

Blair & Associates, LLC  
2911 Route 88, Suite 4  
Point Pleasant, NJ 08742  
732-899-3005

February 12, 2018

**1065 – 2017 PARTNERSHIP TAX RETURN ENGAGEMENT LETTER**

This letter is to confirm and specify the terms of our engagement for the year ended 2017 and to clarify the nature and extent of the services we will provide. In order to ensure an understanding of our mutual responsibilities, we ask all clients for whom we prepare returns to confirm the following arrangements. Also, by signing this engagement letter, you acknowledge that you are the person authorized by the partnership to act on its behalf with respect to the tax matters of the partnership.

We will prepare your 2017 federal and related state partnership income tax returns, as determined from the information you provide to us. We will prepare the returns based on our understanding of the current tax laws, regulations, rulings and judicial precedents. In preparing the returns, we will rely upon the completeness and accuracy of the supporting documents and other data that you supply to us, as well as documents that you authorize other service providers to forward to us on your behalf. We will not monitor the activities of third party providers who forward us such information. In the event we prepared your income tax returns for any prior years, we will also rely upon the information you supplied to us to prepare those returns. To the extent you become aware that any information you previously supplied to us is inaccurate or has changed, you agree to notify us in writing as soon as practicable. We will not audit or otherwise verify the data you submit, although it may be necessary to ask you for clarification of some of the information. The partnership returns are due by March 15, 2018. Our office will need all of the information necessary to prepare this return no later than March 1, 2018. Information submitted after March 1, 2018, will cause the return to go on extension. Our office is not liable for any resulting tax, interest, or penalties to the partnership or shareholders as a result of placing the return on extension.

If the partnership has any foreign partners or maintains a financial interest in a foreign account, you are responsible to notify our firm so we can make arrangements to file the necessary forms.

It is your responsibility to provide all the information required for the preparation of complete and accurate returns. You should retain all the documents, canceled checks and other data that form the basis of your income and deductions. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority.

Our engagement cannot be relied upon to disclose errors, fraud or other illegal acts that may exist. However, we will inform you of any material errors that come to our attention and any fraud that comes to our attention. We will also inform you of any other illegal acts that come to our attention, unless clearly inconsequential. Our responsibility as tax preparer is limited to the tax period specified above and does not extend to any later periods of which we are not engaged as the tax preparer.

Our services are not designed to provide assurance on internal controls or to identify reportable conditions, that is, significant deficiencies or material weaknesses in the design or operation of internal control. Accordingly, we have no responsibility to identify and communicate significant deficiencies or material weaknesses in your internal controls as part of this engagement, and our engagement cannot be relied upon to disclose the same. However, during the procedures, if we become aware of such reportable conditions, we will communicate them to you.

**Our firm only provides preparation of income tax returns as a result of this engagement. No other services are included.** We can provide clients (through the use of an outside accounting firm) services specifically focused on identifying and addressing weaknesses in internal controls (internal control review), and on searching for the existence of fraud within your company (fraud audit). We can also provide (through the use of an outside consultant) a sales and use tax compliance review. This service examines whether or not your company is charging sales tax properly and/or paying use tax properly. The estimated cost of these services averages \$4,000-\$7,000 for each type of engagement. **Clients must notify us in writing if they wish to make arrangements for any of these services.** After consideration of such services,

Blair & Associates, LLC  
2911 Route 88, Suite 4  
Point Pleasant, NJ 08742  
732-899-3005

and by signing this agreement, you acknowledge that you only wish to retain us to perform the income tax return preparation services described in this letter.

We **will not** be responsible for advising you with respect to independent contractor status as part of our services. If you have any questions regarding the classification of employees versus independent contractors, we strongly encourage you to consult with legal counsel experienced in employment practice matters.

You are responsible for adopting sound accounting policies, for maintaining an adequate and efficient accounting system, for safeguarding assets, for authorizing transactions, for retaining supporting documentation for those transactions, and for devising a system of internal controls that will, among other things, help assure the preparation of proper income tax returns. Furthermore, you are responsible for management decisions and functions, for designating a competent employee to oversee any of the services we provide, and for evaluating the adequacy and results of those services. You have the final responsibility for the income tax returns and, therefore, should review them carefully before you sign and file them.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Company involving (a) management (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

Because of their special purpose, nature and format, income tax returns do not constitute financial statements prepared in accordance with generally accepted accounting principles. The tax returns will be used only for income tax purposes and will not be used as a substitute for financial statements. Our work in connection with the preparation of the partnership returns does not include any procedures designed to discover fraud, theft or other illegal acts, should any exist. You have indicated that you will be responsible for overseeing the preparation and filing of these tax returns, for evaluating the adequacy and accepting the results of these returns, and for making all management decisions with respect to these returns.

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

The law provides for a penalty to be imposed where a taxpayer makes a substantial understatement of their tax liability. For partnerships, 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 the 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 Form 8275 or 8275-R attached to the return and there was reasonable basis for the position. A taxpayer is considered a "tax shelter" if its principal purpose is to avoid federal income tax. 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 issue in your returns.

Since the administration of the tax laws is dependent upon interpretation and verification, it is possible that issues may arise which will result in the examination of your income tax returns by the taxing authorities. The most common reasons for audit adjustments as a result of an examination are listed below this paragraph. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination, we will be available upon request to represent you and will render additional invoices for the time and expenses incurred.

Blair & Associates, LLC  
2911 Route 88, Suite 4  
Point Pleasant, NJ 08742  
732-899-3005

### **Common Reasons for Audit Adjustments**

- Inadequate documentation of income earned or expenses paid.
- Paying personal expenses with business funds.
- Failing to charge sales tax when appropriate and/or pay sales or use tax on taxable purchases made by the business. Use tax is generally due on purchases made from out of state vendors.
- An insufficient accounting system and procedure to support the amounts listed on the tax return.
- Too many vehicles that are paid for using company funds.
- Insufficient frequency of accounting services. Clients that generally submit information to our offices on an annual basis, do not allow time to correct mistakes and allow for tax planning.
- Borrowing money from your business with no specific plan to repay.

This list does not include all reasons for audit adjustments. If you have any questions regarding this list, please contact our office.

Our fee for these services will be based upon the amount of time required to complete the task and the experience level of the professional performing the task, based on our standard billing rates, plus out-of-pocket expenses. It is possible that a non-licensure principal may provide certain services in connection with this engagement. All invoices are due and payable upon presentation. A service charge will be assessed to unpaid invoices after 30 days.

You agree that Blair & Associates, LLC, and its personnel shall not be liable for any claims, liabilities, or expenses relating to this engagement for an aggregate amount in excess of the fees paid by you to Blair & Associates, LLC, pursuant to this engagement, except to the extent finally judicially determined to have resulted primarily from the bad faith or intentional misconduct of Blair & Associates, LLC.

Both you and Blair & Associates, LLC, agree that any dispute that may arise regarding the meaning, performance or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation upon the written request of any party to the engagement. The parties agree they will try in good faith to settle the dispute in mediation. All mediations initiated as a result of this engagement shall be administered by the American Arbitration Association (AAA) in accordance with its Dispute Resolution Rules of Professional Accounting and Related Services Disputes. The results of this mediation shall be binding only upon agreement of each party to be bound. Costs of any mediation proceeding shall be shared equally by both parties.

Payment for services is due when rendered. If you fail to comply with any of the terms of this engagement, as outlined herein, we reserve the right to withdraw from the engagement without completing your tax returns, and we will notify you of our withdrawal in writing. Blair & Associates, LLC, will not be responsible for any tax, interest or penalties that the taxing authorities may levy against you.

We will retain a copy of any records relating to this return for a period of five years.

Blair & Associates, LLC  
2911 Route 88, Suite 4  
Point Pleasant, NJ 08742  
732-899-3005

If the foregoing fairly sets forth your understanding, please sign the enclosed copy of this letter in the space provided and return it to our office.

We want to express our appreciation for this opportunity to work with you.

Very truly yours,

*2/12/18*  
  
Blair & Associates, LLC

Accepted:

By: \_\_\_\_\_

Date \_\_\_\_\_

\_\_\_\_\_  
Name of Partnership