

**U.S. Income Tax Return for Homeowners Associations**

OMB No. 1545-0123

**EXTENSION GRANTED TO 10/15/17**

Information about Form 1120-H and its separate instructions is at [www.irs.gov/form1120h](http://www.irs.gov/form1120h).

**2016**

For calendar year 2016 or tax year beginning \_\_\_\_\_, and ending \_\_\_\_\_

|                      |   |  |  |
|----------------------|---|--|--|
| <b>TYPE OR PRINT</b> | Name<br><b>QUALCHAN HILLS HOMEOWNERS ASSOCIATION</b>  | <b>Employer identification number</b><br><br><b>91-1568951</b> |  |
|                      | Number, street, and room or suite no. If a P.O. box, see instructions.<br><b>C/O WEB PROPERTIES, P.O. BOX 21469</b> |  | Date association formed<br><b>11/21/1991</b> |
|                      | City or town, state or province, country, and ZIP or foreign postal code<br><b>SPOKANE, WA 99202</b>                |  |  |
|                      |   |  |  |

Check if: (1)  Final return (2)  Name change (3)  Address change (4)  Amended return

A Check type of homeowners association:  Condominium management association  Residential real estate association  Timeshare association

|  |                        |   |                |
|--|------------------------|---|----------------|
| B Total exempt function income. Must meet 60% gross income test          | <b>SEE STATEMENT 1</b> | B | <b>61,457.</b> |
| C Total expenditures made for purposes described in 90% expenditure test | <b>SEE STATEMENT 2</b> | C | <b>57,677.</b> |
| D Association's total expenditures for the tax year                      |                        | D | <b>57,677.</b> |
| E Tax-exempt interest received or accrued during the tax year            |                        | E | <b>0.</b>      |

**Gross Income** (excluding exempt function income)

|   |                        |   |            |
|---|------------------------|---|------------|
| 1 Dividends   |                        | 1 |            |
| 2 Taxable interest  | <b>SEE STATEMENT 3</b> | 2 | <b>36.</b> |
| 3 Gross rents   |                        | 3 |            |
| 4 Gross royalties   |                        | 4 |            |
| 5 Capital gain net income (attach Schedule D (Form 1120))                       |                        | 5 |            |
| 6 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)        |                        | 6 |            |
| 7 Other income (excluding exempt function income) (attach statement)            |                        | 7 |            |
| 8 <b>Gross income</b> (excluding exempt function income). Add lines 1 through 7 |                        | 8 | <b>36.</b> |

**Deductions** (directly connected to the production of gross income, excluding exempt function income)

|  |  |    |                 |
|--|--|----|-----------------|
| 9 Salaries and wages   |  | 9  |                 |
| 10 Repairs and maintenance   |  | 10 |                 |
| 11 Rents   |  | 11 |                 |
| 12 Taxes and licenses  |  | 12 |                 |
| 13 Interest  |  | 13 |                 |
| 14 Depreciation (attach Form 4562)   |  | 14 |                 |
| 15 Other deductions (attach statement)   |  | 15 |                 |
| 16 <b>Total deductions.</b> Add lines 9 through 15                                 |  | 16 | <b>0.</b>       |
| 17 Taxable income before specific deduction of \$100. Subtract line 16 from line 8 |  | 17 | <b>36.</b>      |
| 18 Specific deduction of \$100   |  | 18 | <b>\$100.00</b> |

**Tax and Payments**

|  |     |    |                    |
|--|-----|----|--------------------|
| 19 <b>Taxable income.</b> Subtract line 18 from line 17  |     | 19 | <b>&lt;64.&gt;</b> |
| 20 Enter 30% (0.30) of line 19. (Timeshare associations, enter 32% (0.32) of line 19.)   |     | 20 | <b>0.</b>          |
| 21 Tax credits   |     | 21 |                    |
| 22 <b>Total tax.</b> Subtract line 21 from line 20. See instructions for recapture of certain credits  |     | 22 | <b>0.</b>          |
| 23 a 2015 overpayment credited to 2016   | 23a |    |                    |
| b 2016 estimated tax payments  | 23b |    |                    |
| c Total  | 23c |    | <b>0.</b>          |
| d Tax deposited with Form 7004   | 23d |    |                    |
| e Credit for tax paid on undistributed capital gains (attach Form 2439)  | 23e |    |                    |
| f Credit for federal tax paid on fuels (attach Form 4136)  | 23f |    |                    |
| g Add lines 23c through 23f  | 23g |    | <b>0.</b>          |
| 24 <b>Amount owed.</b> Subtract line 23g from line 22. See instructions  |     | 24 |                    |
| 25 <b>Overpayment.</b> Subtract line 22 from line 23g  |     | 25 |                    |
| 26 Enter amount of line 25 you want: <b>Credited to 2017 estimated tax</b> <input type="checkbox"/> <b>Refunded</b> <input type="checkbox"/> |     | 26 |                    |

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here: *Leeanna Caldwell* Signature of officer, Date: **5/26/17**, Title: **Agent for HOA**

May the IRS discuss this return with the preparer shown below (see instr.)?  Yes  No

Paid Preparer's Use Only: Print/Type preparer's name: **LEEANNA CALDWELL**, Date: **05/16/17**, Check if self-employed: , PTIN: **P01071151**  
 Firm's name: **EIDE BAILLY LLP**, Firm's EIN: **45-0250958**  
 Firm's address: **999 W. RIVERSIDE AVE, STE 200 SPOKANE, WA 99201-1006**, Phone no: **509-747-6154**

Section 1.263(a)-1(f) De Minimis Safe Harbor Election

Qualchan Hills Homeowners Association  
c/o WEB Properties, P.O. Box 21469  
Spokane, WA 99202

Employer Identification Number: 91-1568951

For the Year Ending December 31, 2016

Qualchan Hills Homeowners Association is making the de minimis  
safe harbor election under Reg. Sec. 1.263(a)-1(f).



For calendar year 2016 or tax year beginning \_\_\_\_\_, and ending \_\_\_\_\_

|                              |   |   |
|------------------------------|---|---|
| <b>TYPE<br/>OR<br/>PRINT</b> | Name<br><b>QUALCHAN HILLS HOMEOWNERS ASSOCIATION</b>  | Employer identification number<br><b>** - ***8951</b> |
|                              | Number, street, and room or suite no. If a P.O. box, see instructions.<br><b>C/O WEB PROPERTIES, P.O. BOX 21469</b> | Date association formed<br><b>11/21/1991</b>          |
|                              | City or town, state or province, country, and ZIP or foreign postal code<br><b>SPOKANE, WA 99202</b>                |   |
|                              |   |   |

Check if: (1)  Final return (2)  Name change (3)  Address change (4)  Amended return

|   |                        |
|---|------------------------|
| <b>A</b> Check type of homeowners association: <input type="checkbox"/> Condominium management association <input checked="" type="checkbox"/> Residential real estate association <input type="checkbox"/> Timeshare association |                        |
| <b>B</b> Total exempt function income. Must meet 60% gross income test  | <b>SEE STATEMENT 1</b> |
| <b>C</b> Total expenditures made for purposes described in 90% expenditure test   | <b>SEE STATEMENT 2</b> |
| <b>D</b> Association's total expenditures for the tax year  | <b>57,677.</b>         |
| <b>E</b> Tax-exempt interest received or accrued during the tax year  | <b>0.</b>              |

|  |                        |
|--|------------------------|
| <b>Gross Income</b> (excluding exempt function income)                                 |                        |
| <b>1</b> Dividends   | <b>1</b>               |
| <b>2</b> Taxable interest  | <b>SEE STATEMENT 3</b> |
| <b>3</b> Gross rents   | <b>36.</b>             |
| <b>4</b> Gross royalties   | <b>36.</b>             |
| <b>5</b> Capital gain net income (attach Schedule D (Form 1120))                       | <b>5</b>               |
| <b>6</b> Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)        | <b>6</b>               |
| <b>7</b> Other income (excluding exempt function income) (attach statement)            | <b>7</b>               |
| <b>8</b> <b>Gross income</b> (excluding exempt function income). Add lines 1 through 7 | <b>8 36.</b>           |

|  |                    |
|--|--------------------|
| <b>Deductions</b> (directly connected to the production of gross income, excluding exempt function income) |                    |
| <b>9</b> Salaries and wages  | <b>9</b>           |
| <b>10</b> Repairs and maintenance  | <b>10</b>          |
| <b>11</b> Rents  | <b>11</b>          |
| <b>12</b> Taxes and licenses   | <b>12</b>          |
| <b>13</b> Interest   | <b>13</b>          |
| <b>14</b> Depreciation (attach Form 4562)  | <b>14</b>          |
| <b>15</b> Other deductions (attach statement)  | <b>15</b>          |
| <b>16</b> <b>Total deductions.</b> Add lines 9 through 15  | <b>16 0.</b>       |
| <b>17</b> Taxable income before specific deduction of \$100. Subtract line 16 from line 8                  | <b>17 36.</b>      |
| <b>18</b> Specific deduction of \$100  | <b>18 \$100.00</b> |

|  |                         |
|--|-------------------------|
| <b>Tax and Payments</b>  |                         |
| <b>19</b> <b>Taxable income.</b> Subtract line 18 from line 17   | <b>19 &lt;64.&gt;</b>   |
| <b>20</b> Enter 30% (0.30) of line 19. (Timeshare associations, enter 32% (0.32) of line 19.)                | <b>20 0.</b>            |
| <b>21</b> Tax credits  | <b>21</b>               |
| <b>22</b> <b>Total tax.</b> Subtract line 21 from line 20. See instructions for recapture of certain credits | <b>22 0.</b>            |
| <b>23</b> <b>a</b> 2015 overpayment credited to 2016 <b>23a</b>  | <b>c Total ▶ 23c 0.</b> |
| <b>b</b> 2016 estimated tax payments <b>23b</b>  |                         |
| <b>d</b> Tax deposited with Form 7004  |                         |
| <b>e</b> Credit for tax paid on undistributed capital gains (attach Form 2439)                               |                         |
| <b>f</b> Credit for federal tax paid on fuels (attach Form 4136)   |                         |
| <b>g</b> Add lines 23c through 23f   |                         |
| <b>23g</b>   | <b>23g 0.</b>           |
| <b>24</b> <b>Amount owed.</b> Subtract line 23g from line 22. See instructions                               | <b>24</b>               |
| <b>25</b> <b>Overpayment.</b> Subtract line 22 from line 23g   | <b>25</b>               |
| <b>26</b> Enter amount of line 25 you want: <b>Credited to 2017 estimated tax ▶</b>                          | <b>26</b>               |
|  | <b>Refunded ▶</b>       |

COPY

Eide Bailly LLP  
 CPAs & BUSINESS ADVISORS

|                                 |  |  |  |   |                          |
|---------------------------------|--|--|--|---|--------------------------|
| <b>Sign Here</b>                | Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. |  | May the IRS discuss this return with the preparer shown below (see Instr.)?<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |   |                          |
|                                 | <i>W. E. Burt</i><br>Signature of officer  | 5/20/17<br>Date                                      | Agent for H&A<br>Title   |   |                          |
| <b>Paid Preparer's Use Only</b> | Print/Type preparer's name<br><b>LEEANNA CALDWELL</b>  | Preparer's signature<br><i>Leeanna Caldwell, CPA</i> | Date<br><b>05/16/17</b>  | Check if self-employed <input type="checkbox"/> | PTIN<br><b>P01071151</b> |
|                                 | Firm's name ▶ <b>EIDE BAILLY LLP</b>   | Firm's EIN ▶ <b>** - ***0958</b>                     |  |   |                          |
|                                 | Firm's address ▶ <b>999 W. RIVERSIDE AVE, STE 200 SPOKANE, WA 99201-1006</b>   | Phone no. <b>509-747-6154</b>                        |  |   |                          |

Section 1.263(a)-1(f) De Minimis Safe Harbor Election

Qualchan Hills Homeowners Association  
c/o WEB Properties, P.O. Box 21469  
Spokane, WA 99202

Employer Identification Number: 91-1568951

For the Year Ending December 31, 2016

Qualchan Hills Homeowners Association is making the de minimis safe harbor election under Reg. Sec. 1.263(a)-1(f).

**Application for Automatic Extension of Time To File Certain  
Business Income Tax, Information, and Other Returns**

▶ **File a separate application for each return.**  
▶ Information about Form 7004 and its separate instructions is at [www.irs.gov/form7004](http://www.irs.gov/form7004).

|                              |  |   |
|------------------------------|--|---|
|                              | Name<br><b>QUALCHAN HILLS HOMEOWNERS ASSOCIATION</b>   | Identifying number<br><b>** - ***8951</b> |
| <b>Print<br/>or<br/>Type</b> | Number, street, and room or suite no. (If P.O. box, see instructions.)<br><b>C/O WEB PROPERTIES, P.O. BOX 21469</b>  |   |
|                              | City, town, state, and ZIP code (If a foreign address, enter city, province or state, and country (follow the country's practice for entering postal code)).<br><b>SPOKANE, WA 99202</b> |   |

**Note:** File request for extension by the due date of the return for which the extension is granted. See instructions before completing this form.

**Part I Automatic Extension for C Corporations With Tax Years Ending December 31.** See instructions.

**1a** Enter the form code for the return listed below that this application is for 17

| Application<br>Is For: | Form<br>Code | Application<br>Is For:            | Form<br>Code |
|------------------------|--------------|-----------------------------------|--------------|
| Form 1120              | 12           | Form 1120-ND (section 4951 taxes) | 20           |
| Form 1120-C            | 34           | Form 1120-PC                      | 21           |
| Form 1120-F            | 15           | Form 1120-POL                     | 22           |
| Form 1120-FSC          | 16           | Form 1120-REIT                    | 23           |
| Form 1120-H            | 17           | Form 1120-RIC                     | 24           |
| Form 1120-L            | 18           | Form 1120-SF                      | 26           |
| Form 1120-ND           | 19           |                                   |              |

**Part II Automatic Extension for Certain Estates and Trusts.** See instructions.

**b** Enter the form code for the return listed below that this application is for

| Application<br>Is For:                            | Form<br>Code | Application<br>Is For: | Form<br>Code |
|---|--------------|------------------------|--------------|
| Form 1041 (estate other than a bankruptcy estate) | 04           | Form 1041 (trust)      | 05           |

**Part III Automatic Extension for Entities Not Using Part I, II, or IV.** See instructions.

**c** Enter the form code for the return listed below that this application is for

| Application<br>Is For:             | Form<br>Code | Application<br>Is For:            | Form<br>Code |
|------------------------------------|--------------|-----------------------------------|--------------|
| Form 706-GS(D)                     | 01           | Form 1120-ND (section 4951 taxes) | 20           |
| Form 706-GS(T)                     | 02           | Form 1120-PC                      | 21           |
| Form 1041 (bankruptcy estate only) | 03           | Form 1120-POL                     | 22           |
| Form 1041-N                        | 06           | Form 1120-REIT                    | 23           |
| Form 1041-QFT                      | 07           | Form 1120-RIC                     | 24           |
| Form 1042                          | 08           | Form 1120S                        | 25           |
| Form 1065                          | 09           | Form 1120-SF                      | 26           |
| Form 1065-B                        | 10           | Form 3520-A                       | 27           |
| Form 1066                          | 11           | Form 8612                         | 28           |
| Form 1120                          | 12           | Form 8613                         | 29           |
| Form 1120-C                        | 34           | Form 8725                         | 30           |
| Form 1120-F                        | 15           | Form 8804                         | 31           |
| Form 1120-FSC                      | 16           | Form 8831                         | 32           |
| Form 1120-H                        | 17           | Form 8876                         | 33           |
| Form 1120-L                        | 18           | Form 8924                         | 35           |
| Form 1120-ND                       | 19           | Form 8928                         | 36           |

**Part IV Automatic Extension for C Corporations With Tax Years Ending June 30.** See instructions.

**d** Enter the form code for the return listed below that this application is for

| Application<br>Is For: | Form<br>Code | Application<br>Is For:            | Form<br>Code |
|------------------------|--------------|-----------------------------------|--------------|
| Form 1120              | 12           | Form 1120-ND (section 4951 taxes) | 20           |
| Form 1120-C            | 34           | Form 1120-PC                      | 21           |
| Form 1120-F            | 15           | Form 1120-POL                     | 22           |
| Form 1120-FSC          | 16           | Form 1120-REIT                    | 23           |
| Form 1120-H            | 17           | Form 1120-RIC                     | 24           |
| Form 1120-L            | 18           | Form 1120-SF                      | 26           |
| Form 1120-ND           | 19           |                                   |              |

**Part V All Filers Must Complete This Part**

- 2 If the organization is a foreign corporation that does not have an office or place of business in the United States, check here
- 3 If the organization is a corporation and is the common parent of a group that intends to file a consolidated return, check here   
If checked, attach a statement listing the name, address, and Employer Identification Number (EIN) for each member covered by this application.
- 4 If the organization is a corporation or partnership that qualifies under Regulations section 1.6081-5, check here
- 5a The application is for calendar year 2016, or tax year beginning \_\_\_\_\_, and ending \_\_\_\_\_
- b Short tax year. If this tax year is less than 12 months, check the reason:  Initial return  Final return  
 Change in accounting period  Consolidated return to be filed  Other (see instructions - attach explanation)

|   |   |    |
|---|---|----|
| 6 | Tentative total tax   | 0. |
| 7 | Total payments and credits (see instructions)               | 0. |
| 8 | Balance due. Subtract line 7 from line 6 (see instructions) | 0. |

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE CENTER  
OGDEN, UT 84201-0045

| FORM 1120-H                  | EXEMPT FUNCTION INCOME | STATEMENT | 1 |
|------------------------------|------------------------|-----------|---|
| DESCRIPTION                  |                        | AMOUNT    |   |
| HOA MEMBERSHIP DUES          |                        | 31,587.   |   |
| HOA SPECIAL ASSESSMENT FEES  |                        | 19,402.   |   |
| HOA LATE PAYMENT FEES        |                        | 4,352.    |   |
| RESTITUTION INCOME           |                        | 784.      |   |
| OTHER INCOME                 |                        | 332.      |   |
| GRANT INCOME                 |                        | 5,000.    |   |
| TOTAL TO FORM 1120-H, ITEM B |                        | 61,457.   |   |

| FORM 1120-H                  | EXPENDITURES DESCRIBED IN 90% TEST | STATEMENT | 2 |
|------------------------------|------------------------------------|-----------|---|
| DESCRIPTION                  |                                    | AMOUNT    |   |
| ADVERTISING                  |                                    | 330.      |   |
| INSURANCE                    |                                    | 1,980.    |   |
| LANDSCAPING                  |                                    | 15,160.   |   |
| MAINTENANCE                  |                                    | 329.      |   |
| OFFICE EXPENSE               |                                    | 1,230.    |   |
| OTHER ADMINISTRATIVE FEES    |                                    | 2,783.    |   |
| PARK EXPENSE                 |                                    | 5,156.    |   |
| PAYROLL EXPENSES             |                                    | 1,098.    |   |
| PROFESSIONAL FEES            |                                    | 1,843.    |   |
| PROPERTY MANAGEMENT FEE      |                                    | 9,000.    |   |
| STREET EXPENSE               |                                    | 8,832.    |   |
| TAXES AND LICENSES           |                                    | 1,295.    |   |
| UTILITIES                    |                                    | 8,641.    |   |
| TOTAL TO FORM 1120-H, ITEM C |                                    | 57,677.   |   |

| FORM 1120-H                  | INTEREST INCOME | STATEMENT | 3 |
|------------------------------|-----------------|-----------|---|
| DESCRIPTION                  | US              | OTHER     |   |
| INTEREST INCOME              |                 | 36.       |   |
| TOTAL TO FORM 1120-H, LINE 2 |                 | 36.       |   |





CPAs & BUSINESS ADVISORS

May 16, 2017

Qualchan Hills Homeowners Association  
c/o Bill Butler  
PO Box 21469  
Spokane WA 99201

Dear Bill:

This letter confirms the terms of our tax engagement with Qualchan Hills Homeowners Association for the year ended 2016 and clarifies the nature and extent of the professional services we will provide.

Our engagement will be designed to perform the following services:

1. Prepare the federal ~~and requested state~~<sup>WEB</sup> income tax returns with supporting schedules.
2. Prepare any bookkeeping entries that we find necessary in connection with preparation of the income tax returns.
3. Prepare and post any adjusting entries.

**\*\*FUTURE YEARS' INCOME TAX SERVICES**

WEB  
Initial here

The terms of this arrangement letter will remain in effect as long as you annually request that we prepare your Federal, state, and any additional income tax return(s), verbally or in writing. All terms of this arrangement letter will remain in force until such time as either party notifies the other party in writing of its termination.

The tax laws provide for a penalty to be imposed when a taxpayer makes a substantial understatement of tax liability. For corporations (other than S corporation and personal holding companies), there is a substantial understatement of tax if the understatement exceeds the lesser of (a) 10% of tax required to be shown on the return (or, \$10,000 if greater), or (b) \$10 million. The penalty is 20% of the tax underpayment. Accordingly, we will discuss tax positions that may increase the risk of exposure to penalties with you before completing preparation of the return.

We will use our judgment in resolving questions where the tax law is unclear, or where there are conflicts between taxing authorities' interpretations of the law and other supportable positions. Unless otherwise instructed by you, we will resolve such questions in the corporation's favor whenever possible.

Management is 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. Management also has final responsibility for the tax return and, therefore, the appropriate corporate officials should review the return carefully before an authorized officer signs and files it.

Our work in connection with the preparation of the tax return does not include any procedures designed to discover defalcations or other irregularities, should any exist.

[www.eidebailly.com](http://www.eidebailly.com)

The return may be selected for review by the taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of a tax examination, we will be available, upon request, to represent the corporation. However, such additional services are not included in the fees for the preparation of the tax return.

Certain communications involving tax advice may be privileged and not subject to disclosure to the IRS. By disclosing the contents of those communications to anyone, or by turning over information about those communications to the government, you (or other employees) may be waiving this privilege. To protect this right to privileged communication, please consult us or the corporation's attorney prior to disclosing any information about our tax advice.

Our fees for tax services will be based upon the amount of time required at our standard billing rates for the personnel working on the engagement, plus out-of-pocket expenses. All invoices are due and payable upon presentation. A finance charge of 1% per month, which is an annual rate of 12%, will be added to all invoices that remain unpaid for more than thirty days. If collection action is necessary, expenses and reasonable attorney's fees will be added to the amount due.

In addition, we will be compensated for any time and expenses, including time and expenses of legal counsel, we may incur in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings as a result of our Firm's performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena we are asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur.

Should our relationship terminate before our procedures tax return preparation are completed and tax returns delivered, you will be billed for services to the date of termination. All bills are payable upon receipt. A service charge of 1%, which is an annual rate of 12%, will be added to all accounts unpaid 30 days after billing date. If collection action is necessary, expenses and reasonable attorney's fees will be added to the amount due.

The following procedures shall be used to resolve any disagreement, controversy or claim that may arise out of any aspect of our services or relationship with you, including this engagement, for any reason ("Dispute"). Specifically, we agree to first mediate.

All Disputes between us shall first be submitted to non-binding mediation by written notice ("Mediation Notice") to the other party. In mediation, we will work with you to resolve any differences voluntarily with the aid of an impartial mediator. The mediator will be selected by mutual agreement, but if we cannot agree on a mediator, one shall be designated by the American Arbitration Association ("AAA").

The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the Dispute. Mediation will be conducted with the parties in person in Spokane, Washington.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

Either party may commence suit on a Dispute after the mediator declares an impasse.

We both agree to submit any unresolved Dispute to trial by a federal or state court venue in <sup>Spokane, WA</sup> ~~Minneapolis~~, Minnesota. This agreement shall be governed by and construed in accordance with the laws of the State of <sup>WA</sup> ~~Minnesota~~ (regardless of the laws that might be applicable under the principles of conflict of law) as to all matters including without limitation, matters of validity, construction, effect, and performance.

~~The exclusive remedy available to you in any adjudication proceeding shall be the right to pursue claims for actual damages that are directly caused by acts or omissions that are breaches by us of our duties under this agreement and/or under applicable professional standards, such damages will be limited to no more than two times fees paid under this agreement. In no event shall we be liable to you for any punitive or exemplary damages, or for attorneys' fees.~~

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any Dispute. We both agree that, notwithstanding any statute or law of limitations that might otherwise apply to a Dispute, it is reasonable that any action or legal proceeding by you against us must be commenced within twenty-four (24) months ("Limitation Period") after the date when we deliver our report, return or other deliverable under this agreement to you, regardless of whether we do other services for you or that may relate to the product.

The Limitation Period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a Dispute. You agree to indemnify Eide Bailly LLP, its partners, affiliates, officers and employees (collectively "Eide Bailly"), against any losses, including settlement payments, judgments, damage awards, punitive or exemplary damages, and the costs of litigation (including attorneys' fees) associated with a claim brought by a third-party and that arises out of or is in any way related to the services provided under this engagement, provided that the services performed hereunder were performed in accordance with professional standards, in all material respects.

You agree that none of Eide Bailly LLP, its partners, affiliates, officers or employees (collectively "Eide Bailly") shall be responsible for or liable to you for any misstatements in your financial statements and/or tax return that we may fail to detect as a result of knowing representations made to us, or the concealment or intentional withholding of information from us, by any of your owners, directors, officers or employees, whether or not they acted in doing so in your interests or for your benefit, and to hold Eide Bailly harmless from any claims, losses, settlements, judgments, awards, damages and attorneys' fees from any such misstatement, provided that the services performed hereunder were performed in accordance with professional standards, in all material respects.

If a claim is brought against you by a third-party that arises out of or is in any way related to the services provided under this engagement, you agree to indemnify its partners, affiliates, officers and employees against any losses, including settlement payments, judgments, damage awards, punitive or exemplary damages, and the costs of litigation (including attorneys' fees) associated with the services performed hereunder provided that the services were performed in accordance with professional standards, in all material respects.

If the foregoing correctly sets forth your understanding of our tax engagement, please sign this letter in the space below, and return it to our office.

Sincerely,

EIDE BAILLY LLP

*Eide Bailly LLP*

AGREED TO AND ACCEPTED:

*W. E. Butler*  
Signature

*William E. Butler*  
Printed Name

*5/26/17*  
Date

**EXHIBIT**

**LIST OF TAX RETURN(S) FOR PREPARATION**

1. U.S. Corporation Tax Return (Form 1120H)