

SOBELMAN, COHEN, MOSS & ASSOCIATES LLP
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Dear Client:

Now that 2010 has drawn to a close, it is again time to start gathering your tax information. We are enclosing a Tax Organizer which we urge you to complete in its entirety to ensure that your returns are prepared in a timely and efficient fashion. A carefully completed organizer should substantially reduce the amount of time required by us to prepare your returns, thereby reducing your costs.

In addition to completing the Tax Organizer, please include your W-2(s), 1099s, 1098s, and any other information you believe we will need such as escrow statements, partnership K-1s and year end brokerage statements. We also request that you sign and return this letter with your tax information, as our professional liability carrier requires us to notify you of the limitations inherent in the preparation of your tax returns.

We will prepare your federal and state income tax returns from information you provide to us. The information provided to us will not be audited or verified, although we may ask for clarification if needed. If the basis for a tax position meets the "realistic possibility" standard, we will resolve the application of tax rules in your favor.

All information you provide to us in connection with this engagement will be maintained, by us on a strictly confidential basis.

Your returns are, of course, subject to review by taxing agencies. You have responsibility for the income tax returns and, therefore, you should review them carefully before you sign and file them. In the event of an examination of your returns, we will be available to represent you at our standard billing rates.

Fees for our services will be at our customary hourly rates for tax work and will include any out-of-pocket expenses. We will bill you as the work progresses. Payment is due upon the receipt of our statement. We reserve the right to suspend or terminate our work in the event we do not receive timely payment of our billing statements.

Should an extension of time to file your returns be necessary, we will bill you an additional amount to cover our time and costs for the preparation of the application for the extension of time to file your returns. Please note that we cannot guarantee the processing of returns by April 15, 2011 if we do not receive all required information by March 31, 2011. Applying for an extension will extend the time available for a taxing authority to undertake an audit of your return and extend the statute of limitations. It may also affect your liability for penalties and interest.

In the event of a dispute over fees for our engagement, we mutually agree to try in good faith to resolve the dispute through mediation by selecting a third party to help us reach an agreement. If we are unable

to resolve the fee dispute through mediation, client and accountant agree to submit to resolution by arbitration in accordance with the rules of the American Arbitration Association. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees, 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 are accepting the use of arbitration for resolution.

All California taxpayers are required to electronically file their tax returns. Once your return is prepared, we will send you Form 8879 for your signature and we will electronically file your return for you.

Business travel and entertainment expenses are subject to a specific type of substantiation, not normally required of other types of business expenses. The Internal Revenue Code and Regulations prescribe that the substantiation include: (1) amount, (2) time and place, (3) business purpose, and (4) business relationship to persons involved. The amounts claimed on your tax return for such items as business promotion, business gifts, business travel, conventions and business meetings, must meet the substantiation requirements enumerated above. The deduction for business meals and entertainment is limited to 50% of the amount paid. It is necessary for you to provide us with a breakdown of these expenses separate from your other business expenses. In addition, stringent rules surrounding business use of a personal automobile are in effect. You are required to maintain adequate written records to support your deduction and to answer specific questions to this effect on your returns. We have attached a form for you to complete if you wish to deduct automobile expenses on your tax returns.

No charitable contributions can be claimed unless the gift is substantiated by a cancelled check or a written acknowledgement from the charity. The written document must include: (1) the amount of cash given, (2) the type of property contributed (but not its value), and (3) whether the charity supplied the donor with goods and services in return for the donation, and if so, a description and good faith estimate of what the donor received. If the donor received intangible religious benefits in return for the donation, the charity must so state, but it need not value or describe these benefits. No deduction is allowed for clothing or household items unless they are in good used condition or better.

If you purchase merchandise from a vendor located outside the state or the country, you may owe use tax. This includes purchases you make over the Internet. Please provide us with a list of taxable purchases so you can pay the use tax with your income tax return. You owe use tax if what you bought would have been subject to sales tax if you purchased it at a local store and you did not pay sales tax. If you do not report and pay your use tax in a timely manner, the state will assess penalties and interest.

Note that there is a requirement to report social security numbers of all dependents regardless of age. If you are claiming a dependent on your return that does not have a social security number, you should apply for a social security number for that dependent as soon as possible. A social security number can be obtained by filing Form SS-5 with your local Social Security office.

FICA, FUTA and voluntary withholding for domestic workers is paid annually on the employers own Form 1040. If you employ a nanny, maid or other household help, and pay over \$1,000 of wages, please notify us so we can assist you in filing the appropriate forms.

You are required to disclose tax-exempt interest and dividend income on your return. Please provide this information in the tax organizer where indicated.

There is a box to check on your tax return which allows the person who signs your return to discuss basic questions regarding your tax return with the IRS without a power of attorney. Please note below whether you want us to have this option.

New for 2011: If you individually or through your business own rental property, you are required to report all payments to non-employees, outside service providers & other vendors over \$600 on form 1099 at the end of the year. Consequently, you need to keep records of all payments by vendor for 2011. All vendors should be required to complete a W-9 so that you will have all the information required to prepare accurate 1099's. Opponents of this requirement are hoping that congress will repeal or lessen this legislation.

If you have any questions concerning this letter, please discuss them with us before signing and returning it to this office.

Very truly yours,

SOBELMAN, COHEN & MOSS ASSOCIATES LLP

Signature: _____

Printed Name: _____

Date: _____

Telephone: Business _____ **Home** _____

E-mail Address: _____

Authorized to contact IRS **yes** _____ **no** _____

Taxpayer's Date of Birth _____

Spouse's Date of Birth _____

**The questions below must be answered by you to substantiate an automobile expense deduction.
If you are not claiming automobile expenses, do not complete these questions.**

	<u>YES</u>	<u>NO</u>
Do you (or your spouse) have another vehicle for personal use?	_____	_____
If your employer provided you with a vehicle, is personal use during off duty hours permitted?	_____	_____
If yes, is the evidence written?	_____	_____
Do you have evidence to support your deduction?	_____	_____
Total miles driven during the year:	_____	
Total business miles driven during the year:	_____	
Total commuting miles driven during the year:	_____	
Total other personal miles driven:	_____	