

**Cooper Graci & Company, P.C.**  
**4210 Spicewood Spring Road, Suite 108**  
**Austin, Texas 78759**  
**(512) 346-1880**  
**<http://www.texcpa.com>**

Dear Client:

We appreciate the opportunity to work with you on your tax matters. This letter is to confirm and specify the terms of our engagement with you 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 tax returns to confirm the following arrangements.

Certain additional terms and conditions of our engagement are set out in our Billing and Fee Policy, a copy of which is enclosed. Please review that policy carefully and let us know if you have any questions. The range of hourly fees for the firm is included in the policy. All invoices are due and payable upon presentation. Please be prepared to pay any outstanding charges when you pick up your return.

We will prepare your 2007 federal and requested state income and franchise tax returns from information that you will furnish us. 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. We may furnish you with a checklist to guide you in gathering the necessary information. Your use of the checklist will assist in keeping pertinent information from being overlooked.

**The initial filing deadline for your income tax returns is March 17, 2008. In order to meet this filing deadline, we must receive the information needed to complete your tax returns no later than February 1, 2008. If an extension of time is required, any tax that may be due with your returns must be paid with the extension request on March 17. IRS will charge interest on the portion not paid by the initial filing deadline, and may also charge late payment penalties until those amounts are actually paid.**

It is your responsibility to provide us with 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 income and deductions. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You are responsible for the proper recording of transactions in the books of accounts, for the safeguarding of assets, and for the substantial accuracy of the financial records. **You have the final responsibility for your income tax returns and, therefore, you should review them carefully before you sign them.**

Client #: \_\_\_\_\_

Client Name: \_\_\_\_\_

Engagement Letter

Page 2

You represent that the information you are supplying to us is accurate and complete to the best of your knowledge and that your expenses for meals, entertainment, travel, business gifts, charitable contributions, dues and memberships, and vehicle use are supported by appropriate records as required by law.

Our work in connection with preparation of your income tax returns does not include any procedures designed to discover defalcations or other irregularities, should any exist. We will render such accounting and bookkeeping assistance as determined to be necessary for preparation of your income tax returns.

We will use 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.

Your return may be processed by a third party service provider. Please advise us if you prefer that we forego a third party service provider.

The law provides various penalties that may be imposed when taxpayers understate their tax liability. If you would like information on the amount or circumstances of these penalties, please contact us. If your entity is an S corporation whose tax attributes flow through to its shareholders, the penalty for substantial understatement of tax relating to this entity may be imposed on the shareholders.

Your returns may be selected for examination by the taxing authorities. Any proposed adjustments by an examining agent are subject to certain rights of appeal. In the event of an examination, we will be available upon request to represent you. The cost of this service is not included in the fee for preparation of your tax return. If your return is audited and we represent you, you will have additional fees for the time and expenses incurred.

The engagement does not include any services not expressly stated in this letter. Specifically, even if, as a result of this engagement, we provide you with adjusting journal entries to be recorded in your general ledger, this engagement will not result in the compilation, review, or audit of your financial statements. Accordingly, you agree not to make any representations to third parties that we have prepared your financial statements.

Client #: \_\_\_\_\_

Client Name: \_\_\_\_\_

Engagement Letter

Page 3

If you need financial statements for third-party use, we will be pleased to discuss with you the requested level of services. Our services for preparing any financial statements you request will be covered by a separate engagement letter. They are not part of the services described in this engagement letter.

We also would be pleased to consult with you regarding income tax matters such as proposed or completed transactions, income tax projections, and for research in connection with such matters. We will render additional invoices for such services at our standard hourly billing rates.

We recognize that, in the course of performing services for you, we may have access to confidential and proprietary information concerning your business. We recognize that disclosure of such confidential information to outside parties would be detrimental to your company. Accordingly, Cooper Graci & Company hereby agrees that we will not disclose any confidential information to anyone outside our firm without proper authorization by the owners of your company.

Similarly, you acknowledge that Cooper Graci & Company is involved in a highly strategic and competitive business. Your Company would gain substantial benefits and Cooper Graci & Company would be deprived of substantial benefits, if you were to directly hire any personnel employed by our firm.

Except as otherwise provided by law, you agree that Your Company will not, without our prior written consent, solicit the employment of Cooper Graci & Company personnel during the term of this engagement and for a period of one (1) year following the completion of our relationship. Your Company agrees that measuring the damages to our firm resulting from your breach of this provision would be impracticable and that it would be extremely difficult to ascertain the actual amount of damages. Therefore, in the event Your Company violates this provision, Your Company shall immediately pay Cooper Graci & Company an amount equal to \$25,000 for non-exempt employees and \$75,000 for exempt employees, as liquidated damages. Further, in the event of such violation, Cooper Graci & Company shall have the option to terminate this agreement without further notice or liability to Your Company. The amount of the liquidated damages reflected herein is not intended as a penalty and is reasonably calculated based upon the projected cost we would incur to identify, recruit, hire and train suitable replacements.

You agree not to subpoena or otherwise call upon Cooper Graci & Company or its employees, or cause or assist in causing us to be subpoenaed or otherwise called upon to testify in any such action to which we are not a party, with respect to any of the work performed, reports made, tax returns prepared, or information acquired or developed in connection with services we provide to you. In any event, if any Cooper Graci & Company employee is required for any reason to give

Client #: \_\_\_\_\_

Client Name: \_\_\_\_\_

Engagement Letter

Page 4

testimony relating to services we provide to you, you agree to pay for the time involved at our standard hourly billing rates, plus all out-of-pocket expenses incurred in connection therewith.

If the foregoing fairly sets forth your understanding, please sign this letter in the space indicated and return it to our office. However, if there are other tax returns you expect us to prepare, such as payroll or property tax reports, please inform us by noting so at the end of this letter.

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

Very truly yours,

COOPER GRACI & COMPANY, P. C.

Accepted By: \_\_\_\_\_ Date: \_\_\_\_\_

Tax Matters Person: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_

Other Returns I Want You to Prepare:

\_\_\_\_\_

\_\_\_\_\_

Client #: \_\_\_\_\_