

Engagement Letter – Partnerships

Terms and Conditions of Tax Preparation Services for Partnerships

Engagement Objective and Scope

We will prepare the federal and state tax returns as listed on the signature page included with your tax organizer.

We will not prepare any tax returns except those identified above, without your written request, and our written consent to do so. We will prepare your tax returns based upon information and representations that you provide to us. We have not been engaged to and will not prepare financial statements. We will not audit or otherwise verify the data you submit to us, although we may ask you to clarify certain information.

We will prepare the above-referenced tax returns solely for filing with the Internal Revenue Service (“IRS”) and state and local tax authorities as identified above. Our work is not intended to benefit or influence any third party, either to obtain credit or for any other purpose.

You agree to indemnify and hold us harmless with respect to any and all claims arising from the use of the tax returns for any purpose other than filing with the IRS and state and local tax authorities regardless of the nature of the claim, including the negligence of any party.

Our engagement does not include any procedures designed to detect errors, fraud, or theft. Therefore, our engagement cannot be relied upon to disclose such matters. In addition, we are not responsible for identifying or communicating deficiencies in your internal controls. You are responsible for developing and implementing internal controls applicable to your operations.

This document confirms our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide. The engagement between you and our company will be governed by the terms of this Agreement.

This engagement is limited to the professional services agreed to on the signature page.

CPA Firm Responsibilities

Unless otherwise noted, we will perform our services in accordance with the Statements on Standards for Tax Services (“SSTSs”) issued by the American Institute of Certified Public Accountants (“AICPA”) and U.S. Treasury Department Circular 230 (“Circular 230”). It is our duty to perform services with the same standard of care that a reasonable income tax preparer would exercise in this type of engagement. It is your responsibility to safeguard your assets and maintain accurate records pertaining to transactions. We will not hold your property in trust for you, or otherwise accept fiduciary duties in the performance of the engagement.

Bookkeeping assistance

We may deem it necessary to provide you with accounting and bookkeeping assistance solely for the purpose of preparing the tax returns. These services will be performed solely in accordance with the AICPA Code of Professional Conduct. We will request your approval in writing before rendering these services. Additional charges will apply for such services.

Tax planning services

Tax planning services are not within the scope of this engagement. During the course of preparing the tax returns identified on the signature page, we may bring to your attention potential tax savings strategies for you to consider as a possible means of reducing your taxes in subsequent tax years. However, we have no responsibility to do so, and will take no action with respect to such recommendations, as the responsibility for implementation remains with you, the taxpayer. If you ask us to provide tax planning services, we will confirm this representation in a separate engagement letter.

Government inquiries

This engagement does not include responding to inquiries by any governmental agency or tax authority. If your tax return is selected for examination or audit, you may request our assistance in responding to such an inquiry. If you ask us to represent you, we will confirm this representation in a separate engagement letter.

Third-party requests

We will not respond to any request from banks, mortgage brokers or others for verification of any information reported on these tax returns. We do not communicate with third parties or provide them with copies of tax returns.

Tax Advice

Any advice we may provide is based upon tax reference materials, facts, assumptions, and representations that are subject to change. Tax reference materials include, but are not limited to, the Internal Revenue Code (“IRC”), tax regulations, Revenue Rulings, Revenue Procedures, private letter rulings and court decisions. We will not update our advice after the conclusion of the engagement for subsequent legislative or administrative changes or future judicial interpretations. To the extent we provide written advice concerning federal tax matters, we will follow the guidance contained in Circular 230, §10.37, Requirements for Written Advice.

Arguable Positions

We will use our judgment to resolve questions in your favor where a tax law is unclear, provided there is sufficient support for doing so. If there are conflicting interpretations of the law, we will explain the possible positions that may be taken on your return. We will follow the position you request, provided it is consistent with our understanding of the Internal Revenue Code (“IRC”), tax regulations, Revenue Rulings, Revenue Procedures, private letter rulings and court decisions. If the IRS, state or local tax authorities later contest the position taken, additional tax, penalties and interest may be assessed. We assume no liability, and you hereby release us from any

liability including but not limited to, additional tax, penalties, interest, and related professional fees.

Reliance on Others

If you wish to take a tax position based upon the advice of another tax advisor, you agree to obtain a written statement from the advisor confirming that the position should meet the “realistic possibility,” “substantial authority,” or “more likely than not” standard, as applicable. In preparing your federal tax return, we are subject to a diligence as to accuracy regarding reliance on others standard, as defined in revisions to Circular 230, §10.37(b). To the extent a position is based upon the advice of another tax advisor, prior to preparing or signing the tax return, the AICPA SSTS No. 1 also requires our firm to have a good faith belief that the position has, at a minimum, a realistic possibility of being sustained administratively or judicially on its merits, if challenged. Additional charges will apply to such research.

Substantial Understatement Penalties

The IRS and many states impose penalties for substantial understatement of tax. To avoid the substantial understatement penalty, you must have substantial authority to support the tax treatment of the item challenged by the IRS or adequate disclosure of the item. To fulfill the adequate disclosure requirement, you may be required to attach to your tax return a completed IRS Form 8275, Disclosure Statement, or 8275-R, Regulation Disclosure Statement, which discloses all relevant facts. A disclosed tax position that meets the reasonable basis standard must have some authority supporting the position and be more than simply arguable.

You agree to advise us if you wish to disclose a tax treatment on your return. If you request our assistance in identifying or performing further research to ascertain if there is substantial authority for the proposed position to be taken on the tax item(s) in your returns, we will confirm this representation in a separate engagement letter. It is your responsibility to contact us if additional assistance is required.

If we conclude as a result of our research that you are required to disclose a transaction on your tax return, you consent to attach a completed Form 8275 or 8275-R to your tax return for filing after we discuss the situation with you. You also agree to hold our firm harmless from any and all actual and consequential damages (including but not limited to tax, penalties, interest, and professional fees) you incur as a result of including such disclosures with your filed tax return regardless of the nature of the claim, including the negligence of any party.

Unless an undisclosed tax position meets the “realistic possibility” standard, as applicable, we will be unable to prepare the return and will withdraw from the engagement.

Listed Transactions and Other Reportable Transactions

The law imposes substantial penalties on taxpayers and tax advisors for failure to disclose listed and other reportable transactions on Form 8886, Reportable Transaction Disclosure Statement. In general, reportable transactions are potentially abusive transactions identified by the IRS whose primary purpose is tax avoidance, including but not limited to listed transactions, confidential transactions, transactions with contractual protection, loss transactions, and transactions of interest. You agree to advise us of any reportable transactions identified under tax laws and

regulations. You agree that it is solely your decision to disclose any reportable transactions in the returns we prepare for you. Additional charges will apply for such research.

You acknowledge your responsibility to inform us of any listed transactions or other reportable transactions as designated by the IRS. You agree to hold our firm harmless with respect to any liability including but not limited to, additional tax, penalties, interest and professional fees resulting from your failure to timely notify us, in writing, of all such transactions in order to facilitate the timely preparation and filing of your tax returns.

Tax Shelters

Section 506 of the Tax Extenders and Alternative Minimum Tax Relief Act of 2008 requires our firm, as tax return preparers, to conform to a higher standard than the taxpayer when an undisclosed tax position is related to a tax shelter as defined in IRC §6662(d)(2)(C)(ii), Imposition of Accuracy-Related Penalty on Underpayments, or a reportable transaction to which IRC §6662A, Imposition of Accuracy-Related Penalty on Understatements with Respect to Reportable Transactions, applies. This higher standard requires the preparer to have a reasonable belief that the undisclosed tax position would more likely than not be sustained on its merits if challenged by the IRS, and that there be a reasonable basis for the tax treatment. We may have to spend additional time preparing your return due to the research and analysis necessary to meet the standard. Accordingly, by executing this Agreement, you acknowledge that you are aware of this difference in standards, and consent to our preparation of your federal tax return in accordance with the standards applicable to our firm as tax preparers.

Conflicts of interest

If we, in our sole discretion, believe a conflict has arisen affecting our ability to deliver services to you in accordance with either the ethical standards of our firm or the ethical standards of our profession, we may be required to suspend or terminate our services without issuing our work product.

Client Responsibilities

You will provide us with a trial balance and other supporting data necessary to prepare your tax returns. You must provide us with accurate and complete information. Income from all sources, including those outside of the U.S., is required.

We rely upon the accuracy and completeness of both the information you provide in the trial balance and other supporting data you provide in rendering professional services to you.

You authorize us to accept instructions from your representative for this engagement.

On-line access to information

To the extent you provide our firm with access to electronic data via a local or online database from which we will download your trial balance or other information, you agree that the data is accurate as of the date and time you authorize it to be downloaded.

Changes in ownership

You are responsible for advising us of any changes in ownership so we can properly reflect those on the tax returns.

Partnership or limited liability company (LLC) agreement

You should review your partnership (or LLC) agreement with your attorney to ensure it addresses the significant changes to the partnership audit regime that will generally apply to partnership returns filed after 2018. These changes include, but are not limited to the following:

- Replacement of a “tax matters partner” with a “partnership representative,”
- Current partners being held responsible for tax liabilities of prior partners,
- The partnership being held responsible for remittance of additional tax rather than individual partners being taxed, and
- Numerous elections or opt-outs that the “partnership representative” may make.

In addition, you should review your partnership or LLC agreement to ensure that it meets your goals for the transfer of ownership and distribution of income. Often, partnership agreements do not address the transfer of ownership or may require updating as circumstances change. A review of your partnership or LLC agreement is not within the scope of this engagement.

Tax basis schedules

You are responsible for maintaining tax basis schedules for partners or LLC members. If you ask us to prepare these schedules, we will confirm this service in a separate engagement letter.

Allocation of partnership income and expenses

You are responsible for verifying the accuracy of both the allocation of partnership income per the terms of the partnership agreement and the partnership income calculations used in the preparation of the tax returns.

The Treasury Department has proposed regulations under IRC §752, Treatment of Certain Liabilities, concerning transactions between partners and the partnership, on the allocation among partners of partnership level debt and disguised sales under IRC §707, Transactions Between Partner and Partnership. If you ask us to evaluate compliance with IRC §707 and/or §752, we will confirm this evaluation in a separate engagement letter.

Partner salaries

A partner or LLC member who receives a guaranteed salary payment is not regarded as an employee of the entity for the purpose of withholding or Social Security taxes. Therefore, any additional fringe benefits a partner or LLC member receives are not subject to withholding. These fringe benefits may, however, be included in the income of the partner or LLC member. You are responsible for informing us of the total guaranteed payments, including fringe benefits, received by each partner or LLC member.

Schedule K-1 distribution

You are responsible for distributing a copy of the partnership or LLC's Schedule K-1s to each partner or member.

Documentation

You are responsible for maintaining adequate documentation to substantiate the accuracy and completeness of your tax returns. You should retain all documents that provide evidence and support for reported income, credits, and deductions on your returns, as required under applicable tax laws and regulations. You are responsible for the adequacy of all information provided in such documents. You represent that you have such documentation and can produce it if necessary, to respond to any audit or inquiry by tax authorities. You agree to hold our firm harmless from any liability including but not limited to, additional tax, penalties, interest and professional fees resulting from the disallowance of tax deductions due to inadequate documentation.

Personal expenses

You are responsible for ensuring that personal expenses, if any, are segregated from business expenses and that expenses such as meals, travel, vehicle use, gifts, and related expenses are supported by necessary records required by the IRS and other tax authorities. At your written request, we are available to provide you with written answers to your questions on the types of supporting records required.

State and local filing obligations

On June 21, 2018, the U.S. Supreme Court reversed the long-standing physical presence nexus standard in *South Dakota v. Wayfair, Inc. et. Al.* This decision significantly changes the landscape of sales and use tax compliance, especially for online sellers. If you wish to understand the impact of the decision on your business, we will confirm this in a separate engagement letter. The scope of our services under this engagement does not include services related to your compliance with other tax obligations.

You are responsible for determining your tax filing obligations with any state or local tax authorities, including, but not limited to, income, franchise, sales, use, property or unclaimed property taxes. You agree that we have no responsibility to research these obligations or to inform you of them. If upon review of the information you have provided to us, including information that comes to our attention, we believe that you may have additional filing obligations, we will notify you. If you ask us to prepare these returns, we will confirm this representation in a separate engagement letter.

Foreign filing obligations

You are responsible for complying with the tax filing requirements of any other country. You acknowledge and agree that we have no responsibility to raise these issues with you and that foreign filing obligations are not within the scope of this engagement.

Employment records

You are responsible for obtaining Form I-9, Employment Eligibility Verification, from each new employee at the time of employment. In addition, Federal Form W-4, Employee's Withholding Allowance Certificate, and the applicable state equivalent should be retained for all employees.

Failure to obtain these forms may subject an employer to penalties. Additional state requirements related to employment records may exist. At your written request, we are available to provide written answers to your questions on required documentation.

Worker classification

You acknowledge and confirm that you, in consultation with other professional advisors, as needed, are responsible for determining the correctness of any worker classification. Payroll tax withholding and related employer payroll tax implications result from this determination. We recommend obtaining a signed contract and signed Form W-9, Request for Taxpayer Identification Number and Certification, for Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals), from all independent contractors. You should provide all independent contractors with both forms and let them decide which form (W-9 or W-8BEN) is reflective of their status.

You should also issue a Form 1099-MISC, Miscellaneous Income, to all unincorporated independent contractors to whom you pay \$600 or more for services. For those who provided a completed Form W-8BEN, a Form 1042-S must be issued to individuals if any payment is made from U.S. sources that would be deemed to be fixed or determinable annual or periodical income or other types of income included in the instructions, even if these payments are subject to a reduced income tax withholding rate or are exempt from income tax withholding due to an income tax treaty. In addition, state rules should also be reviewed to determine if state taxes are required to be withheld and separate returns completed for any independent contractor. At your written request, we are available to provide written answers to your questions on required documentation.

Ultimate responsibility

You have final responsibility for your tax returns. We will provide you with a copy of your electronic tax returns and accompanying schedules and statements for review prior to filing with the IRS and state and local tax authorities, as applicable. You agree to review and examine them carefully for accuracy and completeness.

You will be required to verify and sign a completed Form 8879-PES, *IRS e-file Signature Authorization for Form 1065*, and any similar state and local equivalent authorization form before your returns can be filed electronically.

IRS regulations require paid tax preparers who expect to prepare and file 11 or more federal or trust tax returns to file them electronically. To comply with this requirement, your tax returns will be electronically filed.

In the event that you do not wish to have your tax returns filed electronically, please contact our company. Additional procedures will apply along with an additional \$50 fee to cover the paper

processing of your tax returns. You will be responsible for reviewing the paper returns for accuracy, signing them, and filing them timely with the tax authorities.

Timing of the Engagement

We expect to begin our services upon receipt of the executed signature page, your trial balance, and other supporting data agreed to above.

Our services will conclude upon the earlier of:

- the filing and acceptance of your tax returns by the appropriate tax authorities and mailing or delivery of non-electronically filed tax returns (if any) for your review and filing with the appropriate tax authorities,
- written notification by either party that the engagement is terminated, or
- one year from the execution date of the signature page.

If you wish to file paper tax returns, our services will conclude upon the earlier of:

- mailing or delivery of your tax returns for your review and filing with the appropriate tax authorities,
- written notification by either party that the engagement is terminated, or
- one year from the execution date of the signature page.

Extensions of Time to File Tax Returns

The original filing due date for your tax return is the 15th day of the 3rd month after the end of the organization's taxable year. If you have a calendar year end, your tax return is due March 15th for federal and April 15th for State. **All information needed to complete the tax returns must be received as soon as possible after the organization's taxable year but not later than February 10, 2020 so that the returns may be completed by the original filing due dates.**

It may become necessary to apply for an extension of the filing deadline if there are unresolved issues or delays in processing, or if we do not receive all of the necessary information from you 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 to file a legal action. All taxes owed are due by the original filing due date. Additionally, extensions may affect your liability for penalties and interest or compliance with governmental or other deadlines.

To the extent you wish to engage our firm to apply for extensions of time to file tax returns on your behalf, you must notify us of this request in writing. We have added this authorization to the signature page for your convenience. Our firm will not file these applications unless we receive the signature page containing your authorization to file for an extension. In some cases, your signature may be needed on such applications prior to filing. Failure to timely request an extension of time to file can result in penalties for failure to file tax returns, which accrue from the original due date of the returns, and can be substantial.

We are available to discuss this matter with you at your request. Additional charges will apply for such services.

Penalties and Interest Charges

Federal, state, and local tax authorities impose various penalties and interest charges for non-compliance with tax laws and regulations including failure to file or late filing of returns, and underpayment of taxes. You, as the taxpayer, remain responsible for the payment of all tax, penalties, and interest charges imposed by tax authorities.

We rely on the accuracy and completeness of the information you provide to us in connection with the preparation of your tax returns. Failure to disclose or inadequate disclosure of income or tax positions may result in the imposition of penalties and interest charges.

Professional Fees

Our professional fee for the services outlined above is as agreed to on the signature page. This fee is based upon the complexity of the work to be performed, and our professional time, as well as out-of-pocket expenses. In addition, this fee depends upon the timely delivery, availability, quality, and completeness of the information you provide to us. You agree that you will deliver all records requested and respond to all inquiries made by our staff to complete this engagement on a timely basis. You agree to pay all fees and expenses incurred whether or not we prepare the tax returns.

Payment of our fee as shown on the signature page is expected at the conclusion of our services as described in the Timing of the Engagement section above.

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We appreciate the opportunity to be of service to you. Please date and sign the signature page and return it to us to acknowledge your acceptance. We will not initiate services until we receive the signature page.

THE HAHN COMPANY LLC