

Smith  Sullivan  
& Brown PC  
CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581  
Tel: 508.871.7178 Fax: 508.871.7179 www.ssbcpa.com

Dear Client:

We are pleased that you have chosen our Firm to provide our services as independent accountants and tax preparers for the year ended December 31, 2016. This engagement letter embodies the entire agreement regarding the services to be rendered by our Firm to your Company.

**Services to be Provided**

We will prepare the U.S. Return of Partnership Income (Form 1065), as well as Massachusetts Form 3 and the related partner K-1 forms for the year ended December 31, 2016, and we will advise you on income tax matters as to which you specifically request our advice. Our Firm is responsible for preparing only the returns listed above. We will not audit or verify the data you submit, although we may ask you to clarify it or furnish us with additional data.

Our Firm is in compliance with, and will abide by, Massachusetts Data Privacy Law 201 CMR 17.00.

**Client Responsibilities**

In order to prepare your Federal and state tax returns in time for you to file the return by the **new** initial filing due date (**March 15<sup>th</sup> if a calendar year business**), we will need to receive your Company's final year-end trial balance and general ledger no later than forty-five (45) days before it is due (January 31<sup>st</sup> for a calendar year business). In some cases, unresolved tax issues or delays in processing may require applications for the extension of the initial or subsequent due dates.

By your signature below you are confirming to us that, unless we are otherwise advised, the travel, entertainment, gifts, and related expenses are supported by the necessary records required under Section 274 of the Internal Revenue Code. If you have any questions as to the type of records required, please ask us for advice in that regard.

By your signature below, you acknowledge that you are responsible for management decisions and functions. That responsibility includes designating qualified individuals with the necessary expertise to be responsible and accountable for overseeing all the specific services we perform as part of this engagement, as well as evaluating the adequacy and results of the services performed.

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Management is responsible for the design, implementation and administration of applicable policies that may be required under the Affordable Care Act. Therefore, we are not responsible for advising you with respect to the legal or regulatory aspects of your company's compliance with the Affordable Care Act.

Your returns may be selected for review by the taxing authorities. In the event of an audit, you may be requested to produce documents, records or other evidence to substantiate the items of income and deduction shown on a tax return. Any proposed adjustments by the examining agent are subject to certain right of appeal. In the event of such government 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 returns.

The IRS and U.S. Treasury issued final tangible property regulations (TPRs) that govern when taxpayers must capitalize and when they can deduct expenditures for acquiring, producing or improving tangible property. These regulations were fully effective for tax years beginning on or after January 1, 2014. The final regulations created new annual elections, and while certain safe harbors and elections are implemented through filing statements or treatment of an item on a timely filed federal tax return, the IRS considers the remaining provisions to be a change in accounting method, which may require the filing of Form 3115, *Application for Change in Accounting Method*.

If we become aware that you may be using an accounting method not in accordance with the final TPR regulations, our Firm may need additional time to analyze your current and prior acquisitions and improvements to properly complete Form 3115. By your signature below, you accept ultimate responsibility for your capitalization analyses and decisions, and you agree to provide us with the information necessary to prepare the appropriate elections and/or method change IRS form(s). Please ask us for advice if you have any questions regarding your company's application of these regulations.

If you have provided us with your QuickBooks file for the purpose of preparing the above-mentioned tax returns, by your signature below, you understand that we are not responsible for the accuracy and completeness of the underlying transactions included in your QuickBooks file.

You are also confirming that you will furnish us with all the information required for preparing the returns. All individual partners are responsible for submitting their individual K-1s to their own tax preparers for inclusion with their individual tax returns.

We will use our professional judgment in preparing your returns. Whenever we are aware that a possibly applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (e.g., tax agencies and courts), we will explain the possible positions that may be taken on your return. In accordance with our professional standards, we will follow whatever position you request, as long as it is consistent with the codes, regulations, and interpretations that have been promulgated. If the Internal Revenue Service should later contest the position taken, there may be an assessment of additional tax plus interest and penalties. We assume no liability for any such additional penalties or assessments. In the event, however, that you ask us to take a tax position that in our professional judgment will not meet the applicable laws and standards as promulgated, we reserve the right to stop work and shall not be liable for any damages that occur as a result of ceasing to render services.

The law provides for a penalty to be imposed when a taxpayer makes a substantial understatement of his or her tax liability. For partnerships and individual taxpayers, a substantial understatement exists when the understatement for the year exceeds the greater of 10 percent of the tax required to be shown on the return or \$5,000. The penalty is 20 percent of tax underpayment. Taxpayers other than "tax shelters" may seek to avoid all or part of the penalty by showing (1) that they acted in good faith and there was reasonable cause for the understatement, (2) that the understatement was based on substantial authority, or (3) that the relevant facts affecting the item's tax treatment were adequately disclosed on the return. A taxpayer is considered a "tax shelter" if its principal purpose is to avoid federal income tax. Because a partnership is an entity whose tax attributes flow through to its partners, the penalty for substantial understatement of tax relating to partnership items may be imposed on the partners. You agree to advise us if you wish disclosure to be made in your returns or if you desire us to identify or perform further research with respect to any material tax issues for the purpose of ascertaining whether, in our opinion, there is "substantial authority" for the position proposed to be taken on such issues in your returns.

Our work in connection with the preparation of your partnership income tax returns does not include any procedures designed to discover fraud, defalcations, or other irregularities, should any exist. We will render such accounting and bookkeeping assistance as we find necessary for preparing the partnership income tax returns. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign.

### **Foreign Matters**

Please note that any person or entity subject to the jurisdiction of the United States (includes individuals, corporations, partnerships, trusts, and estates) having a financial interest in, or signature or other authority over, bank accounts, securities, or other financial accounts having an aggregate value exceeding \$10,000 in the calendar year in a foreign country, shall report such a relationship. Although there are some limited exceptions, filing requirements also apply to taxpayers that have direct or indirect control over a foreign or domestic entity with foreign financial accounts, even if the taxpayer does not have foreign account(s).

For example, a corporate-owned foreign account would require filings by the corporation *and* by the individual corporate officers with signature authority. Failure to disclose the required information to the U.S. Department of the Treasury may result in substantial civil and/or criminal penalties.

If you and/or your entity have a financial interest in, or signature authority over, any foreign accounts, you are responsible for providing our Firm with all the information necessary to prepare the Report of Foreign Bank and Financial Accounts (FBAR) required by the U.S. Department of the Treasury in order for the FBAR to be received by the Department on or before the due date of each tax year. In 2015, a new law was passed that, among other tax deadline changes, also impacted the FBAR due date for 2016 FBARs required to be filed in 2017. **As such, beginning with the 2017 tax filing season, if you have an FBAR filing requirement, the new FBAR filing deadline is now April 15<sup>th</sup>.** However, an extension can be requested for a maximum period of six months ending on October 15<sup>th</sup> of each tax year. Therefore, you will need to provide us with the necessary information if you would like us to request an extension on your behalf.

It is mandatory to electronically file the FBAR reports using the Bank Secrecy Act (BSA) e-filing system for the Financial Crimes Enforcement Network (FinCEN). If you would like our Firm to submit your electronic FBAR report (FinCEN Form 114) on your behalf, we must receive a signed consent form (FinCEN Form 114a) from you prior to submitting the foreign reporting form.

If you do not provide our Firm with information regarding any interest you may have in a foreign account, or if we do not receive your signed authorization to file your foreign reporting form, we will not be able to prepare and file any of the required disclosure statements.

In addition, the Internal Revenue Service also requires information reporting under applicable Internal Revenue Code sections and related regulations, and the respective IRS tax forms are due when your income tax return is due, including extensions. The IRS reporting requirements are in addition to the U.S. Department of the Treasury reporting requirements stated above. Therefore, if you fall into one of the below categories, or if you have any direct or indirect foreign interests, you may be required to file applicable IRS forms.

- Form 8938 - You are an individual or entity with ownership of foreign financial assets and meet the specified criteria;
- Form 5471 - You are an officer, director, or shareholder with respect to certain foreign corporations;
- Form 5472 - You are a foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business;
- Form 926 - You are a U.S. transferor of property to a foreign corporation;
- Forms 3520 and 3520-A - You are a U.S. person with an interest in a foreign trust; or
- Form 8865 - You are a U.S. person with interests in a foreign partnership.

Failure to timely file the appropriate forms with the U.S. Department of the Treasury and the Internal Revenue Service may result in substantial monetary penalties. By your signature below, you accept responsibility for informing us if you believe that you may have foreign reporting requirements with the U.S. Department of the Treasury and/or Internal Revenue Service and you agree to timely provide us with the information necessary to prepare the appropriate form(s). We assume no liability for penalties associated with the failure or untimely filing of any of these forms.

### **Other Matters**

Federal law has extended the attorney-client privilege to some, but not all, communications between a client and the client's CPA. The privilege applies only to non-criminal tax matters that are before the IRS or brought by or against the U.S. government in a federal court. The communications must be made in connection with tax advice. Communications solely concerning the preparation of a tax return will not be privileged.

In addition, the confidentiality privilege can be inadvertently waived if the contents of any privileged communication are discussed with a third party, such as a lending institution, a friend, or a business associate. We recommend that you contact us before releasing any privileged information to a third party. As a partnership, you need to be especially careful about privileged communications. If a communication is made in the presence of a partner-employee who is not authorized to act or speak for the partnership in relation to the communication's subject matter, then the communication will be deemed to be made in the presence of a third party and any privilege will be waived.

If we are asked to disclose any privileged communication, unless we are required to disclose the communication by law, we will not provide such disclosure until you have had an opportunity to argue that the communication is privileged. You agree to pay any and all reasonable expenses that we incur, including legal fees, that are a result of attempts to protect any communication as privileged.

In addition, in the event our Firm or any of its employees or agents is called as a witness or requested to provide any information whether oral, written, or electronic in any judicial, quasi-judicial, or administrative hearing or trial regarding information or communications that you have provided to this Firm, or any documents and work papers prepared by our Firm in accordance with the terms of this agreement, you agree to pay any and all reasonable expenses, including fees and costs for our time at the rates specified in our engagement letter, as well as any legal or other fees that we incur as a result of such appearance or production of documents.

In connection with this engagement, we may communicate with you or others via email transmission. We take reasonable measures to secure your confidential information in our email transmissions, including password protecting tax returns and other confidential documents. However, as emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered to and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of email transmissions, or for the unauthorized use or failed delivery of emails 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 the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of sales or anticipated profits, or disclosure or communication of confidential or proprietary information.

The IRS permits you to authorize us to discuss, on a limited basis, aspects of your return for one full year after the return's due date. Your consent to such discussion is evidenced by checking a box on the return. Unless you tell us otherwise, we will check that box authorizing the IRS to discuss your return with us.

### **Extending Completion Deadlines**

You agree that in the event your returns cannot be completed by the due date, it may become necessary for us to apply to extend the due date. Extensions are required when we do not receive information needed to prepare a return on a timely basis. Applying for an extension of time to file may extend the time available for a government agency to undertake an audit of your return or may extend the statute of limitations. Additionally, extensions may affect your liability for penalties and interest or compliance with government and constituent deadlines. We are available to discuss this matter with you at your request at our regular hourly fee should the need arise.

### **Record Retention**

In accordance with our Firm's current document retention policy, we will retain copies of the records you have supplied us along with other work papers for your engagement for a period of seven years. All of your original records will be returned to you. When records are returned to you, it is your responsibility to retain and protect the record for possible future use, including potential examination by governmental or regulatory agencies. After seven years, our work papers and files will no longer be available. Physical deterioration or catastrophic events may shorten the time during which records will be available. The working papers and files of our Firm are not a substitute for the original records of your company. It is agreed and understood that in connection with the performance of this engagement by our Firm that the workpapers prepared by us shall remain the property of our Firm.

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By your signature below, you acknowledge and agree that upon the expiration of the seven-year period our Firm shall be free to destroy our records related to this engagement.

### **Fees and Request for Additional Services**

Our fee will be based upon the amount of time required, billed at our regular hourly rates for the persons performing the work, plus out-of-pocket expenses. Our current rates range from \$50 to \$225 per hour. Accounting services required to prepare a complete and accurate return, such as preparing reconciliations for certain balance sheet and income statement accounts are also billed at our regular hourly rates. In addition, if your partnership requires additional state returns, the time spent on the preparation of the additional state return will be billed at our regular hourly rates.

The fee will be based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee before we incur additional costs.

As a matter of administration our fees are billed as services are rendered, typically semi-monthly and are due upon presentation. In accordance with our Firm's policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed the tax returns. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope and estimated cost of these additional services. Engagements for additional services may necessitate that we issue a separate engagement letter to reflect the obligations of both parties. In the absence of any other written communications from us documenting such additional services, our services will be governed by the terms of this engagement letter.

In the event of a dispute over any matter concerning the engagement (including payment of our fees and costs) which results in arbitration or litigation, it is agreed the prevailing party shall be awarded reasonable attorney fees, expenses and costs incurred after the earlier of the filing of litigation or the demand for arbitration.

We have the right to withdraw from this engagement, in our discretion, if you don't provide us with any information we request in a timely manner, refuse to cooperate with our reasonable requests, or misrepresent any facts. Our withdrawal will release us from any obligation to complete your return and will constitute completion of our engagement. You agree to compensate us for our time and out-of-pocket expenses through the date of our withdrawal.

However, we wish to assure you that...

***We will take whatever time is necessary to maintain the standards of quality we both expect.***

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We appreciate the opportunity to present this engagement letter to your Company and look forward to the prospect of serving your accounting and tax needs for many years to come. We believe that this letter would accurately summarize the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign below and return it to us. **We will not be able to sign a completed tax return or prepare an extension until we receive this signed engagement letter.** Signed engagement letters can be faxed to: 508-871-7179, scanned or emailed to: debbie@ssbcpa.com or mailed to: Smith, Sullivan & Brown, P.C., 80 Flanders Road, Suite 200, Westborough, Massachusetts 01581.

*Smith, Sullivan & Brown, P.C.*

Smith, Sullivan & Brown, P.C.  
Westborough, Massachusetts

**APPROVED BY:**

**BY:** \_\_\_\_\_

**TITLE:** \_\_\_\_\_

**DATE:** \_\_\_\_\_