

AUDIT DEFENSE MEMBERSHIP AGREEMENT

TaxResources, Inc., dba TaxAudit, will provide the audit defense services for the tax return described on the membership certificate in return for the applicable membership fee and compliance with all applicable terms of this agreement (the “Audit Defense Plan”).

CLARIFICATION OF TERMS

In this agreement, “you” and “your” refer to the member(s) shown on the membership certificate. “We,” “us” and “TaxAudit” refer to TaxResources, Inc., the company providing audit defense services. “IRS” refers to the Internal Revenue Service and “State” refers to your state income tax authority.

Audit: Audit means any communication, including telephone calls, initiated by the IRS or State income tax agency that wishes to audit, examine, review, investigate or verify any item or items on the IRS income tax forms and State equivalent listed on the membership certificate.

Audit Defense: Audit Defense means that TaxAudit will represent you through the completion of any income tax audit for the tax return year identified on the membership certificate during the Period of Membership. Audit notification must be received during the Period of Membership. The Audit Defense Plan is also subject to the limitations and exclusions listed in the membership certificate and this agreement.

Audit Defense also includes:

- a. Handling all communications, including letters and/or telephone calls with the IRS or State regarding the audit.
- b. Assigning the Audit Representative(s) to manage your case.
- c. Developing a strategy with you and then meeting or corresponding with the IRS or State on your behalf.
- d. Negotiating with the IRS or State through Appeals and pre-litigation Appeals review prior to trial in Tax Court.
- e. No settlement will be reached with the IRS or State without your final approval and consent.

f. Two hours of collection assistance is available on request if your covered audit results in additional tax due.

Acceptance Date: Acceptance Date is the date TaxAudit receives payment in full for the membership being purchased. Your Acceptance Date appears on the membership certificate.

Statute of Limitations: Statute of Limitations is the time the IRS or State has to audit your tax return. The Statute of Limitations for the IRS is typically three years from the date of filing or the due date, whichever is later, and is typically four years for States.

Period of Membership: Period of Membership is the period commencing with the Acceptance Date and ending with the expiration of the typical Statute of Limitations period for the applicable tax return.

Audit Representative(s): Audit Representative(s) means your TaxAudit audit representative(s) who will be assigned to your audit case. These individuals will ordinarily be assigned to you according to their area of expertise.

CONFIDENTIALITY

Your name, address, and any other personal information will not be disclosed or sold to any persons or firms. Only TaxAudit's staff will have access to your tax information.

MEMBER BENEFITS

Audit Defense – TaxAudit will professionally defend a covered federal or state income tax audit or notice from the time of the first notice to its completion, subject to the Audit Defense Plan Limitations and Exclusions described below. This includes any Audit that arises during the Period of Membership. All scheduling of appointments, telephone calls and correspondence will be handled by the assigned Audit Representative(s). We will meet or correspond with the auditor on your behalf and will defend you through the highest level of appeals, subject to the terms herein.

RESPONSIBILITIES

Our Responsibility: We are responsible to provide you with professional Audit Defense service.

Your Responsibility: Upon receipt of any communication from the IRS or State, you are responsible to perform or provide the following:

1. **Promptly** report your notice at www.taxaudit.com. **Do not contact the IRS or State.** To ensure effective service regarding your Audit, **you must** use your assigned TaxAudit Audit Representative(s) as your **only** contact with the IRS or State. **If you do not contact TaxAudit within 15 days of the date of the first notice, additional charges may apply. If you wait too long, you will eliminate our ability to defend your case.**
2. Provide your signature(s) on the required IRS or State Power of Attorney and return to the Audit Representative(s) in a timely manner. This will enable your Audit Representative(s) to communicate with the IRS or State on your behalf. This document may not be altered in any way.
3. Provide in a timely manner the information and documentation necessary to substantiate the various items of income and expense in question so that your Audit Representative(s) can prepare your defense.
4. We ask that you comply with the Audit procedure and strategy actions recommended by TaxAudit and any of the Audit Representative(s) working on your behalf. If you are unable to maintain this commitment, TaxAudit cannot be responsible for the outcome of your Audit and reserves the right to cease providing service where reasonably warranted.

AUDIT DEFENSE PLAN LIMITATIONS

TaxAudit is dedicated solely to legitimately protecting the rights and assets of our members in the event of an Audit. The following defines our service limitations:

- TaxAudit does not provide legal assistance, nor represent our members in Federal or State Court, including Tax Court.
- TaxAudit does not provide legal assistance in defending issues of civil or criminal fraud, whether actual or alleged.
- TaxAudit does not prepare or amend our members' Federal, State or Local

income tax returns.

- TaxAudit will not reconcile checkbooks, organize records or do record keeping or bookkeeping for our members.
- TaxAudit does not provide assistance for collection notices when we did not defend the Audit. If you have a collection notice from the IRS or State it is not considered an Audit and is not covered by your TaxAudit Audit Defense Membership.
- TaxAudit is not responsible for the extra work and costs involved if you report your Audit late or you do not cooperate by providing the documentation in a timely manner which results in the auditing agency issuing a Notice of Deficiency (NOD) or the state equivalent. If this occurs, TaxAudit will pass these costs onto the member in the form of a late fee.

AUDIT DEFENSE PLAN EXCLUSIONS

Certain Audits, tax returns, and issues of audit may be excluded from the Audit Defense Plan for any of the following reasons:

Pre-existing Conditions – If the date on the notice of audit from the IRS or State is prior to the Acceptance Date of this Agreement, Audit Defense services for that audit are excluded.

Unfiled Tax Returns – Your Audit Defense Plan is limited to providing Audit Defense services for tax returns that have been prepared and filed. If a tax return has not been prepared and filed, TaxAudit will commence services on the Audit after the tax return has been prepared and filed.

Large Businesses – Business entities with gross receipts exceeding \$5 million and/or 10 partners/stockholders/beneficiaries/members are not eligible for membership.

Ownership Interest in Other Tax Entities – If you have an ownership interest in a Corporation, Partnership, LLP, Trust, Estate, or Tax Shelter that has been contacted for an Audit and is not a TaxAudit member, Audit Defense services for that tax entity are excluded.

Tax Protestors – TaxAudit will exclude anyone protesting the taxing of income on economic, religious, legal or constitutional grounds, or other frivolous claims.

Criminal Investigation (CI) – If you are currently under investigation by CI, you are excluded from Audit Defense services. For any Audit that TaxAudit is defending in which CI enters the Audit, TaxAudit will cease working that Audit and will exclude the member from further Audit Defense services until completion of the CI investigation. When the CI investigation is completed, TaxAudit will resume working on the Audit, if possible.

Other Taxes – Your Audit Defense Plan is limited to the type of income tax return listed on the membership certificate. Payroll tax, sales tax, property tax, gross receipts tax, city and local tax, estate and gift tax and compliance audits of pension and profit sharing plans are excluded from the Audit Defense Plan.

TERMINATIONS OF MEMBERSHIP AGREEMENT

TaxAudit reserves the right to terminate this Audit Defense Plan upon the breach of any material provision of this agreement by you, in the event that an Audit meets the criteria of any of the “AUDIT DEFENSE PLAN EXCLUSIONS” listed above, or in the event that a condition renders the completion of TaxAudit’s responsibilities under this agreement unreasonably difficult to fulfill. Conditions that can render completion of TaxAudit’s responsibilities unreasonably difficult include, but are not limited to, failure by you to reasonably fulfill any provision listed as “Your Responsibility” under “RESPONSIBILITIES” above, failure to cooperate during the course of the Audit process, or repeated use of abusive, inappropriate, or unprofessional language when communicating with any staff members or representatives of TaxAudit.

This Audit Defense Plan shall also be deemed to be terminated if the membership fee has not been paid or has been refunded to you.

GOVERNING LAW: Except as otherwise stated herein, this Agreement shall be governed by the laws of the State of California without regard to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the State of California.

DISPUTES: YOU AND TAXAUDIT AGREE TO RESOLVE ALL DISPUTES OR CLAIMS ARISING OUT OF OR RELATING IN ANY WAY TO THIS AGREEMENT AND THE SERVICES PROVIDED PURSUANT TO THIS AGREEMENT ONLY BY BINDING ARBITRATION OR IN SMALL CLAIMS COURT. YOU UNDERSTAND THAT, BY ENTERING INTO THIS AGREEMENT, YOU ARE GIVING UP THE RIGHT TO BRING A CLAIM IN COURT OR IN FRONT OF A JURY.

IN ADDITION, YOU AND TAXAUDIT AGREE THAT ALL CLAIMS AND DISPUTES MUST BE BROUGHT IN AN INDIVIDUAL CAPACITY, AND NOT AS A CLASS, COLLECTIVE, REPRESENTATIVE, OR PRIVATE ATTORNEY GENERAL ACTION. BY ENTERING INTO THIS AGREEMENT, YOU ACKNOWLEDGE THAT YOU HAVE VOLUNTARILY AND KNOWINGLY WAIVED ALL RIGHT TO LITIGATE OR PARTICIPATE IN A CLASS, COLLECTIVE, REPRESENTATIVE, OR PRIVATE ATTORNEY GENERAL ACTION.

It is also agreed that: (1) except for claims which qualify for small claims court, the Federal Arbitration Act governs the interpretation and enforcement of this provision; (2) the arbitrator shall apply California law to all other matters associated with the dispute or claim; (3) the arbitration shall be conducted by the American Arbitration Association (AAA) before a single AAA arbitrator under AAA's Consumer Arbitration Rules (the Rules, fees, and procedures are available at www.adr.org or may be obtained by calling 800-778-7879); (4) you may choose to have the arbitration based only on documents submitted to the arbitrator or by hearing in person or by telephone; (5) in-person arbitration shall take place in (i) Sacramento, California; or, (ii) if the agreement to arbitrate in Sacramento, California would render this provision unenforceable, in-person arbitration shall take place in (a) any other location mutually agreed upon by the parties, including the county in which you live; or (b) if the parties are unable to agree, at a location set by the arbitrator; (6) notwithstanding any other provision of this Agreement, any party may at any time seek injunctions or other forms of equitable relief in arbitration or a court of competent jurisdiction; (7) the enforceability of this provision shall be decided by a court and not the arbitrator; (8) the decision of the arbitrator shall be final and binding

on all parties, and judgment on the arbitration award may be entered in any court of competent jurisdiction; and (9) the arbitrator shall be entitled to award all damages and relief as would be available in court.

If either party intends to initiate arbitration under this Agreement, the party seeking arbitration must first notify the other party of the dispute in writing at least thirty (30) days in advance of initiating arbitration. Notice to TaxAudit must be sent to TaxAudit Dispute Resolution Manager, 600 Coolidge Drive, Suite 300, Folsom, CA 95630. The notice must describe the nature of the claim or dispute and the relief being sought. If we are unable to resolve the dispute within sixty (60) days, either party may then proceed to file a claim for arbitration or a claim in small claims court. If you are unable to afford the arbitration filing fee and provide us with signed written notice of your inability to afford the filing fee, we will pay the fee directly to AAA. If arbitration proceeds, we will pay all other fees as required by the AAA Consumer Arbitration Rules. Each party shall bear his/her/its own attorneys' fees and costs.

If for any reason, the prohibition on class, collective, representative, or private attorney general actions is held to be unenforceable by a court of law, then the agreement to arbitrate will not apply to that dispute. If a claim proceeds through court rather than arbitration, **YOU AND TAXAUDIT AGREE TO WAIVE ANY RIGHT TO TRIAL BY JURY.**

This arbitration provision survives expiration, termination, or rescission of this agreement. Unenforceability or invalidity of one or more clauses in this arbitration provision shall not have an effect on any other clause in this provision. If it is possible, any unenforceable or invalid clause in this provision shall be modified to show the original intention of the parties.

HOW TO CONTACT US

TaxAudit

600 Coolidge Drive, Suite 300

Folsom, CA 95630

Phone number: 800.922.8348

Fax number: 916.904.8472

Website: www.taxaudit.com