

**SMITH, SULLIVAN & COMPANY, P.C.**  
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**TAX ENGAGEMENT LETTER**

Dear Tax Client,

We appreciate the opportunity to work with you. In order to avoid any misunderstandings, it is important that the terms of our mutual understanding be clarified.

This letter is to confirm and specify the terms of our engagement with you and to clarify the nature and extent of the services we will provide. In order to ensure an understanding of our mutual responsibilities, we require all clients for whom returns are prepared to confirm the following arrangements.

We will prepare your 2011 Federal and State income tax returns from information you furnish to us. 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 additional information you provide. We will furnish you with a tax organizer and questionnaire to guide you in gathering the necessary information. Your use of such forms will assist in prevention of pertinent information from being overlooked, as well as keeping the fee to a minimum.

Professional standards now require us to electronically file (e-file) all tax returns. Although e-filing will necessitate additional steps the same filing deadlines will apply. After you have reviewed your return(s) you must provide us with a signed authorization indicating that you have reviewed the return(s), and that to the best of your knowledge you feel it is correct. We cannot transmit your returns to the taxing authorities until we have the signed authorization. While we are required to e-file all returns, you do have the right to "opt out" by choosing the applicable option at the end of this letter.

It is your responsibility to provide all the information required for the preparation of complete and accurate returns, as well as retaining all documents necessary to support the data used in preparation of your tax returns. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You have the final responsibility for the information reported on the income tax returns and, therefore, you should review them carefully before you sign them. We are not responsible for the disallowance of doubtful deductions or inadequately supported documentation, nor for resulting taxes, penalties and/or interest.

You represent that the information you are supplying to us is accurate and complete to the best of your knowledge, and that these expenses are supported by records as required by law (including applicable mileage log(s)). The IRS has initiated a wide-scale audit program focused on self-employed individuals and business deductions. The audit agenda targets hobby activities with no profit motive, unreported business income and validation of the business expenses. Therefore, while we may not verify the information you give us, we are required by federal regulations to ask you for clarification of information that is inconsistent or incomplete. When such deductions cannot be substantiated, we will exclude them from the tax return.

Our responsibility in connection with the preparation of your income tax returns does not include any procedures designed to discover defalcations or other irregularities, should any exist. We will render such accounting and bookkeeping assistance as determined to be necessary for the preparation of the income tax returns.

We will use professional judgment in resolving questions where the tax law is unclear. Whenever we are aware that a possibly applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (i.e. tax agencies and courts), we will explain the possible positions that may be taken on your return. In the end, we will adopt, on your behalf, the alternative which you select after having considered the information provided by us.

Pursuant to new standards prescribed in IRS Circular 230 and IRC 6694, we are forbidden from signing a tax return unless we have a reasonable belief that a tax position taken on the return will have a "more likely than not" probability of being sustained on its merits. Under no circumstances may we sign a tax return with a tax position that has no reasonable basis. In the event 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 to you for any damages that occur as a result of ceasing to render services. In addition you will be liable for payment of any fee incurred to the date which service has ceased. Currently the IRS and state taxing agencies are aggressive in assessing penalties. The law provides various penalties that may be imposed when taxpayers understate their tax liability. If any tax authority should later contest a position taken, there may be an assessment of additional tax plus interest and/or penalties. You acknowledge that any such understated tax, and any imposed interest and/or penalty thereon, are your responsibility, and that we assume no for any such additional assessments.

Your returns may be selected for review by the taxing authorities or you may receive a notice requesting a response to certain issues on your tax return. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination or inquiry, we will be available upon request to represent you or respond to such inquiry at an additional fee.

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

In addition, your confidentiality privilege can be inadvertently waived if you discuss the contents of any privileged communication 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.

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.

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

It is our policy to retain engagement documentation for a period of seven years, after which time we will commence the process of destroying the contents of our engagement files. To the extent we accumulate any of your original records during the engagement, those documents will be returned to you promptly upon completion of the engagement.

The timeliness of your cooperation is essential to our ability to complete this engagement. Specifically, we must receive sufficient information from which to prepare your returns within a reasonable period of time prior to the applicable filing deadline. Accordingly, we must receive all information to prepare your return by **March 31, 2012**, to ensure that your return will be completed by the required due date. If we have not received all of your information by March 31, 2012 and your return is not completed by the required due date, you may be subject to late filing and/or late payment penalties. We do not file tax extensions for clients unless specifically requested to do so.

Our fee for these services will be based upon the amount of time required, billed at the rate of \$125 per hour for tax preparation and \$175 per hour for tax conferences, research and consulting services. Time involved in the preparation of your tax return includes meetings, correspondence, e-mail communications, telephone conversations, research, review and analysis.

Additional FedEx charges will apply for returns received after March 31, 2012. Unless we have agreed otherwise, our minimum tax preparation fee is \$375; however, if we receive substantially all of your tax information on or before March 17, 2012, we will offer a \$25 early bird discount. **Payment is due at the time we complete our tax preparation services.**

This engagement does not include any services not specifically stated in this letter. However, we would be pleased to consult with you regarding other tax matters, such as proposed or completed transactions, income tax projections, and for research in connection with such matters. We will render additional invoices for such services at our standard billing rates.

We are pleased to have you as a client and look forward to many more years of a mutually satisfying relationship. 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 along with your 2011 tax information.

*Smith, Sullivan & Company P.C.*

Smith, Sullivan & Company, P.C.  
Westborough, MA

**Electronic Filing Preference:** (please select your option - if no selection is made, your returns will be electronically filed)

I choose to file my 2011 tax returns electronically

I choose NOT to file my 2011 tax returns electronically - Smith, Sullivan & Company, P.C. has informed me(us) that my (our) 2011 Individual income tax return may be required to be electronically filed if the Firm files the return on my (our) behalf. I (We) do not want to file my (our) return electronically and will personally file the paper return. My (Our) signature(s) below represent(s) my (our) agreement that I (we) was (were) not influenced by my (our) preparer or any other member of the Firm to sign this statement.

**Client Copy Preference:** (please select your option - if no selection is made, you will receive a paper copy)

Provide me with a paper copy of my tax return

Provide me with a PDF copy of my tax return

**Record Retention Preference:** In the spring of 2012, we will be shredding all individual tax documentation for the year 2005. Please indicate your preference below, if applicable.

Return my original 2005 documentation

OK to shred my 2005 tax records

**This letter correctly sets forth our understanding:**

Signature \_\_\_\_\_ Date \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_