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**L. A. TAX SERVICE, LLP**  
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February 13, 2015

**FROCKTALE INC.**  
11980 LAURELWOOD DR. #18  
STUDIO CITY, CA 91604

**FROCKTALE INC.**

### **L. A. TAX SERVICE WELCOMES YOU AS A CLIENT!**

Please take the time to read this somewhat lengthy letter which describes our relationship to you as accountants and tax return preparers. Careful thought has gone into this documentation of the respective responsibilities for your accounting and corporate tax return(s).

We have listed various limitations to our responsibilities. Please confirm this understanding as mutual by reading this document, taking the time to tell us your questions or concerns, and then signing and returning the enclosed copy to us.

### **THE NATURE OF OUR ENGAGEMENT – AN OVERVIEW**

You are engaging us to prepare, from information you furnish us, federal and state corporate income tax returns for your year 2015 which ends on December 31, 2015. Unless you have separately engaged us to prepare other tax returns, all others are to be prepared by you or other preparers.

### **NON-LICENSEE OWNER**

From time to time, an owner of our firm who is not licensed as a CPA in California may participate in providing services to you.

### **ACCOUNTING**

#### **❑ Financial Statements**

We will not compile financial statements as part of this engagement. Any reports issued by us are not intended for use by third parties and are not to be relied upon for credit granting purposes.

#### **❑ Meetings**

We will meet with you to discuss your accounting records. These meetings are important to your financial well being.

#### **❑ Tax Matters**

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You are required to file various tax returns and reports to governmental agencies other than corporate income tax returns. These include estimated tax returns, property tax and business tax statements, real property payments, etc. If you request our services for preparing these returns we will be happy to provide this service at our hourly rates.

❑ **Retirement Planning**

We will discuss with you various retirement plan options for your officers. If the need arises, we will refer you to an actuary for technical retirement plan calculations.

**WE VALUE YOUR CONFIDENTIALITY**

We recognize the personal and private nature of the service we provide. In addition, your confidentiality privilege can be inadvertently waived if you discuss the contents of any privileged communication 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 communication's 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.

**TIMELY PREPARATION OF YOUR TAX RETURN(S) IS IMPORTANT**

We recognize that you value timeliness in the preparation of your tax return(s). As a general rule, we require that all information be provided to us no less than 30 days prior to the date when you expect us to deliver your tax return(s).

Specifically, we will set an interview appointment with you upon your return of this engagement letter. You will submit your income tax information to us at your interview. If, for any unforeseen reason, your data is not complete at that time, we will request you submit immediately whatever is ready and send or deliver the balance by a certain date to keep within the tax filing deadlines.

Please be aware that if your data is incomplete or is submitted after the date requested, we may not be able to keep our commitment in terms of delivery. Although we will endeavor to extend the due date of your tax return(s) if they are not done by the tax filing deadline, ultimately you may be subject to late filing penalties because of this delay.

**Initial here \_\_\_\_\_ to approve extension filing if required.**

**WE WILL RETAIN YOUR RECORDS FOR FIVE YEARS**

It is our policy to keep records related to this engagement for five years. However, L.A. Tax Service, LLP does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or

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regulatory agencies.

By your signature below, you acknowledge and agree that upon the expiration of the five year period L.A. Tax Service, LLP is free to destroy your records. If you request copies of prior year information, there will be a \$100.00 per year charge.

### **WE WILL SEND YOU COPIES OF YOUR TAX RETURNS**

L.A. Tax Service, LLP is becoming a sustainable business and strives to reduce the use of paper. You will be getting your tax returns in a password protected adobe acrobat (pdf) file. If you wish to get a paper copy, we will accommodate personal requests.

### **BY LAW WE FILE YOUR TAX RETURN ELECTRONICALLY**

If you choose not to e-file there is a \$50 state penalty. Once the return is accepted we are not responsible for the length of time that it takes to process it. It appears that refunds are remitted faster when done electronically.

### **OUR ACCOUNTING AND BOOKKEEPING ASSISTANCE IS LIMITED**

While we will render the accounting and bookkeeping assistance we find necessary for preparing the Corporate Income tax return(s), our work in connection with the preparation of your Corporate income tax return(s) does not include any procedures designed to discover defalcations or other irregularities, should any exist.

If you would like to expand our services to include procedures designed to discover fraud, they are billed at our hourly rate of \$300.

### **WE WILL USE PROFESSIONAL JUDGMENT TO PREPARE YOUR TAX RETURN(S)**

When possible, we will resolve questions involving application of tax rules in your favor, if there is reasonable justification for doing so.

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 tax return(s). We will adopt whatever position you request on your tax return(s) 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. We assume no liability for any such additional penalties or assessments.

### **YOU HAVE THE FINAL RESPONSIBILITY FOR YOUR TAX RETURN(S)**

It is your responsibility to provide us with all the information required for preparing complete and accurate tax return(s). You should retain all the documents, canceled checks, and other data that form the basis of income and deductions. The documents may be necessary to prove the accuracy and completeness of the tax return(s) to a taxing authority.

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We will not audit or otherwise verify the data you submit, although we may ask you to clarify some of it or furnish us with additional data.

You understand that we are not responsible for IRS disallowance of doubtful deductions or inadequately supported documentation, or for resulting taxes, penalties, and interest.

You should review the information on the tax return(s) carefully before you sign them. The Internal Revenue Service imposes penalties on taxpayers, and on us as tax return preparers, for failure to observe due care in reporting for tax return(s).

### **YOUR RESPONSIBILITY FOR SUBSTANTIAL UNDERSTATEMENT OF TAX LIABILITY**

The law provides that a penalty be imposed where a taxpayer makes 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 tax 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 item's tax treatment were adequately disclosed on the tax return.

You agree to advise us if you wish disclosure to be made in your tax return(s). On your request, we will 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 tax return(s)

### **YOUR RESPONSIBILITY FOR TRAVEL & ENTERTAINMENT EXPENSES**

Congress has greatly limited taxpayers' deductions for travel and entertainment expenses. As such, conflicting regulations and laws have been passed. At present, the minimum record keeping requirement is that you maintain certain records relating to meals, travel expense, entertainment expense, vehicle use, and business gifts.

The minimal substantiation must include the amount of the expense; the place of the travel, entertainment, and so on; the date and description of the gift; the business purpose of the expense; and the business relationship of the taxpayer to the person being entertained or receiving the gift.

Although not required, the government prefers that the information be kept in a diary, or in some chronological order. There is a strong need for this information to be kept current. Where possible, charge cards should be used and the above information shown on the back of the slip you maintain.

You confirm to us that unless we are otherwise advised, your travel, entertainment, gifts, and related expenses are supported by the necessary records required under Section 274 of the Internal Revenue Code.

### **YOUR TAX RETURN(S) MAY BE SELECTED FOR AUDIT BY TAXING AUTHORITIES**

In the event of an examination or other government contact, we are available to represent you. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examinations, we will be available upon request to represent you and will render additional invoices for the time and expenses incurred. Our preparation fee for this tax return does include responding to IRS

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inquiries, however fees for the additional service of audit representation will be communicated in a separate engagement letter.

## **WE ARE NOT INVESTMENT ADVISORS**

We are not investment counselors, brokers or stock agents. We can only advise you on the tax implications of an investment in light of today's tax laws and economy. From time to time during our relationship, you may seek our advice with regard to potential investments. We are not investment advisors. Accordingly, we suggest that you seek the advice of qualified investment advisors appropriate to each investment being considered.

Our advice regarding the tax ramifications of the investment shall be based on documents and information that you provide us regarding the investment. It is specifically understood and agreed that we will not undertake any independent due diligence investigation regarding the investment and that we may rely on the accuracy of the documents and information that you provide us in rendering our opinion about the tax ramifications of the investment.

Our advice concerning any particular investment shall be limited to advising you with regard to the tax ramifications of the investment. It shall not include advising you regarding the economic viability or consequences of the investment or whether or not you should make the investment. You agree not to rely on any statement or opinion made by us with regard to the investment in coming to a decision regarding the economic viability or consequences of that investment or regarding whether or not to make that investment.

## **HOW YOU WILL BE BILLED**

The following services will be billed:

- Corporate return \$ \_\_\_\_\_, no accounting or bookkeeping included. We will perform routine review of significant accounts. This includes one meeting during the year.
- If we amend corporate returns that have already been filed, each year will be charged at the rate to be determined at the time. Based on the reason for the amendment and the research and work involved. Price range is \$500-750
- Preparation of 1099 forms will be \$60 for the first two 1099s and \$25 for each one thereafter.
- Extension \$100.00

All other services will be charged at our current hourly rates; we will notify you if the rates change. The current rates are:

- Partner                   \$ 300 –for Tax and all other questions
- CPA Staff               \$ 175 –bookkeeping questions
- Other Staff             \$ 125 – Other

For any additional hourly work you will be billed at least monthly. Payment is due upon presentation of our invoice; fees for tax returns are due when your tax return(s) are delivered to you or picked up at our office. If you have a past-due balance remaining on your account a monthly late payment charge of 1% of the outstanding balance will be assessed.

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**MEDIATION AND ARBITRATION CLAUSE**

If any dispute arises among the parties, they agree first to try in good faith to settle the disputes by mediation administered by an association such as the American Arbitration Association (AAA) under its Commercial Mediation Rules. All unresolved disputes shall then be decided by final and binding arbitration in accordance with the Commercial Arbitration Rules of an association such as the AAA, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Fees charged by any mediators, arbitrators or an association such as the AAA shall be shared equally by all parties. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.

**IN CLOSING**

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign and date the enclosed copy and return it to us. This letter will continue in effect until canceled by either party.

**L. A. Tax Service, LLP**

*By its signature below, the undersigned agrees with the terms of our engagement as described in this letter. The undersigned further agrees that the undersigned has the proper records to substantiate all items of income and deductions, including travel and entertainment expenses, and that the undersigned will carefully examine and approve the undersigned’s completed tax return(s) before signing and mailing them to the tax authorities.*

Accepted by:

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**FROCKTALE INC.**

**Date**

By

L.A. Tax Service, LLP

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By: Esther Eisenstein, CPA, Scott Rubenstein, E.A.

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Its: Partner

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