



Youngsville ABC Board
P. O. Box 387
101 N College Street
Youngsville, NC 27596
(919) 556-3590
ABCStore@townofyoungsville.org

**AGENDA
REGULAR MEETING
JUNE 30, 2020
9:00AM**

**YOUNGSVILLE TOWN HALL – TOWN ADMINISTRATOR’S OFFICE
(TELECONFERENCE AND WEB CONFERENCE WILL BE AVAILABLE)
134 US 1A SOUTH**

MEETING INFORMATION

STEP 1 – Dial the following number to join via audio: 623-600-3767

STEP 2 – Enter the following conference code: 203137

STEP 3 – Press * to join to the conference

STEP 4 – Visit the website below to join the Microsoft Teams web conference (for screen sharing only)

<https://tinyurl.com/abc-2020-06-30>

STEP 5 – Once joined via Microsoft Teams, please ensure your computer microphone is muted (audio will be via phone only)

1. CALL TO ORDER
2. APPROVAL OF AGENDA
3. ETHICS STATEMENT

A. In accordance with G.S. 18B-201, it is the duty of every Board Member to avoid both conflicts of interest and appearances of conflicts. Does any member have any known conflict of interest or appearance of conflict with respect to any matters coming before the Board today? If so, please identify the conflict or appearance of conflict and refrain from any undue participation in the particular matter involved.

4. BUDGET AMENDMENT - ABC BA 2020 - #3

ACTION REQUESTED: APPROVE BUDGET AMENDMENT

5. FINANCE OFFICER CONTRACT – ADDENDUM A

ACTION REQUESTED: APPROVE ADDENDUM A



Youngsville ABC Board
P. O. Box 387
101 N College Street
Youngsville, NC 27596
(919) 556-3590
ABCStore@townofyoungsville.org

6. REVISED FYE 2021 PROPOSED BUDGET AND BUDGET MESSAGE

ACTION REQUESTED: APPROVE PROPOSED FYE 2021 BUDGET

7. ADJOURN

This is a public meeting and is subject to North Carolina open meetings and public records law. To preserve the public record and increase transparency, video and audio recordings are performed at all public meetings. Please note these recordings, the clerk's detailed minutes of all meetings, and any documents reviewed during meetings are public domain and may be disclosed to third parties.

Budget Ordinance for the ABC Board of Youngsville

Page 1 of 1 Pages

ABC BA 2020-3

Amendment to the Budget Ordinance

Under Authority granted in the Youngsville ABC Budget Budget Ordinance for the year ending June 30, 2020, now comes the Finance Officer to report line item transfers recorded on June 30, 2020.

Section 1:

To amend the budget ordinance to reflect updated estimates of income and expenses, the revenues and appropriations are to be changed as follows:

Account	Increase (Decrease)
Revenues	
Liquor Sales	213,000.00
Mixed Beverage Sales	2,000.00
	<u>215,000.00</u>
Appropriations	
510 Mixed Beverage Tax (Dept. of Revenue)	47,428.50
520 Mixed Beverage Tax (Dept of Human Resources)	64.50
540 County Rehabilitation Tax – Franklin	688.00
610 CGS Liquor & Wine/Mixer Sales	115,985.00
630 Bank Credit Card Fees	1,500.00
705 Salaries and Wages	(600.00)
715 Payroll Tax Expense	600.00
785 Repairs and Maintenance – Buildings	(500.00)
790 Repairs and Maintenance – Equipment	500.00
815 Dues and Subscriptions	(105.00)
830 Miscellaneous	6,000.00
840 Postage & PO Box	105.00
860 Utilities	1,000.00
870 Uniforms	1,500.00
951 Profits Paid to the Town	40,834.00
	<u>215,000.00</u>

Section 2:

A copy of this budget amendment shall be furnished to the General Manager .

Respectfully submitted this the 30th June, 2020

Jaclyn Patterson
Finance Officer

Youngsville ABC Board

P.O. Box 387
Youngsville, N.C. 27596

To: Youngsville ABC Board

Budget Message FY 2020-2021

The Budget for Fiscal Year ending June 30, 2021 is attached. Revenues and expenditures have been estimated on the basis of actual experience through May, 31 2020 with the expectation of continued steady growth for the upcoming fiscal year. Below are a few highlights:

- 5% increase in Liquor Sales from the 2019-2020 Fiscal Year projections
- Employee Salaries & Benefits (2 Full Time & 6 Part Time Employees)
 - 5% pay rate increase for the Manager & Assistant Store Manager
 - 205 Total Bi-Weekly Hours for Part Time Staff
- Loan Payments of \$32,312 (Principal & Interest)
- Working Capital Increase of \$14,363.74.

Presented this the 30th day of June, 2020.

Laurie H. Pritchett
Manager

Jackie Patterson
Finance Officer

**BUDGET WORKSHEET
YOUNGSHVILLE ABC BOARD
ANNUAL BUDGET ESTIMATE - REVENUES**

Fiscal Year: 2020-2021

Account	18-19		Current Year 19-20				Next Year - 20-21	
	Actual	Budget Includes BA #2	Actual to March 31st	April - June	Totals for Year	Budget Officer's Estimate	Approved By Board	
Income								
400 Liquor Sales	1,375,789.34	1,523,265.56	1,213,014.39	360,000.00	1,573,014.39	1,651,665.11		
410 Mixed Beverage Sales	34,651.07	33,000.00	32,986.18	-	32,986.18	33,000.00		
Sales of Product Income	(0.54)		-	-	-			
Total Income	1,410,439.87	1,556,265.56	1,246,000.57	360,000.00	1,606,000.57	1,684,665.11	0	
Cost of Goods Sold								
500 Taxes Based on Revenue								
510 Mixed Beverage Tax (Dept. of Revenue)	314,828.00	343,311.43	285,166.00	80,280.00	365,446.00	371,637.12		
520 Mixed Beverage Tax (Dept of Human Resources)	411.26	466.88	352.29	108.00	460.29	505.40		
530 Alcohol Education and Rehabilitation		4,980.05	-	-	-	6,226.04		
540 County Rehabilitation Tax - Franklin	4,534.13	4,980.05	3,876.96	1,116.00	4,992.96	5,390.93		
Total 500 Taxes Based on Revenue	319,773.39	353,738.41	289,395.25	81,504.00	370,899.25	383,759.49	0	
600 Cost of Sales								
610 Liquor & Wine/Mixer Sales	746,615.04	840,383.40	635,003.95	232,236.00	867,239.95	909,719.16		
620 Store Supplies	2,572.06	5,000.00	2,773.06	2,226.94	5,000.00	5,000.00	0	
630 Bank Credit Card Fees	21,003.79	23,692.75	16,801.15	7,200.00	24,001.15	26,350.89		
Total 600 Cost of Sales	770,190.89	869,076.15	654,578.16	241,662.94	896,241.10	941,070.05	0	
Total Cost of Goods Sold	1,089,964.28	1,222,814.56	943,973.41	323,166.94	1,267,140.35	1,324,829.54	0	
Gross Profit	320,475.59	333,451.00	302,027.16	36,833.06	338,860.22	359,835.57	0	
Expenses								
700 Personal Services & Employee Benefits								
705 Salaries and Wages	132,569.22	166,101.24	113,139.65	52,961.59	166,101.24	158,376.20		
710 Board Member Compensation	1,249.00	2,995.00	2,246.40	748.60	2,995.00	2,995.00		
715 Payroll Tax Expense	10,461.62	12,767.24	9,551.72	3,215.52	12,767.24	12,115.78		
720 Health Insurance	15,560.80	13,616.00	9,859.78	3,756.22	13,616.00	16,339.20		
725 Employee Retirement		4,272.12	-	-	-	8,539.69		

BUDGET WORKSHEET
YOUNGSVILLE ABC BOARD
ANNUAL BUDGET ESTIMATE - REVENUES

Fiscal Year: 2020-2021

Account	18-19		Current Year 19-20				Next Year - 20-21	
	Actual	Budget Includes BA #2	Actual to March 31st	April - June	Totals for Year	Budget Officer's Estimate	Approved By Board	
730 WC Insurance & Employee Bonds	2,443.00	2,500.00	2,150.00	-	2,150.00	3,500.00		
Total 700 Personal Services & Employee Benefits	162,283.64	202,251.60	136,947.55	60,681.93	197,629.48	201,865.87	0	
750 Contracted Services								
765 Professional Services (Auditor & Attorney)	3,900.00	4,120.00	1,950.00	-	1,950.00	4,120.00		
766 Finance Officer		8,400.00	6,300.00	2,100.00	8,400.00	8,400.00		
770 Temporary Labor	1,954.30	3,600.00	1,080.00	2,520.00	3,600.00	3,600.00		
Total 750 Contracted Services	5,854.30	16,120.00	9,330.00	4,620.00	13,950.00	16,120.00	0	
780 Repairs & Maintenance		-	-	-	-	-		
785 Repairs and Maintenance – Buildings	3,527.22	4,550.00	1,662.13	2,887.87	4,550.00	8,000.00		
790 Repairs and Maintenance – Equipment		-	338.76	-	338.76	3,000.00		
Total 780 Repairs & Maintenance	3,527.22	4,550.00	2,000.89	2,887.87	4,550.00	11,000.00	0	
800 General & Administrative Expenses								
805 Bank Services Charges	1,168.75	-	-	-	-	-		
810 Depreciation	3,656.16	-	-	-	-	-		
815 Dues and Subscriptions	2,057.74	5,000.00	3,834.28	1,165.72	5,000.00	8,000.00		
820 General Liability Insurance	3,012.00	3,100.00	3,033.00	67.00	3,100.00	3,500.00		
825 Licenses and Other Taxes	-	-	-	-	-	-		
830 Miscellaneous	1,846.73	689.40	-	-	-	5,000.00		
835 Office Supplies	4,870.50	4,700.00	2,281.83	1,800.00	4,081.83	5,500.00		
840 Postage & PO Box	383.00	300.00	220.00	55.00	275.00	300.00		
845 Debt Loan Payments		30,000.00	6,101.92	6,000.00	12,101.92	6,500.00		
850 Small Tools & Equipment	1,166.10	13,500.00	13,147.83	352.17	13,500.00	2,500.00		
855 Telephone	2,555.87	2,800.00	2,030.51	769.49	2,800.00	2,800.00		
860 Utilities	4,523.08	5,000.00	3,955.50	1,044.50	5,000.00	5,500.00		
890 Property Taxes	-	1,560.00	1,262.89	-	1,262.89	-		
Total 800 General & Administrative Expenses	25,239.93	66,649.40	35,867.76	11,253.88	47,121.64	39,600.00	0	

BUDGET WORKSHEET
YOUNGSVILLE ABC BOARD
ANNUAL BUDGET ESTIMATE - REVENUES
 Fiscal Year: 2020-2021

Account	18-19		Current Year 19-20			Next Year - 20-21	
	Actual	Budget Includes BA #2	Actual to March 31st	April - June	Totals for Year	Budget Officer's Estimate	Approved By Board
950 Other Expense							
Capital Outlay:	12,343.68	3,880.00	-	3,880.00	3,880.00	-	
Loan Proceeds							
(Debt Pymts)							
Total Capital Outlay & Debt Proceeds Distributions	12,343.68	3,880.00	-	3,880.00	3,880.00	25,812.00	-
Law Enforcement							
951 Profits Paid to the Town County	100,884.96	40,000.00	29,999.97	19,477.48	49,477.45	4,447.17	
Other Distributions							
Total Distributions	100,884.96	40,000.00	29,999.97	19,477.48	49,477.45	51,073.96	-
Total 950 Other Expense	113,228.64	43,880.00	29,999.97	23,357.48	53,357.45	76,885.96	-
Total Expenses	310,133.73	333,451.00	214,146.17	102,801.16	316,947.33	345,471.83	-
Net Operating Income	10,341.86	-	87,880.99	(65,968.10)	21,912.89	14,363.74	-
Other Income							
900 Other Income							
Total Other Income	-	-	-	-	-	-	-
Other Expenses							
Working Capital Increase							
990 Other Miscellaneous Expense			3,245.00		3,245.00	14,363.74	
Total Other Expenses	-	-	3,245.00	-	3,245.00	14,363.74	-
Net Income	10,341.86	-	84,635.99	(65,968.10)	18,667.89	(0.00)	-



JACLYN H PATTERSON
CPA PLLC

Contract Addenda #1

This addendum will be attached to the original engagement letter from Jaclyn H Patterson CPA PLLC signed on May 2, 2019.

Timing of Engagement

- 1-year extension of initial agreement extending services to June 30, 2021.
- Our services will continue a month by month basis if no extension is agreed upon at the termination of this agreement at a prorated monthly rate (annual rate divided by 12).

Jaclyn Patterson CPA PLLC

Accepted By: _____

Title _____

Date: _____

Youngsville ABC Board

Accepted By: _____

Title _____

Date: _____



JACLYN H PATTERSON
CPA PLLC

Youngsville ABC Board
101 North College Street
Youngsville, NC 27596

May 2, 2019

Dear Youngsville ABC Board Members,

The purpose of this letter is to confirm the engagement of Jaclyn H Patterson, CPA PLLC (JHP CPA PLLC) by the Youngsville ABC Board (ABC, "you" "your") to serve as your Finance Officer. This agreement outlines the terms of our engagement to provide these services to you.

We agree to provide the services describes in Attachment A included with this engagement letter (the "Services"). In the event, we both agree to a change in the scope of the Services, Attachment A will be amended accordingly. You acknowledge that any change in scope or timeline may result in a change in our fees.

Our engagement cannot be relied upon to identify or disclose any errors, fraud, theft, illegal acts, wrongdoing within the entity or noncompliance with laws and regulations. In addition, we have no responsibility to identify and communicate deficiencies or material weaknesses in your internal control system as part of this engagement.

CPA Firm Responsibilities & Engagement Deliverables

We will perform our services in accordance with the Statements on Standards for Tax Services, Code of Professional Conduct and the Statement on Standards for Consulting Services issued by the American Institute of Certified Public Accountants.

We will not perform an audit, review, or compilation of your financial statements, and no accountant's report will be prepared or submitted.

This engagement is limited to the professional services outlined in Attachment A. The service outlined are subject to the following conditions:

- Reports will not be prepared on JHP CPA PLLC letterhead or contain references to JHP CPA PLLC. These reports may be prepared on your letterhead or contain your logo, as instructed by the ABC Board Members.
- Each report will be provided to the members of management, as applicable, for their review. Each report is considered an internal report or deliverable that may be distributed as you determine to be appropriate for your needs.
- JHP CPA PLLC will coordinate with management to determine whether any control matters noted by our staff constitute deficiencies, significant deficiencies, or material weaknesses;



JACLYN H PATTERSON CPA PLLC

- JHP CPA PLLC may periodically provide a summary letter or communication specifying deliverables that have been provided to date. Neither our letter, nor a copy thereof, should accompany any reports or deliverables shared outside your company. If you attach your own letter when reports or deliverables are shared externally, you agree that such letter will exclude all references to JHP CPA PLLC and any persons rendering services on your behalf. Further, our role in supporting your internal function(s) may not be disclosed to third parties without our written consent.

The above professional services will be performed based upon information you provide to us. We will perform our services under the assumption that all information you submit is true, complete and accurate according to documents and other information retained in your files. We will not verify or audit this information.

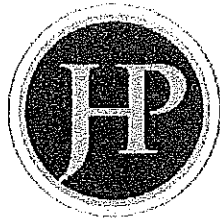
Client Responsibilities

We will require the support of your personnel to achieve timely completion of the project. Support includes, but is not limited to, the collection of all relevant documents (paper or electronic) and the scheduling of interviews and coordination of meetings. Failure to receive such support in a timely manner may negatively affect our ability to fulfill the scope requirements described above within the agreed-upon timeframe.

Your management is responsible for:

- preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud;
- identifying and ensuring that you comply with the laws and regulations applicable to your activities;
- reviewing and approving the deliverables prepared by our firm during the engagement;
- evaluating observations and recommendations that arise from the services.
- evaluate the adequacy and results of the services performed;
- accept responsibility for the results of the services, including decisions regarding the implementation of any recommendations noted; and
- establish and maintain internal controls over as well as monitor ongoing activities.

You agree that your management and employees are ultimately responsible for the proper recording of transactions in the records, the safekeeping of assets, and the accuracy of your trial balance and financial statements. You acknowledge that while our firm will oversee the books and records of the organization utilizing accounting software installed on your server, you have the right to review the data at any time and are encouraged to do so. JHP CPA PLLC and the ABC staff will create a mutually agreed on schedule to regularly review reports, accounting entries and resolve any questions or other issues that may arise.



JACLYN H PATTERSON CPA PLLC

You agree to indemnify, defend, and hold harmless JHP CPA PLLC and any of its partners, principals, shareholders, officers, directors, members, employees, agents or assigns with respect to any and all claims arising from this engagement, regardless of the nature of the claim, and including the negligence of any party, excepting claims arising from the gross negligence, errors, mistakes or intentional acts of JHP CPA PLLC.

Designation of Venue and Jurisdiction

In the event of a dispute, we agree that the courts of the state of North Carolina shall have jurisdiction, and we agree to submit all disputes to the Franklin County, North Carolina Court which is the proper and most convenient venue for resolution. We also agree that the law of the state of North Carolina shall govern all such disputes.

Timing of Engagement

We expect to begin our services, July 1, 2019. Our services will conclude after one of the following events has occurred:

- written 30-day notification by either party that the engagement is terminated, or
- one year from the execution date of this Agreement, except if an extension is mutually agreed to by both parties.

Insurance

JHP CPA PLLC shall, during the term of the engagement and for 3 years after termination of same by either you or us, maintain in full force and effect, accountant's professional liability insurance coverage from an insurance carrier or carriers licensed to conduct business in the state of North Carolina. As of the policy effective date, such insurance carrier(s) shall be rated A-(Excellent), by A.M. Premiums for said insurance policy shall be paid by JHP CPA PLLC.

Upon your written request, JHP CPA PLLC shall furnish certificates of insurance for the required professional liability insurance coverage. Such certificate of insurance shall indicate the minimum limits of liability per claim and in the aggregate as required by you.

Severability

If any portion of this Agreement is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of the terms set forth in this Agreement.

Professional Fees

Our professional fee for the services outlined above and attached will be \$700 per month. This fee is based upon the complexity of the work to be performed, and our professional time, as well as out-of-pocket expenses. In addition, this fee depends upon the timely delivery, availability, quality, and completeness of the information you provide to us. You agree that you will deliver all records requested and respond to all inquiries made by our staff to complete this engagement on a timely basis.



JACLYN H PATTERSON
CPA PLLC

We reserve the right to suspend or terminate our work for non-payment of fees. If our work is suspended or terminated, you agree that we will not be responsible for your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against you resulting from your failure to meet such deadlines, and for any other damages (including but not limited to consequential, indirect, lost profits, or punitive damages) incurred as a result of the suspension or termination of our services.

We appreciate the opportunity to be of service to the Youngsville ABC Board. Please date and execute the enclosed copy of this Agreement and return it to us to acknowledge your acceptance. We will not initiate services until we receive the executed Agreement.

Very truly yours,

Jaclyn Patterson CPA PLLC

Accepted By: Jaclyn Patterson
Title: Finance Officer
Date: 5/3/2019

Youngsville ABC Board

Accepted By: [Signature]
Title: Chairman
Date: 5/3/19



JACLYN H PATTERSON CPA PLLC

Attachment A

Services will be performed on a weekly basis. Weekly timing will be mutually agreed upon by all parties.

Detail of Services to be Performed for the Youngsville ABC Board

Weekly Duties

- Enter cash receipts into accounting software
- A/P Invoice entry
- Write Checks as needed
- Prepare bi-weekly payroll

Monthly Duties

- Payroll Tax Deposits
- Internal Financial Statements for Monthly Meetings
- Attend at least 50% of Monthly Meetings
- Review budget to actual and submit budget amendments as needed
- Complete the Monthly Reconciliation of the Bank Statements Complete

Quarterly Duties

- Payroll Tax Reports

Yearly Duties

- Prepare Year End Internal Financials in Preparation of annual audit
- Once audit is complete enter adjusting journal entries and confirm QB matches audited financial reports.
- Communicate with the auditor as required to complete the annual financial statements
- Assist with the annual budget preparation as need
- Assist with obtaining loans as required
- Prepare 1099's for Subcontractors – must be completed by January 31st
- Complete annual payroll filings.

Special Projects

- Jaclyn H Patterson CPA PLLC will assist or oversee mutually agreed upon one-time projects. Our professional fee for work associated with agreed upon special projects will be billed at our standard hourly rate of \$125/hour.



JACLYN H PATTERSON
CPA PLLC
Terms and Conditions Addendum

Overview

This addendum to the engagement letter describes our standard terms and conditions ("Terms and Conditions") related to our provision of services to you. This addendum and the accompanying engagement letter comprise your agreement with us ("Agreement"). If there is any inconsistency between the engagement letter and this *Terms and Conditions Addendum*, the engagement letter will prevail to the extent of the inconsistency.

For the purposes of this *Terms and Conditions Addendum*, any reference to "firm", "we," "us," or "our" is a reference to Jaclyn H Patterson CPA PLLC, and any reference to "you," or "your" is a reference to the party or parties that have engaged us to provide services. References to "Agreement" mean the engagement letter or other written document describing the scope of services, any other attachments incorporated therein, and this *Terms and Conditions Addendum*.

Billing and Payment Terms

We will bill you for our professional fees and out-of-pocket costs monthly. Payment is due within 10 days of the date on the billing statement. If payment is not received by the due date, you will be assessed interest charges of 1% per month on the unpaid balance.

We reserve the right to suspend or terminate our work for non-payment of fees. If our work is suspended or terminated, you agree that we will not be responsible for your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against you resulting from your failure to meet such deadlines, and for any other damages (including but not limited to consequential, indirect, lost profits, or punitive damages) incurred as a result of the suspension or termination of our services.

Electronic Data Communication and Storage

In the interest of facilitating our services to you, we may send data over the Internet, or store electronic data via computer software applications hosted remotely on the Internet or utilize cloud-based storage. Your confidential electronic data may be transmitted or stored using these methods. We may use third party service providers to store or transmit this data, such as providers of tax return preparation software. In using these data communication and storage methods, our firm employs measures designed to maintain data security. We use reasonable efforts to keep such communications and electronic data secure in accordance with our obligations under applicable laws, regulations, and professional standards. We require our third-party vendors to do the same.

You recognize and accept that we have no control over the unauthorized interception or breach of any communications or electronic data once it has been transmitted or if it has been subject to unauthorized access while stored, notwithstanding all reasonable security measures employed by us or our third-party vendors. You consent to our use of these electronic devices and applications and submission of confidential client information to third party service providers during this engagement.



JACLYN H PATTERSON CPA PLLC

If you decide to transmit your confidential information to us in a manner other than a secure portal, you accept responsibility for any and all unauthorized access to your confidential information. If you request that we transmit confidential information to you in a manner other than a secure portal, you agree that we are not responsible for (a) any loss or damage of any nature, whether direct or indirect, that may arise as a result of our sending confidential information in a manner other than a secure portal, and (b) any damages arising as a result of any virus being passed on or with, or arising from any alteration of, any email message

Independent Contractor

When providing services to your company, we will be functioning as an independent contractor and in no event will we or any of our employees be an officer of you, nor will our relationship be that of joint ventures, partners, employer and employee, principal and agent, or any similar relationship giving rise to a fiduciary duty to you.

Records Management

Record Retention and Ownership

We will return all of your original records and documents provided to us at the conclusion of the engagement. Your records are the primary records for your operations and comprise the backup and support for your work product. Our copies of your records and documents are not a substitute for your own records and do not mitigate your record retention obligations under any applicable laws or regulations.

Workpapers and other documents created by us are our property and will remain in our control. Copies are not to be distributed without your written request and our prior written consent. Our workpapers will be maintained by us in accordance with our firm's record retention policy and any applicable legal and regulatory requirements. Our firm destroys workpaper files after a period of 7 years. Catastrophic events or physical deterioration may result in damage to or destruction of our firm's records, causing the records to be unavailable before the expiration of the retention period as stated in our record retention policy.

Working Paper Access Requests by Regulators and Others

State, federal and foreign regulators may request access to or copies of certain workpapers pursuant to applicable legal or regulatory requirements. Requests also may arise with respect to peer review, an ethics investigation, or the sale of our accounting practice. If requested, access to such workpapers will be provided under the supervision of firm personnel. Regulators may request copies of selected workpapers to distribute the copies or information contained therein to others, including other governmental agencies.

If we receive a request for copies of selected workpapers, provided that we are not prohibited from doing so by applicable laws or regulations, we agree to inform you of such request as soon as practicable. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate, at your sole expense, to attempt to limit the disclosure of information. If you take no action within the time permitted for us to respond, or if your action does not result in a judicial order protecting us from supplying requested information, we may construe your inaction or failure as consent to comply with the request.

If we are not a party to the proceeding in which the information is sought, you agree to reimburse us for our professional time and expenses, as well as the fees and expenses of our legal counsel, incurred in responding to such requests. This paragraph will survive termination of this Agreement.



JACLYN H PATTERSON CPA PLLC

Summons or Subpoenas

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

If we receive a summons or subpoena which our legal counsel determines requires us to produce documents from this engagement or testify about this engagement, provided that we are not prohibited from doing so by applicable laws or regulations, we agree to inform you of such summons or subpoena as soon as practicable. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate, at your sole expense, to attempt to limit discovery. If you take no action within the time permitted for us to respond, or if your action does not result in a judicial order protecting us from supplying requested information, we may construe your inaction or failure as consent to comply with the request.

If we are not a party to the proceeding in which the information is sought, you agree to reimburse us for our professional time and expenses, as well as the fees and expenses of our legal counsel, incurred in responding to such requests. This paragraph will survive termination of this Agreement.

Newsletters and Similar Communications

We may send newsletters, emails, explanations of technical developments or similar communications to you. These communications are of a general nature and should not be construed as professional advice. We may not send all such communications to you. These communications do not continue a client relationship with you, nor do they constitute advice or an undertaking on our part to monitor issues for you.

Disclaimer of Legal and Investment Advice

Our services under this Agreement do not constitute legal or investment advice unless specifically agreed to in the *Engagement Objective and Scope* section of this Agreement. We recommend that you retain legal counsel and investment advisors to provide such advice.

Referrals

In the course of providing services to you, you may request referrals to attorneys, brokers, investment advisors or other professionals. We may identify a professional or professionals for your consideration. However, you are responsible for evaluating, selecting, and retaining any professional and determining if the professional can meet your needs. You agree that we have no responsibility for and will not oversee the activities of any professional to whom we refer you, or that you separately retain. Further, we are not responsible for any services we perform that fail to meet the intended outcomes as a result of relying on work completed by other professionals you may retain.

Other Income, Losses and Expenses

If you realized income, loss or expense from a business or supplemental income or loss, the reporting requirements of federal and state income tax authorities apply to such income, loss or expense. You are responsible for complying with all applicable laws and regulations pertaining to such operations, including the classification of workers as employees or independent contractors and related payroll tax and withholding requirements.



JACLYN H PATTERSON CPA PLLC

Accountant – Client Privilege

Internal Revenue Code §7525, *Confidentiality Privileges Related to Taxpayer Communication*, provides a limited confidentiality privilege applying to tax advice embodied in taxpayer communications with federally authorized tax practitioners in certain limited situations.

This privilege is limited in several important respects. For example, this privilege does not apply to your records, which you are required to retain in support of your tax return. In addition, the privilege does not apply to state tax issues, state tax proceedings, private civil litigation proceedings, or criminal proceedings.

While we will cooperate with you with respect to the privilege, asserting the privilege is your responsibility. Inadvertent disclosure of otherwise privileged information may result in a waiver of the privilege. Please contact us immediately if you have any questions or need further information about this CPA-client privilege.

Limitations on Oral and Email Communications

We may discuss with you our views regarding the treatment of certain items or decisions you may encounter. We may also provide you with information in an email. Any advice or information delivered orally or in an email (rather than through a memorandum delivered as an email attachment) will be based upon limited research and a limited discussion and analysis of the underlying facts. Additional research or a more complete review of the facts may affect our analysis and conclusions.

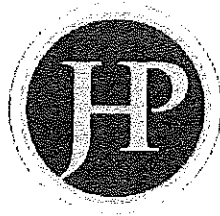
Due to these limitations and the related risks, it may or may not be appropriate to proceed with any decision solely on the basis of any oral or email communication. You accept all responsibility, except to the extent caused by our gross negligence or willful misconduct, for any loss, cost or expense resulting from your decision (i) not to have us perform the research and analysis necessary to reach a more definitive conclusion and (ii) to instead rely on an oral or email communication. The limitation in this paragraph will not apply to an item of written advice that is a deliverable of a separate engagement. If you wish to engage us to provide formal advice on a matter on which we have communicated orally or by email, we will confirm this in a separate engagement letter.

Management Responsibilities

While Jaclyn H Patterson CPA PLLC, can provide assistance and recommendations, you are responsible for management decisions and functions, and for designating an individual with suitable skill, knowledge or experience to oversee any services that Jaclyn H Patterson CPA PLLC, provides. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services. You are ultimately responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

Conflicts of Interest

If we, in our sole discretion, believe a conflict has arisen affecting our ability to deliver services to you in accordance with either the ethical standards of our firm or the ethical standards of our profession, we may be required to suspend or terminate our services without issuing our work product. You agree that we will not be responsible for your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against you resulting from your failure to meet such deadlines, and for any other damages (including but not limited to consequential, indirect, lost profits, or punitive damages) incurred as a result of the suspension or termination of our services.



JACLYN H PATTERSON CPA PLLC

Alternative Dispute Resolution

If a dispute arises out of or relates to the Agreement including the scope of services contained herein, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try to settle the dispute by mediation administered by the American Arbitration Association ("AAA") under the *AAA Professional Accounting and Related Services Dispute Resolution Rules* before resorting to arbitration, litigation, or some other dispute resolution procedure. The mediator will be selected by the mutual agreement of the parties. If the parties cannot agree on a mediator, a mediator shall be designated by the AAA. The mediation will be conducted in North Carolina.

The mediation will be treated as a settlement discussion and, therefore, all conversations during the mediation will be confidential. The mediator may not testify for either party in any later proceeding related to the dispute. No recording or transcript shall be made of the mediation proceedings. The costs of any mediation proceedings shall be shared equally by all parties. Any costs for legal representation shall be borne by the hiring party.

Designation of Venue and Jurisdiction

In the event of a dispute, you and we agree that the courts of the state of North Carolina shall have jurisdiction, and we agree to submit all disputes to the Wake County, North Carolina Court which is the proper and most convenient venue for resolution. We also agree that the law of the state of North Carolina shall govern all such disputes.

Insurance

Jaclyn H Patterson CPA PLLC shall, during the term of the engagement and for 3 years after termination of same by either you or us, maintain in full force and effect, accountant's professional liability insurance coverage from an insurance carrier or carriers licensed to conduct business in the state of North Carolina. As of the policy effective date, such insurance carrier(s) shall be rated A- (Excellent), by A.M Best with a Financial Size Category of Class VII or greater. Premiums for said insurance policy shall be paid by Jaclyn H Patterson CPA PLLC.

Upon your written request, Jaclyn H Patterson CPA PLLC shall furnish certificates of insurance for the required professional liability insurance coverage. Such certificate of insurance shall indicate the minimum limits of liability per claim and in the aggregate as required by you.

Proprietary Information

You acknowledge that proprietary information, documents, materials, management techniques and other intellectual property are a material source of the services we perform and were developed prior to our association with you. Any new forms, software, documents or intellectual property we develop during this engagement for your use shall belong to us, and you shall have the limited right to use them solely within your business. All reports, templates, manuals, forms, checklists, questionnaires, letters, agreements and other documents which we make available to you are confidential and proprietary to us. Neither you, nor any of your agents, will copy, electronically store, reproduce or make available to anyone other than your personnel, any such documents. This provision will apply to all materials whether in digital, "hard copy" format or other medium.



JACLYN H PATTERSON CPA PLLC

Statute of Limitations

You agree that any claim arising out of this Agreement shall be commenced within one (1) year of the delivery of the work product to you, regardless of any longer period of time for commencing such claim as may be set by law. A claim is understood to be a demand for money or services, the service of a suit, or the institution of arbitration proceedings against Jaclyn H Patterson CPA PLLC.

Termination and Withdrawal

We reserve the right to withdraw from the engagement without completing services for any reason, including, but not limited to, your failure to comply with the terms of this Agreement or as we determine professional standards require.

If this Agreement is terminated before services are completed, you agree to compensate us for the services performed and expenses incurred through the effective date of termination.

Assignment

All parties acknowledge and agree that the terms and conditions of this Agreement shall be binding upon and inure to the parties' successors and assigns, subject to applicable laws and regulations.

Severability

If any portion of this Agreement is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of the terms set forth in this Agreement.

Entire Agreement

The engagement letter, including this *Terms and Conditions Addendum* and any other attachments, encompasses the entire agreement of the parties and supersedes all previous understandings and agreements between the parties, whether oral or written. Any modification to the terms of this Agreement must be made in writing and signed by both parties.

