

January 20, 2016

Mr. Bruce Colby  
Associate Superintendent  
Davis Joint Unified School District  
526 B Street  
Davis, California 95616

Dear Mr. Colby:

This letter confirms the arrangements for Crowe Horwath LLP ("Crowe" or "us" or "we" or "our") to provide the professional services discussed in this letter to Davis Joint Unified School District ("the District" or "you", "your" or "Entity" or "Client") for the years ending June 30, 2016, 2017, 2018 and 2019. The attached Crowe Engagement Terms is an integral part of this letter, and its terms are incorporated herein.

## AUDIT SERVICES

### Our Responsibilities

We will audit and report on the financial statements of the governmental activities, the business-type activities (if applicable), each major fund, and the aggregate remaining fund information which collectively comprise the basic financial statements of the District for the periods indicated.

In addition to our report on the financial statements, we plan to evaluate the presentation of the following supplementary information in relation to the financial statements as a whole, and to report on whether this supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

- Combining and Individual Fund Financial Statements and Schedules
- District Organization
- Schedule of Average Daily Attendance
- Schedule of Instructional Time
- Schedule of Expenditures of Federal Awards
- Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements
- Schedule of Financial Trends and Analysis
- Schedule of Charter Schools

In addition to our report on the financial statements, we also plan to perform specified procedures in order to describe in our report whether the following required supplementary information is presented in accordance with applicable guidelines. However, we will not express an opinion or provide any assurance on this information due to our limited procedures.

- Management's Discussion and Analysis
- Budgetary Comparison Schedules
- Schedule of Other Postemployment Benefits (OPEB) Funding Progress
- Schedule of the District's Proportionate Share of the Net Pension Liability
- Schedule of the District's Contributions

The document will also include the following additional information that will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion:

- Schedule of Financial Trends and Analysis

The objective of the audit is the expression of an opinion on the financial statements. We will plan and perform the audit in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996, and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud, and that we report on the Schedule of Expenditures of Federal Awards (as noted above), and on your compliance with laws and regulations and on its internal controls as required for a Single Audit. Because of inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with applicable standards. An audit is not designed to detect error or fraud that is immaterial to the financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks that the financial statements could be misstated by an amount we believe would influence the financial statement users. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In making our risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. However, we will communicate in writing to those charged with governance and management concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. We will communicate to management other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention. We will also communicate certain matters related to the conduct of the audit to those charged with governance, including (1) fraud involving senior management, and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (2) illegal acts that come to our attention (unless they are clearly inconsequential) (3) disagreements with management and other significant difficulties encountered in performing the audit and (4) various matters related to the District's accounting policies and financial statements. Our engagement is not designed to address legal or regulatory matters, which matters should be discussed by you with your legal counsel.

We expect to issue a written report upon completion of our audit of the financial statements. Our report will be addressed to the Board of Education of the District. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis of matter or other matter paragraph, or withdraw from the engagement.

In addition to our report on the financial statements and supplemental information, we plan to issue the following reports:

- Independent Auditor's Report on Compliance with State Laws and Regulations – The purpose of this report on compliance is solely to describe the scope of our testing based on the requirements of the *State of California's Guide for Annual Audits of K-12 Local Education Agencies and Statement Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards — The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.
- Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance -- The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

We will also perform tests of controls including testing underlying transactions, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of your major federal awards programs. We will determine major programs in accordance with OMB Circular A-133. Our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed. We will inform you of any deficiencies or other matters involving internal control, if any, as required by OMB Circular A-133.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of your compliance with applicable laws, regulations, contracts and grants. However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by us. The objective of our audit of compliance relative to the financial statements will not be to provide an opinion on overall compliance with such provisions, and we will not express such an opinion. We will advise you, however, of any matters of that nature that come to our attention, unless they are clearly inconsequential.

OMB Circular A-133 requires that we plan and perform the audit to obtain reasonable assurance about whether you have complied with certain provisions of laws, regulations, contracts and grants. Our procedures will consist of the applicable procedures described in the OMB Circular A-133 Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of your major programs. The purpose of our audit will be to express an opinion on your compliance with requirements applicable to major Federal award programs. Because an audit is designed to provide reasonable assurance, but not absolute assurance, the audit is not designed to detect immaterial violations or instances of noncompliance.

Our audit and work product are intended for the benefit and use of the District only. The audit will not be planned or conducted in contemplation of reliance by any other party or with respect to any specific transaction and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party.

The working papers for this engagement are the property of Crowe and constitute confidential information. However, we may be requested to make certain working papers available to your oversight agency or grantors pursuant to authority given to them by law, regulation, or contract. If requested, access to such working papers will be provided under the supervision of our personnel. Furthermore, upon request, we may provide photocopies of selected working papers to your oversight agency or grantors. The working papers for this engagement will be retained for a minimum of three years after the date our report is issued or for any additional period requested by the oversight agency or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the working papers.

*Government Auditing Standards* require that we provide you with a copy of our most recent peer review report, which accompanies this letter along with the related letter of comment and response thereto.

#### The District's Responsibilities

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. The District's management is also responsible for complying with applicable laws, regulations, contracts and grants and such responsibility extends to identifying the requirements and designing internal control policies and procedures to provide reasonable assurance that compliance is achieved. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings, which should be available for our review, and a corrective action plan.

Management has the responsibility to adopt sound accounting policies, maintain an adequate and efficient accounting system, safeguard assets, and design and implement programs and controls to prevent and detect fraud. Management's judgments are typically based on its knowledge and experience about past and current events and its expected courses of action. Management's responsibility for financial reporting includes establishing a process to prepare the accounting estimates included in the financial statements.

Management is responsible for providing to us, on a timely basis, all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters. Management is also responsible for providing such other additional information we may request for the purpose of the audit, and unrestricted access to persons within the District from whom we determine it necessary to obtain audit evidence. Additionally, those charged with governance are responsible for informing us of their views about the risks of fraud within the District, and their knowledge of any fraud or suspected fraud affecting the District.

Management is responsible for adjusting the financial statements to correct material misstatements related to accounts or disclosures. As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit, including that the effects of any uncorrected misstatements aggregated by us during the audit are immaterial, both individually and in the aggregate, to the financial statements and to compliance with the requirements of its Federal programs. Management acknowledges the importance of management's representations and responses to our inquiries, and that they will be utilized as part of the evidential matter we will rely on in forming our opinion. Because of the importance of management's representations to an effective audit, you agree to release Crowe and its personnel from any liability and costs relating to our services under this letter attributable to any misrepresentations by management.

Management is responsible for the preparation of the supplementary information identified above in accordance with the applicable criteria. As part of our audit process, we will request from management certain written representations regarding management's responsibilities in relation to the supplementary information presented, including but not limited to its fair presentation in accordance with the applicable criteria, the method of measurement and presentation and any significant assumptions or interpretations underlying the supplementary information. In addition, it is management's responsibility to include the auditor's report on supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. It is also management's responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the District of the supplementary information and the auditor's report thereon.

Management is responsible for the preparation of the required supplementary information identified above in accordance with the applicable guidelines. We will request from management certain written representations regarding management's responsibilities in relation to the required supplementary information presented, including but not limited to whether it has been measured and presented in accordance with prescribed guidelines, the method of measurement and presentation and any significant assumptions or interpretations underlying the supplementary information.

At the conclusion of the engagement, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of thirty days after receipt of the auditor's reports or nine months after the end of the audit period.

## OTHER SERVICES

### Financial Statement Preparation

The District will provide us with the necessary information to assist in the preparation of the draft financial statements including the notes thereto. We are relying on the District to provide us with the detailed trial balance, note disclosure information and any other relevant report information in a timely fashion and ensure the data is complete and accurate. Management is solely responsible for the presentation of the financial statements.

### Preparation of the Schedule of Expenditure of Federal Awards

The District will provide us with the necessary information to prepare the draft schedule of expenditure of federal awards including the notes thereto. We are relying on the District to provide us with all information required by OMB A-133 for the schedule, notes and other relevant reporting information in a timely fashion and ensure the data is complete and accurate. Management is solely responsible for the presentation of the schedule of expenditures of federal awards.

### Recordkeeping Assistance

The District will provide us with the necessary information to assist you in your recordkeeping. We will propose year end adjusting entries to management for your review and approval, including cash to accrual conversion entries. We are relying on the District to provide us with the necessary information in a timely fashion and ensure the data is complete and accurate.

With respect to the above other services, you agree to: assume all management responsibilities including making all management decisions; oversee the service by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services.

## FEES

Our fees, including out-of-pocket expenses, will not exceed \$50,500, \$50,500, \$53,000 and \$53,000 for the years ended June 30, 2016, 2017, 2018 and 2019, respectively. Our invoices are due and payable upon receipt. If any amounts invoiced remain unpaid 30 days after the invoice date, you agree that Crowe may, in its sole discretion, cease work until all such amounts are paid or terminate this engagement.

Circumstances may arise under which we must perform additional work and, thus, require additional billings for our services. Examples of such circumstances include, but are not limited to:

- Changing audit requirements
- New professional standards or regulatory requirements
- New financial statement disclosures
- Work caused due to the identification of, and management's correction of, inappropriate application of accounting pronouncements
- Erroneous or incomplete accounting records
- New or unusual transactions
- Change in your organizational structure or size due to merger and acquisition activity or other events
- Change in your controls
- Agreed-upon level of preparation and assistance from your personnel not provided
- Failure of your staff to prepare information in a timely manner
- Numerous revisions to your information
- Lack of availability of appropriate District personnel during audit fieldwork.

Additionally, to accommodate requests to reschedule audit fieldwork without reasonable notice, additional billings for our services could be required, and our assigned staffing and ability to meet agreed-upon deadlines could be impacted.

Our fee assumes that we will be provided with auditable trial balances for all funds at year end, that all bank accounts and investment accounts will be reconciled through the end of the year being audited to the trial balances, that interfund and transfer accounts will balance, that subsidiary ledgers will reconcile to the general ledger and that beginning fund equity amounts will be reconcilable to prior year audited ending fund equity. We assume that the District will cooperate with our requests for information such as explanations of account activity.

Additionally, we assume the District will provide a copy of the capital assets ledger including current year additions and dispositions and depreciation by functional expense. We assume that requested records such as invoices, contracts, grant agreements and supporting documentation will be located and provided to us. We also assume the District will prepare confirmation letters and the MD&A section of the report.

Our fee does not include implementation of any other future accounting or auditing pronouncements and/or government requirements that may change, thus, the scope or amount of auditing necessary to complete our engagements may increase beyond what is currently anticipated. Should such events occur, we would present you with our estimate of any possible increase prior to beginning our audit for the given year. An equitable adjustment in the proposed fee will be negotiated if the cost of time required

for performance of the audit service is increased or decreased pursuant to a change in scope of the audit requested by the District or required by State or Federal regulations.

When we become aware of circumstances which impact the amount or scheduling of our work, we will issue, for your approval, a formal change order detailing the reason and the anticipated impact of the change.

Because each year is a separate engagement and this three-year period does not constitute a continuous engagement, we will require execution of a new engagement letter for each subsequent year listed above. However, we agree to the fees listed above for each year unless we both agree in writing to a modification.

Our fees are exclusive of taxes or similar charges, as well as customs, duties or tariffs, imposed in respect of the Services, any work product or any license, all of which the District agrees to pay if applicable or if they become applicable (other than taxes imposed on Crowe's income generally), without deduction from any fees or expenses invoiced to the District by Crowe.

To facilitate Crowe's presence at the District's premises, the District will provide Crowe with internet access while on the District's premises. Crowe will access the internet using a secure virtual private network. Crowe will be responsible for all internet activity performed by its personnel while on the District's premises. In the event the District does not provide Crowe with internet access while on The District's premises, the District will reimburse Crowe for the cost of internet access through other means while on the District's site.

\* \* \* \* \*

Crowe will provide the services to the District under this Agreement as an independent contractor and not as Client's partner, agent, employee, or joint venturer under this Agreement. Neither Crowe nor the District will have any right, power or authority to bind the other party.

This engagement letter agreement (the "Agreement") reflects the entire agreement between us relating to the services (or any deliverables or other work product) covered by this Agreement. The engagement letter and any attachments are to be construed as a single document, with the provisions of each section applicable throughout. This Agreement may not be amended or varied except by a written document signed by both parties. It replaces and supersedes any other proposals, correspondence, agreements and understandings, whether written or oral, relating to the services covered by this letter, and each party agrees that in entering this Agreement, it has not relied on any oral or written statements or other information not contained or incorporated in this Agreement. Any non-disclosure or other confidentiality agreement is replaced and superseded by this Agreement. The agreements of you and Crowe contained in this Agreement will survive the completion or termination of this Agreement. If any phrase, sentence, provision or other term of this Agreement is found unenforceable or invalid, this will not affect the other phrases, sentences, provisions or other terms, all of which will continue in effect as if the stricken term had not been included. This Agreement may be executed in two or more actual, scanned, emailed, or electronically copied counterparts, each and all of which together are one and the same instrument. Accurate transmitted copies (transmitted copies are reproduced documents that are sent via mail, delivery, scanning, email, photocopy, facsimile or other process) will be considered and accepted by each party as documents equivalent to original documents and will be deemed valid, binding and enforceable by and against all parties. This agreement must be construed, governed, and interpreted under the laws of the State of Illinois, without regard for choice of law principles.

We are pleased to have this opportunity to serve you, and we look forward to a continuing relationship. If the terms of this letter and the attached Crowe Engagement Terms are acceptable to you, please sign below and return a copy of this letter at your earliest convenience. Please contact us with any questions or concerns.

Mr. Bruce Colby  
Davis Joint Unified School District  
January 20, 2016  
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**ACCEPTANCE:**

I have reviewed the arrangements outlined above and in the attached "Crowe Engagement Terms," and I accept on behalf of Davis Joint Unified School District the terms and conditions as stated.

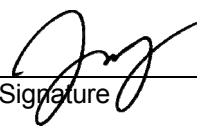
IN WITNESS WHEREOF, Davis Joint Unified School District and Crowe have duly executed this engagement letter as of the date below.

Crowe Horwath LLP and the Engagement Authorized Signer below are licensed or otherwise authorized by the California Board of Accountancy.

Davis Joint Unified School District

Crowe Horwath LLP

\_\_\_\_\_  
Signature

  
\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Jeff Jensen  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Partner  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
January 20, 2016  
Date



## **Crowe Engagement Terms**

Crowe wants Client to understand the terms under which Crowe provides its services to Client and the basis under which Crowe determines its fees. These terms are part of the Agreement and apply to all services described in the Agreement as well as all other services provided to Client (collectively, the "Services"), unless and until a separate written agreement is executed by the parties for separate services. Crowe specifically notes that no advice Crowe provides should be construed to be investment advice.

**CLIENT'S ASSISTANCE** – For Crowe to provide its Services effectively and efficiently, Client agrees to provide Crowe timely with the information it requests and to make Client's employees available for Crowe's questions. The availability of Client's personnel and the timetable for their assistance are key elements in the successful completion of Crowe's Services and in the determination of Crowe's fees. Completion of Crowe's work depends on appropriate and timely cooperation from Client's personnel; complete, accurate, and timely responses to Crowe's inquiries; and timely communication by Client of all significant tax, accounting and financial reporting matters of which Client is aware. If for any reason this does not occur, a revised fee to reflect the additional time or resources required by Crowe will be mutually agreed upon, and Client agrees to hold Crowe harmless against all matters that arise in whole or in part from any resulting delay.

**PROFESSIONAL STANDARDS** – As a regulated professional services firm, Crowe must follow certain professional standards where applicable, including the Code of Professional Conduct promulgated by the American Institute of Certified Public Accountants ("AICPA"). Therefore, if circumstances arise that, in Crowe's professional judgment, prevent it from completing this engagement, Crowe retains the right to take any course of action permitted by professional standards, including declining to express an opinion or issue other work product, or terminating the engagement.

**REPORTS** – Any information, advice, recommendations or other content of any memoranda, reports, presentations, or other communications Crowe provides under this Agreement ("Reports"), other than Client's original information, are for Client's internal use only, consistent with the purpose of the Services. Client will not rely on any draft Report. Unless required by an audit or attestation professional standard, Crowe will not be required to update any final Report for circumstances of which we become aware or events occurring after delivery.

**THIRD PARTY PROVIDER** – Crowe may use a third-party service provider in providing Services to Client which may require Crowe's sharing Client's confidential information with the provider. If Crowe uses a third-party service provider, Crowe will enter into a confidentiality agreement with the provider to require them to maintain the confidentiality of Client's confidential information, and Crowe will be responsible to Client for maintaining its confidentiality. The terms of Crowe's engagement letter and these engagement terms will apply to any third party provider.

**CONFIDENTIALITY** – Except as otherwise permitted by this Agreement or as agreed in writing, neither Crowe nor Client may disclose to third parties the contents of this Agreement or any information provided by or on behalf of the other that ought reasonably to be treated as confidential and/or proprietary. Client use of any Crowe work product will be limited to its stated purpose and to Client business use only. However, Client and Crowe each agree that either party may disclose such information to the extent that it: (i) is or becomes public other than through a breach of this Agreement, (ii) is subsequently received by the recipient from a third party who, to the recipient's knowledge, owes no obligation of confidentiality to the disclosing party with respect to that information, (iii) was known to the recipient at the time of disclosure or is thereafter created independently, (iv) is disclosed as necessary to enforce the recipient's rights under this Agreement, or (v) must be disclosed under applicable law, regulations, legal process or professional standards.

**CLIENT-REQUIRED CLOUD USAGE** – If Client requests that Crowe access files, documents or other information in a cloud-based or web-accessed hosting service or other third-party system accessed via the internet, including, without limitation iCloud, Dropbox, Google Docs, Google Drive, a data room hosted by a third-party, or a similar service or website (collectively, "Cloud Storage"), Client will confirm with any third-parties assisting with or hosting the Cloud Storage that either such third-party or Client (and not Crowe) is responsible for ensuring the confidentiality of all information while utilizing the Cloud

Storage, complying with all applicable laws relating to the Cloud Storage and any information contained in the Cloud Storage, providing Crowe access to the information in the Cloud Storage, and protecting the information in the Cloud Storage from any unauthorized access to the information, including without limitation unauthorized access to the information when in transit to or from the Cloud Storage. Client warrants that it has authority to provide Crowe access to information in the Cloud Storage and that providing Crowe with access to information in the Cloud Storage complies with all applicable laws, regulations, or duties owed to third-parties, and Client agrees to hold Crowe harmless from and against any matters relating to or arising from Crowe's use of the Cloud Storage.

**DATA PROTECTION** – If Crowe holds or uses District information that can be linked to specific individuals who are District's students ("Personal Data"), Crowe will treat it as confidential as described above and comply with applicable US state and federal law and professional regulations in disclosing or using such information to carry out the Services. Crowe has implemented and will maintain physical, electronic and procedural safeguards reasonably designed to (i) protect the security, confidentiality and integrity of the Personal Data, (ii) prevent unauthorized access to or use of the Personal Data, and (iii) provide proper disposal of the Personal Data (collectively, the "Safeguards"). The District warrants that it has the authority to provide the Personal Data to Crowe in connection with the Services and that the District has processed the Personal Data provided to Crowe in accordance with applicable law. To provide the Services, the District may also need to provide Crowe with access to Personal Data consisting of protected health information, financial account numbers, Social Security or other government-issued identification numbers, or other data that, if disclosed without authorization, would trigger notification requirements under applicable law ("Restricted Personal Data"). In the event the District provides Crowe access to Restricted Personal Data, the District will consult with Crowe on appropriate measures (consistent with professional standards applicable to Crowe) to protect the Restricted Personal Data, such as: deleting or masking unnecessary information before making it available to Crowe, encrypting it when transferring it to Crowe, or providing it to Crowe only during on-site review on Client's site. The District will provide Crowe with Restricted Personal Data only in accordance with mutually agreed protective measures. Otherwise, the District and Crowe agree each may use unencrypted electronic media to correspond or transmit information and such use will not in itself constitute a breach of any confidentiality obligations under this Agreement.

**INTELLECTUAL PROPERTY** – Crowe may use ideas, concepts, methodologies, data, software, designs, utilities, tools, models, techniques, data, systems, or other know-how that it develops, owns or licenses ("Materials") in performing the Services. Notwithstanding the delivery of any Reports, Crowe retains all intellectual property rights in the Materials (including any improvements or knowledge developed while performing the Services), and in any working papers compiled in connection with the Services (but not Client information reflected in them). Upon payment for particular Services and subject to the other terms of this Agreement, Client will use Reports, as well as any Materials owned by Crowe included therein, solely to the extent necessary and permitted under this Agreement.

**AGGREGATED DATA** – Client agrees that Crowe may from time to time use and process Client's confidential information for data aggregation and/or industry benchmarking purposes. In using Client's confidential information for data aggregation and/or industry benchmarking purposes, Crowe will maintain Client's information as confidential unless Crowe removes data that specifically identifies Client and Client's customers.

**LEGAL AND REGULATORY CHANGE** – Crowe may periodically communicate changes in laws, rules or regulations to Client. However, Client has not engaged Crowe, and Crowe does not undertake an obligation, to advise Client of changes in laws, rules, regulations, industry or market conditions, Client's own business practices or other circumstances, except to the extent required by professional standards. In addition, the scope of Services and the fees for Services are based on current laws and regulations. If changes in laws or regulations change Client's requirements or the scope of Crowe's work, the parties agree that Crowe's fees will be modified to a mutually agreed upon amount to reflect the changed level of Crowe's effort.

**PUBLICATION** – Client agrees to obtain Crowe's specific permission before using any Report or Crowe work product or Crowe's firm's name in a published document, and Client agrees to submit to Crowe copies of such documents to obtain Crowe's permission before they are filed or published.

**CLIENT REFERENCE** – From time to time Crowe is requested by prospective clients to provide references for Crowe's client offerings. Client agrees that Crowe may use Client's name and generally describe the nature of the engagement(s) provided to Client in marketing to prospective clients, and Crowe may also provide prospective clients with contact information for Client personnel familiar with Crowe's Services for Client.

**NO PUNITIVE OR CONSEQUENTIAL DAMAGES** – Any liability of Crowe will not include any special, consequential, incidental, punitive, or exemplary damages or loss nor any lost profits, goodwill, savings, or business opportunity, even if Crowe had reason to know of the possibility of such damages.

**LIMIT OF LIABILITY** – Except where it is judicially determined that Crowe performed its Services with gross negligence or willful misconduct, Crowe's liability will not exceed fees paid by Client to Crowe for the portion of the work giving rise to liability. A claim for a return of fees paid is the exclusive remedy for any damages. This limitation of liability is intended to apply to the full extent allowed by law, regardless of the grounds or nature of any claim asserted, and including, without limitation, claims based on principles of contract, negligence or other tort, fiduciary duty, warranty, indemnity, statute or common law. This limitation of liability will also apply after termination of this agreement.

**INDEMNIFICATION FOR THIRD-PARTY CLAIMS** – In the event of a legal proceeding or other claim brought against Crowe by a third party, except where it is judicially determined that Crowe performed Services with gross negligence or willful misconduct, Client agrees to indemnify and hold harmless Crowe and its personnel against all costs, fees, expenses, damages and liabilities, including attorney fees and any other fees or defense costs, associated with such third-party claim, relating to or arising from any Services performed or work product provided by Crowe that Client uses or discloses to others or this engagement generally. This indemnification is intended to apply to the fullest extent allowed by law, regardless of the grounds or nature of any claim, liability, or damages asserted, including, without limitation, to claims, liability or damages based on principles of contract, negligence or other tort, fiduciary duty, warranty, indemnity, statute or common law. This indemnification will also apply after termination of this agreement.

**NO TRANSFER OR ASSIGNMENT OF CLAIMS** – No claim against Crowe, or any recovery from or against Crowe, may be sold, assigned or otherwise transferred, in whole or in part.

**TIME LIMIT ON CLAIMS** – In no event will any action against Crowe, arising from or relating to this engagement letter or the Services provided by Crowe relating to this engagement, be brought after the earlier of 1) two (2) years after the date on which occurred the act or omission alleged to have been the cause of the injury alleged; or 2) the expiration of the applicable statute of limitations or repose.

**RESPONSE TO LEGAL PROCESS** – If Crowe is requested by subpoena, request for information, or through some other legal process to produce documents or testimony pertaining to Client or Crowe's Services, and Crowe is not named as a party in the applicable proceeding, then Client will reimburse Crowe for its professional time, plus out-of-pocket expenses, as well as reasonable attorney fees, Crowe incurs in responding to such request.

**MEDIATION** – If a dispute arises, in whole or in part, out of or related to this engagement, or after the date of this agreement, between Client or any of Client's affiliates or principals and Crowe, and if the dispute cannot be settled through negotiation, Client and Crowe agree first to try, in good faith, to settle the dispute by mediation administered by the American Arbitration Association, under its mediation rules for professional accounting and related services disputes, before resorting to litigation or any other dispute-resolution procedure. The results of mediation will be binding only upon agreement of each party to be bound. Costs of any mediation will be shared equally by both parties. Any mediation will be held in Chicago, Illinois.

**JURY TRIAL WAIVER** – FOR ALL DISPUTES RELATING TO OR ARISING BETWEEN THE PARTIES, THE PARTIES AGREE TO WAIVE A TRIAL BY JURY TO FACILITATE JUDICIAL RESOLUTION AND TO SAVE TIME AND EXPENSE. EACH PARTY AGREES IT HAS HAD THE OPPORTUNITY TO HAVE ITS LEGAL COUNSEL REVIEW THIS WAIVER. THIS WAIVER IS IRREVOCABLE, MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND APPLIES TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, OR MODIFICATIONS TO THIS AGREEMENT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A BENCH TRIAL WITHOUT A JURY.

HOWEVER, AND NOTWITHSTANDING THE FOREGOING, IF ANY COURT RULES OR FINDS THIS JURY TRIAL WAIVER TO BE UNENFORCEABLE AND INEFFECTIVE IN WAIVING A JURY, THEN ANY DISPUTE RELATING TO OR ARISING FROM THIS ENGAGEMENT OR THE PARTIES' RELATIONSHIP GENERALLY WILL BE RESOLVED BY ARBITRATION AS SET FORTH IN THE PARAGRAPH BELOW REGARDING "ARBITRATION."

**ARBITRATION** – If any court rules or finds that the JURY TRIAL WAIVER section above is not enforceable, then any dispute between the parties relating to or arising from this engagement or the parties' relationship generally will be settled by binding arbitration in Chicago, Illinois (or a location agreed in writing by the parties). Any dispute between the parties will be arbitrated by the arbitrator(s) in accordance with this section, including without limitation any dispute relating to whether a dispute is subject to arbitration or any issue concerning the applicability, interpretation or enforceability of this section or any of its procedures. The arbitration will be governed by the Federal Arbitration Act and resolved by the arbitrator(s). The parties will use the International Institute for Conflict Prevention & Resolution (the "CPR Institute") Global Rules for Accelerated Commercial Arbitration (the "Accelerated Rules") then in effect, or such other rules or procedures as the parties may agree. In the event of a conflict between those rules and this Agreement, this Agreement will control. If a party has a basis for injunctive relief, this paragraph will not preclude a party seeking and obtaining injunctive relief in a court of proper jurisdiction. The parties will agree within a reasonable period of time after notice is made of instituting the arbitration process whether to use one or three arbitrators, and if the parties cannot agree within fifteen (15) business days, the parties will use a single arbitrator. In any event the arbitrator(s) must be retired federal judges or attorneys with at least 15 years commercial law experience and no arbitrator may be appointed unless he or she has agreed to these procedures. If the parties cannot agree upon arbitrator(s) within an additional fifteen (15) business days, the arbitrator(s) will be selected by the CPR Institute. The arbitrator(s) may authorize only limited discovery upon a showing of substantial need by the party seeking discovery. The arbitrator(s) may rule on a summary basis, including without limitation on a motion to dismiss basis or on a summary judgment basis. The arbitrator(s) may enter such prehearing orders as may be appropriate to ensure a fair hearing. The hearing will be held within one year of the demand or less and must be concluded within ten business days absent written agreement by the parties to the contrary, but these time limits are not jurisdictional. The arbitrator(s) will apply substantive law and may award injunctive relief or any other remedy available from a judge. The arbitrator(s) may award attorney fees and costs to the prevailing party, and in the event of a split or partial award, the arbitrator(s) may award costs or attorney fees in an equitable manner. Any award by the arbitrator(s) will be accompanied by a reasoned opinion describing the basis of the award. The arbitration will be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq., and judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof. All aspects of the arbitration will be treated by the parties and the arbitrator(s) as confidential.

**NOTIFICATION OF NON-LICENSEE OWNERSHIP** – Crowe ("the Firm") and certain owners of the Firm are licensed by the California State Board of Accountancy. However, the Firm has owners not licensed by the California State Board of Accountancy who may provide Services under this agreement. If Client has any questions regarding licensure of the personnel performing Services under this engagement, please do not hesitate to contact Crowe.

**NON-SOLICITATION** – Client and Crowe acknowledge the importance of retaining key personnel. Accordingly, both parties agree that during the period of this agreement, and for one (1) year after its expiration or termination, neither party will solicit any personnel or subcontractors (if any) of the other party for employment without the written consent of the other party. If an individual becomes an employee of the other party, the other party agrees to pay a fee equal to the individual's compensation for the prior full twelve-month period to the original employer.

**AFFILIATES** – Crowe Horwath LLP is an independent member of Crowe Horwath International, a Swiss verein. Each member firm of Crowe Horwath International is a separate and independent legal entity. Crowe Horwath LLP and its affiliates are not responsible or liable for any acts or omissions of Crowe Horwath International or any other member of Crowe Horwath International and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Horwath International or any other member of Crowe Horwath International. Crowe Horwath International does not render any professional services and does not have an ownership or partnership interest in Crowe Horwath LLP. Crowe Horwath International and its other member firms are not responsible or liable for any acts or omissions of Crowe Horwath LLP and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Horwath LLP.



**Peer Review Program**

Administered by the National Peer Review Committee

American Institute of CPAs  
220 Leigh Farm Road  
Durham, NC 27707-8110

December 12, 2013

Charles M Allen, CPA  
Crowe Horwath LLP  
One Mid America Plaza, Suite 700  
Oakbrook Terrace, IL 60181

Dear Mr. Allen:

It is my pleasure to notify you that on December 12, 2013 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is September 30, 2016. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

Betty Jo Charles  
Chair, National Peer Review Committee  
nprc@aicpa.org 919 402-4502

cc: Scot D Ivey, Samuel E Johnson

Firm Number: 10014904

Review Number: 350003

## System Review Report

To the Partners of Crowe Horwath LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Crowe Horwath LLP (the firm) applicable to non-SEC issuers in effect for the year ended March 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) 1 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Crowe Horwath LLP applicable to non-SEC issuers in effect for the year ended March 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Crowe Horwath LLP has received a peer review rating of *pass*.

*Cherry Bekaert LLP*

Cherry Bekaert LLP  
September 24, 2013