to evidence your acceptance of all of the terms set forth above and we will commence with the tax return preparation process. **HOWEVER, UNDER NO CIRCUMSTANCES SHALL WE SIGN A COMPLETED TAX RETURN OR PREPARE AN EXTENSION UNTIL WE RECEIVE FROM YOU THIS SIGNED ENGAGEMENT LETTER.** If this office receives from you no response to this letter, then this office will not proceed to provide you with any professional services and will not prepare your income tax returns.

To affirm that this letter correctly summarizes the arrangements for this work, please sign the enclosed copy of this letter in the space indicated and return it to us in the envelope provided.

Sincerely,

Desert Edge Tax & Accounting

ACCEPTED AND AGREED:

_____	_____	_____
Printed Name: <i>Officer/ Managing Member</i>	<i>Signature</i>	<i>Date</i>