

**SMITH, SULLIVAN & COMPANY, P.C.**

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**TAX ENGAGEMENT LETTER**

Dear Tax Client:

We are pleased to present this proposal to provide our services as independent accountants and tax preparers for the year ended December 31, 2009. 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. Corporation Income Tax Return (Form 1120), as well as the Massachusetts Form 355 for the year ended December 31, 2009. In addition, we will prepare the annual report for the Secretary of State, if necessary. We will prepare any bookkeeping entries we find necessary in connection with preparation of the income tax returns and prepare and post any adjusting entries. Services will be performed in accordance with the Professional Standards promulgated by the American Institute of Certified Public Accountants. The engagement between our firm and you will be governed by the term of this letter.

**Client Responsibilities**

In order to prepare your Federal and state tax returns in time for you to file the return by the initial filing due date (March 15 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 for 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.

Management is responsible for the proper recording of transactions in the book of accounts, for the safeguarding of assets and for the substantial accuracy of the financial records and the full and accurate disclosure of all relevant facts affecting the return(s) to us. You also have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign and file them.

You are responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee the bookkeeping and tax services we provide; and for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

The law provides for a penalty to be imposed where a taxpayer makes a substantial understatement of their tax liability. If you would like information on the amount or circumstances of this penalty, please let us know.

You represent that the information you are supplying to us is accurate and complete to the best of your knowledge, including but not limited to the claimed expenses for meals, entertainment, telephone, home office, travel, business gifts, dues and memberships, vehicle use and charitable contributions supported by records as required by law. 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 aforementioned 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 work in connection with the preparation of the tax return(s) does not include any procedures designed to discover defalcations or other irregularities, should they exist. The returns will be prepared solely from information provided to us without verification by us.

The firm may from time to time, and depending on the circumstances, use third-party service providers to assist in preparing your return, but these preparers will not make substantive decisions concerning your return. We may share your tax return information with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, the firm will remain responsible for the work provided by any such third-party service providers.

In accordance with federal law, in no case will we disclose your tax return information to any location outside the United States, to another tax return preparer outside of our firm for purposes of a second opinion, or to any other third party for any purpose other than to prepare your return without first receiving your consent.

By executing this engagement letter you consent to this firm, Smith, Sullivan & Company, P.C. using your tax return information to send you, by any medium: firm newsletters, surveys, press releases, information concerning firm seminars and nontax-related services, and any other communication sent to some or all of the firm's clients. This consent shall be valid for five years. The disclosure will include the entire federal income tax return, and you acknowledge, by signing this engagement letter (consent form), that you have the right to consent to a disclosure of less than the entire tax return, but have decided, without coercion, that you consent to the disclosure of the entire tax return. This consent is not conditioned on our providing services to you.

The Internal Revenue Code and regulations impose preparation and disclosure standards with noncompliance penalties on both the preparer of a tax return and on the taxpayer. To avoid exposure to these penalties, it may be necessary in some cases to make certain disclosures to you and/or in the tax return concerning positions taken on the return that don't meet these standards. Accordingly, we will discuss tax positions that may increase the risk of exposure to penalties and any recommended disclosures with you before completing the preparation of the return. If we concluded that we are obligated to disclose a position and you refuse to permit the disclosure, we reserve the right to withdraw from the engagement and you agree to compensate us for our services to the date of withdrawal. Our engagement with you will terminate upon our withdrawal.

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 a 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.

Certain communications involving tax advice are privileged and not subject to disclosure to the IRS. By disclosing the contents of those communications to anyone, or by turning over information about those communications to the government, you, your partners, or the partnership's employees or agents may be waiving this privilege. To protect this right to privileged communication, please consult with us or your attorney prior to disclosing any information about our tax advice. Should you decide that it is appropriate for us to disclose any potentially privileged communication, you agree to provide us with written, advance authority to make that disclosure.

Should we receive any request for the disclosure of privileged information from any third party, including a subpoena or IRS summons, we will notify you. In the event you direct us not to make the disclosure, you agree to hold us harmless from any expenses incurred in defending the privilege, including, by way of illustration only, our attorney's fees, court costs, outside adviser's costs, or penalties or fines imposed as a result of your asserting the privilege or your direction to us to assert the privilege.

### **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.

### **Request for Additional Services**

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.

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.

### **Resolution of Potential Ethical Conflicts**

The potential for conflicts of interest exists in any engagement. In the event that we in our sole discretion believe that a conflict has arisen affecting our ability to service your account 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.

### **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 work papers prepared by us shall remain the property of our firm.

By signing this engagement letter, you acknowledge and agree that upon the expiration of the seven year period, we are free to destroy our records related to this engagement.

### **Subpoenas and Outside Inquiries**

In the event that we receive a subpoena or summons requesting that we produce documents from this engagement or testify about the engagement, we will notify you prior to responding to it if we are legally permitted to do so. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond or if your actions do not result in a judicial order protecting us from supplying requested information we may construe your inaction or failure as consent to comply with the request.

### **Fees**

Our fee for these services 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 hourly rates range from \$35 to \$175 per hour. Unless we have agreed otherwise, our minimum tax preparation fee is \$500.

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 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 our 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.

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.*

We appreciate the opportunity to present this proposal 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 in the enclosed self-addressed, stamped envelope.

  
Smith, Sullivan & Company, P.C.

**APPROVED BY:**

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

**BY:** \_\_\_\_\_  
*Print Name*

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

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