



July 15, 2020

Mr. John Smith & ABC Company
123 Street
Victoria, B.C.

Dear John,

The purpose of this letter is to outline the nature of our involvement with the financial statements of ABC Company for the period ending year (the "Engagement"). As agreed, D. Pomponio & Company Ltd. (hereafter "Pomponio & Company") will compile financial statements in accordance with the standards applicable to compilation engagements for the period ended December 31, 2019 from information provided by you. We will not perform an audit or a review engagement on such information.

OUR OBJECTIVES AND RESPONSIBILITIES

Pomponio & Company will compile financial statements as arranged from time to time from information provided by you. We will not audit, review, or otherwise attempt to verify the accuracy or completeness of such information. The communication that we will normally reference, or attach to each page of your statements, will be in substantially the following form:

Notice to Reader

On the basis of information provided by management, Pomponio & Company has compiled the balance sheet of ABC Company as at December 31, 2019, and the statements of income, retained earnings and cash flow for the year then ended. Pomponio & Company has not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these statements may not be appropriate for their purposes.

Since we are accepting this Engagement as accountant, not as auditor, we request that you do not record this as an auditing engagement in the minutes of your shareholders' meetings. Our services will not result in the expression of an audit opinion or any other form of assurance on the financial statements nor the fulfilling of any statutory or other audit requirement. In view of the limited nature of my engagement, you may wish to obtain legal advice concerning statutory or contractual audit requirements. The *Business Corporations Act* of British Columbia requires that the company appoint an auditor unless all shareholders annually agree to waive such appointment. Please ensure that the shareholders' resolution waiving appointment of auditors is approved annually.

I will prepare the company's necessary tax returns with supporting schedules, examine assessment notices respecting them, advise on income tax matters generally, and discuss any matters concerning your taxes with Canada Revenue Agency representatives.

Management's Responsibilities

- a) You will provide us with accurate and complete information necessary to compile such statements;
- b) The responsibility for the accuracy and completeness of the representations in the financial statements remains with you;
- c) Each page of the financial statements will be conspicuously marked as being unaudited;
- d) You will attach our Notice to Reader communication when distributing the financial statements to third parties;
- e) The financial statements may either lack disclosure required by, or otherwise not be in accordance with, an applicable financial reporting framework and may not be appropriate for general purpose use; and
- f) Uninformed readers could be misled unless they are aware of the possible limitations of the statements and our very limited involvement.

Other Services and Advice

Subject to management review and approval, Pomponio & Company will carry out such bookkeeping as we find necessary prior to the preparation of the financial statements; generate the necessary federal and provincial income tax returns; and prepare any special reports as required. Management will provide the information necessary to complete the returns/reports and will file them with the appropriate authorities on a timely basis.

927A Goldstream Avenue, Victoria, BC V9B 2Y2 t:250.478.3230 e: info@pomponio.ca f 250.474.4727 www.pomponio.ca

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Pomponio & Company, the professional corporation Dion Pomponio CGA Ltd.



It should be noted that our accounting work in the area of GST/HST and other commodity taxes is limited to that appropriate to compile the financial statements. Accordingly, we may not detect situations where you are incorrectly collecting GST/HST or incorrectly claiming input tax credits. As you are aware, failure to properly account for the GST/HST could result in you or your company becoming liable for tax, interest or penalties. These situations may also arise for provincial sales tax, custom duties and excise taxes.

We will also be pleased to provide other additional services upon request. Such services include income tax planning, GST/HST and PST advice, business financing, management consulting and valuations.

Except as outlined in this letter, the Engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and to the facts and circumstances of the entity. Such services, if requested, would be provided under a separate engagement letter.

PRIVACY CODE

Confidentiality

One of the underlying principles of the accounting profession is a duty of confidentiality with respect to client affairs. Each professional accountant must preserve the secrecy of all confidential information that becomes known during the practice of the profession. Accordingly, Pomponio & Company will not provide any third party with confidential information concerning ABC Company's affairs unless:

- a) We have been specifically authorized with prior consent;
- b) We have been ordered or expressly authorized by law or by the *Code of Professional Conduct* ("The Code") of the Chartered Professional Accountants of British Columbia; or
- c) Other than in the case of personal information, the information requested is (or enters into) public domain. Personal information remains subject to personal information protection irrespective of whether it is released into the public domain.

Use of Information

It is acknowledged that we will have access to all personal information in your custody that we require to complete our engagement. Our services are provided on the basis that:

- a) You represent to us that management has obtained any required consents for collection, use and disclosure to us of personal information required under applicable privacy legislation; and
- b) We will hold all personal information in compliance with our Privacy Statement.

Communications

In performing our services, we will send messages and documents electronically. As such communications can be intercepted, misdirected, infected by a virus, or otherwise used or communicated by an unintended third party We cannot guarantee or warrant that communications from us will be properly delivered only to the addressee. Therefore, we specifically disclaim, and you release us from, any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by us in connection with the performance of this Engagement.

In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from such communications, including any that are consequential, incidental, direct, indirect, punitive, exemplary or special damages (such as loss of data, revenues or anticipated profits). If you do not consent to our use of electronic communications, please notify us in writing.

Use and Distribution of Our Communication

The compilation of the financial statements and the issuance of our Notice to Reader communication are solely for the use of ABC Company and those to whom our report is specifically addressed by us. We make no representations or warranties of any kind to any third party in respect of these financial statements or our Notice to Reader communication, and we accept no responsibility for their use by any third party or any liability to anyone other than ABC Company.

For greater clarity, our Notice to Reader communication will not be planned or conducted for any third party or for any specific transaction. Accordingly, items of possible interest to a third party may not be addressed and matters may exist that would be assessed differently by a third party, including, without limitation, in connection with a specific transaction. Our communication should not be circulated (beyond ABC Company) or relied upon by any third party for any purpose, without our prior written consent. You agree that our name may be used only with our prior written consent and that any information to which we have attached a communication be issued with that communication, unless otherwise agreed to by us in writing.

Ownership

The working papers, files, other materials, reports and work created, developed or performed by us during the course of the Engagement are the property of our firm, constitute our confidential information and will be retained by us in accordance with our firm's policies and procedures.

During the course of our work, we may provide, for your own use, certain software, spreadsheets and other intellectual property to assist with the provision of our services. Such software, spreadsheets and other intellectual property must not be copied, distributed or used for any other purpose. We also do not provide any warranties in relation to these items and will not be liable for any lost or corrupted data or other damage or loss suffered or incurred by you in connection with your use of them. We retain the copyright and all intellectual property rights in any original materials provided to you.

FILE INSPECTIONS AND DISPUTES

In accordance with professional requirements and Pomponio & Company's policy, our client files must periodically be reviewed by practice inspectors and by other firm personnel to ensure that we are adhering to professional and firm standards. File reviewers are required to maintain confidentiality of client information.

The Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and associated Regulations requires accountants and accounting firm such as Pomponio & Company to fulfill specific obligations. This includes the legal requirement to report transactions that maybe suspicious of being related to a money laundering or a terrorist financing offence. It also requires Pomponio & Company to report (1) large cash transactions that exceed \$10,000, (2) the cross- order of currency or monetary instruments that exceed \$10,000, and (3) whether the firm is in possession or control of property that is considered terrorist property. Finally, the *PCMLTFA* requires Pomponio & Company to ascertain the identity and existence of clients and other entities. To meet these obligations, we may have to report information about ABC Company that might otherwise be confidential.

The reporting of this information may place ABC Company and Pomponio & Company in a conflict of interest. Should such a conflict arise, Pomponio & Company may be required to withdraw from this engagement. Please be advised that (1) we will do everything in my/our power to avoid such conflicts and that (2) only information that is required will be disclosed. You hereby acknowledge this legal requirement placed upon Pomponio & Company and the potential conflict of interest that may arise as a result of it. You also hereby authorize Pomponio & Company to release and disclose information related to ABC Company when required by statute to do so. This engagement will be subject to and governed by the laws of the Province of British Columbia. Any disputes arising from this engagement shall be subject to the exclusive jurisdiction of the courts of British Columbia.

Dispute Resolution

You agree that any dispute that may arise regarding the meaning, performance or enforcement of this Engagement will, prior to resorting to litigation, be submitted to mediation. In the case that the client does not reside in British Columbia (BC), BC provincial mediation laws will apply.

Indemnity

ABC Company hereby agrees to indemnify, defend (by counsel retained and instructed by us) and hold harmless our firm (and its partners, agents and employees) from and against any and all losses, costs (including solicitors' fees), damages, expenses, claims, demands and liabilities arising out of (or in consequence of):

- a) The breach by ABC Company, or its directors, officers, agents, or employees, of any of the covenants or obligations of [entity's name] herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, our engagement report or the financial statements in reference to which the engagement report is issued, or any other work product made available to you by our firm.
- b) A misrepresentation by a member of your management or board of directors.

Limitation of Liability

Our aggregate liability for all claims, losses, liabilities and damages in connection with this Engagement, whether as a result of breach of contract, tort (including negligence), or otherwise, regardless of the theory of liability, is limited to \$2,000,000.00. Our liability shall be several and not joint and several. We shall only be liable for our proportionate share of any loss or damage, based on our contribution relative to the others' contributions and only if your claim is commenced within 24 months or less of the date ABC Company should have been aware of the potential claim. In addition, we will not be liable in any event for consequential, incidental, indirect, punitive, exemplary, aggravated or special damages, including any amount for loss of profit, data or goodwill, whether or not the likelihood of such loss or damage was contemplated.

TIME FRAMES

Pomponio & Company will use all reasonable efforts to complete the Engagement as described in this letter within the agreed upon periods. However, we shall not be liable for failures or delays in performance that arise from causes beyond our reasonable control, including any delays in the performance by ABC Company of its obligations.

FEES

Service Fees

Pomponio & Company's professional fees will be based on our regular billing rates, plus direct out-of-pocket expenses and applicable GST. Accounts will be forwarded to you, and such fees will be due when rendered. Fees for additional services will be established separately. Invoices past-due for more than 30 days will be subject to an interest rate of 2% per month (2% per month compounded is equal to approximately 26.5% per annum).

We reserve the right to suspend our services or to withdraw from this Engagement in the event that any of our invoices are deemed delinquent. Furthermore, you, John Smith, agree to assume any unpaid billing from Pomponio & Company as a personal liability and, therefore, sign this letter as a personal guarantor. In the event that we have issued a billing to you, which 90 days later remains in whole or in part unpaid and undisputed, we shall have the right to charge your visa account with the unpaid balance. Failure to exercise my right immediately shall not preclude me from doing so later. In the event that any collection action is required to collect unpaid balances due to us, you agree to reimburse us for our costs of collection, including lawyers' fees.

Costs of Responding to Government or Legal Processes

In the event Pomponio & Company is required to respond to a subpoena, court order, government agency or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this Engagement, you agree to compensate us, at our normal hourly rates, for the time we expend in connection with such response and to reimburse us for all of our out-of-pocket costs (including applicable GST/HST) incurred.

CONTINUING EFFECT

Management acknowledges and understands that failure to fulfill its obligations, as set out in this engagement letter will result, upon written notice, in the termination of the Engagement. Either party may terminate this agreement for any reason upon providing written notice to the other party not less than 30 calendar days before the effective date of termination. If early termination takes place, ABC Company shall be responsible for all time and expenses incurred up to the termination date and all costs in terminating any agreement with any specialist or other third party retained by us in connection with this Engagement.

This engagement letter will continue in force for subsequent Engagements unless terminated by either party by written notice prior to the commencement of the subsequent Engagement. Upon termination of this agreement, Pomponio & Company will invoice you for any unbilled fees and expenses. Further, you agree to pay your account to the date of termination upon receipt of our invoice. If you have any questions about the contents of this letter, please raise them with us. If the services outlined are in accordance with your requirements, and if the above terms are acceptable to you, please sign this letter in the space provided and return it to us at Pomponio & Company.

We appreciate the opportunity of continuing to be of service to your corporation.

Yours truly,
Chartered Professional Accountant



Per:
The services and terms set out above are as agreed.

ABC Company:

July 15, 2020

Date: _____

John Smith



July 15, 2020

Mr. John Smith & ABC Company
Victoria, B.C.

Dear John,

Since Pomponio & Company has been appointed your accountant, we feel that to provide the level of professional services you require it would be in your best interest, as our valued client, to allow us to assist in queries from your bank, lawyer, insurance agents, and governmental agencies.

To allow us to perform our function in a professional manner we would appreciate your authority to:

1. Answer queries from your lawyer and transmit to the Records Office of the Company, copies of your financial statements as required by the corporate Act;
2. Answer queries from your banker and transmit to your bank copies of your financial statements as required by them;
3. Answer queries from your insurance agent but only insofar as is necessary to determine that you have adequate insurance coverage; and/or
4. Answer queries from government auditors who have authority to review the books and records of the corporation under both federal and provincial regulations and statutes, and to transmit such tax filings, reports, and financial statements as required by law.

Release of information by Pomponio & Company will be restricted to the above unless we have your authority to assist or to disclose information in other areas as you may be required by us as your professional accountant.

Yours truly,

Pomponio & Company
Chartered Professional Accountant

Per: 
Dion Pomponio, CPA, CGA

The releases set out in the above letter are in accordance with my requirements and the undersigned hereby agree to the terms and conditions of the above specifically documented information as applicable.

ABC Company:

July 15, 2020

Date: _____

John Smith

