Kirkey & Co., Inc.
Certified Public Accountants

Agreement for 2018 Partnership Income Tax Preparation

Dear Client:

We will prepare the federal, resident state and local partnership tax returns for _____ for the year ended 2018, and we will advise you on income tax matters for which you specifically request our advice. This firm is responsible for preparing only the returns listed above.

In December 2017, the President signed into law the *Tax Cuts and Jobs Act* ("Tax Act" or "Act") which introduces the most significant changes to the U.S. tax system since 1986. With a few exceptions, the provisions are generally effective starting in the 2018 tax year. As such, your federal and state income tax returns for the 2018 tax year may look substantially different as compared to prior years. If you have any questions regarding the application of the Tax Act, please ask us for advice in that regard.

You are confirming that you will furnish us with all the information required for preparing the returns. This includes, but is not limited to, providing us with the information necessary to identify (1) all states and foreign countries in which you "do business" or derive income (directly or indirectly) and (2) the extent of business operations in each relevant state and/or country. We will not audit or verify the data you submit, although we may ask you to clarify it or furnish us with additional data. You should retain all the documents, books, and records that form the basis of your income and deductions. The documents may be necessary to prove the accuracy and completeness of the returns to a taxing authority. If you have any questions as to the type of records required, please ask us for advice in that regard.

Please note that the Internal Revenue Service (IRS) considers virtual currency (e.g., Bitcoin) as property for U.S. federal tax purposes. As such, any transactions in, or transactions that use, virtual currency are subject to the same general tax principles that apply to other property transactions. If you had virtual currency activity during the <year> tax year, you may be subject to tax consequences associated with such transactions, and may have additional foreign reporting obligations.

You agree to provide us with complete and accurate information regarding any transactions in, or transactions that have used, virtual currency during the applicable tax year. Please ask us for advice if you have any questions regarding the type of records required for virtual currency transactions.

In addition, the Bipartisan Budget Act of 2015 made significant changes to the IRS partnership audit rules effective for tax years beginning in 2018, although there are provisions to allow certain partnerships the ability to elect out of the new rules. To ensure that our firm has the required documentation to support the LLC's decision as to how to apply the new partnership

audit rules to your 2018 returns, we will require you to complete the information requested on the attached Addendum to this letter.

We will use our professional judgment in preparing your returns. Given the magnitude of the changes the Tax Act contains, as well as some new concepts introduced in the law, additional stated guidance from the Internal Revenue Service, and possibly from Congress in the form of technical corrections, may be forthcoming. We will use our professional judgment and expertise to assist you given the Tax Act guidance as currently promulgated. Subsequent developments issued by the applicable tax authorities may affect the information we have previously provided, and these effects may be material. 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 a taxing authority 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. 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. 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.

If you and/or your entity have a financial interest in, or signature authority over, any foreign accounts, you may be subject to certain filing requirements with the U.S. Department of the Treasury, in addition to the IRS. Filing requirements may 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). By your signature below, you agree to provide us with complete and accurate information regarding any foreign accounts that you and/or your entity may have had a direct or indirect interest in, or signature authority over, during the above referenced tax year. The foreign reporting requirements are very complex, so if you have any questions regarding the application of the U.S. Department of the Treasury and/or the IRS reporting requirements to your foreign interests or activities, please ask us for advice in that regard. Failure to disclose the required information to the U.S. Department of the Treasury and the IRS may result in

substantial civil and/or criminal penalties. We assume no liability for penalties associated with the failure to file or untimely filing of any of these forms.

Our work in connection with the preparation of the above referenced 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 returns.

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 an LLC, you need to be especially careful about privileged communications. If a communication is made in the presence of a member-employee who is not authorized to act or speak for the LLC 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.

Management acknowledges and understands that all individual members are responsible for submitting their individual K-1s to their own tax preparers for inclusion with their individual tax returns.

Management is responsible for the design, implementation, and administration of applicable policies that may be required under the Affordable Care Act. As Kirkey & Co., Inc. is not rendering any legal services as part of our engagement, we will not be responsible for advising you with respect to the legal or regulatory aspects of your company’s compliance with the Affordable Care Act.

By your signature below, you understand and agree that management is responsible for the accuracy and completeness of the records, documents, explanations, and other information provided to us for purposes of this engagement. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign them. Our firm is not responsible for a taxing authority’s disallowance of deductions or inadequately supported documentation, nor for resulting taxes, penalties, and interest.

Our fees for these services will be computed at our standard rates and will be billed as the work progresses. Invoices will be mailed monthly and are due when received. If we have not received payment within 30 days of our invoice, all work will be suspended until your account is brought current. The undersigned acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of your failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable for any damages that occur as a result of our ceasing to render services.

Our fee does not include responding to inquiries or examination by taxing authorities. However, we are available to represent you. Our fees for such services are at our standard rates and would be covered under a separate engagement letter.

We may from time to time, and depending on the circumstances and nature of the services we are providing, share your confidential information with third-party service providers, some of whom may be cloud-based, but we 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 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. Although we will use our best efforts to make the sharing of your information to such third parties secure from unauthorized access, no completely secure system for electronic data transfer has yet been devised. As such, by your signature below, you understand that the firm makes no warranty, expressed or implied, on the security of electronic data transfers.

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. 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 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.

It is our policy to keep records related to this engagement for 7 years. However, Kirkey & Co., Inc. does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your

responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

By your signature below, you acknowledge and agree that upon the expiration of the 7-year period, Kirkey & Co., Inc. shall be free to destroy our records related to this engagement.

If any dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its applicable rules for resolving professional accounting and related services disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the applicable rules for resolving professional accounting and related services disputes of the American Arbitration Association, except that under all circumstances the arbitrator must follow the laws of Ohio. Such arbitration shall be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION. The prevailing party shall be entitled to an award of reasonable attorneys' fees and costs incurred in connection with the arbitration of the dispute in an amount to be determined by the arbitrator.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

If the foregoing is acceptable to you, please complete and sign the following Addendum, as well as sign the original copy of this letter in the space provided, and return both documents to us in the enclosed envelope.

Very truly yours,

David R. Kirkey, CPA, CFP

David R. Kirkey, CPA, CFP
Kirkey & Co., Inc. CPAs

Accepted:

_____
Client Representative

_____
Business Name

_____
Date

Addendum to Engagement Letter

The Bipartisan Budget Act of 2015 ("Act") made significant changes to the Internal Revenue Service's ("IRS") partnership audit rules effective for partnership tax years beginning in 2018. We have attached, for your reference, a letter that provides an overview of these changes and how the new audit rules may affect a partnership and its partners. ***For purposes of the Act, a limited liability company (LLC) taxed as a partnership will be treated as a partnership, and its members will be treated as partners.***

If you have any questions with respect to the legal implications of these new rules, we strongly encourage you to seek guidance from legal counsel. If you have not already done so, it may be prudent to revisit and update as appropriate your LLC agreements to address areas of concern.

To ensure that Kirkey & Co., Inc. has the required documentation in our files to support your decision as to how to apply the new partnership audit rules to your 2018 income tax return, we request that you complete and sign the form below, and return a copy of this with your signed engagement letter.

Designation of *Partnership Representative*[1]:

Name: _____

Are you a small partnership (with 100 or fewer eligible partners*)?

*Note: Each S-Corporation shareholder counts as a partner for purposes of the "100 or fewer eligible partners" rule. Eligible partners are individuals, C-Corporations, S-Corporations, and estates of deceased partners.

_____ YES **_____ NO**

If you responded **YES** to the above question, this indicates that your LLC may elect to "***opt out"*** of the new partnership audit rules by making an annual election on a timely filed Form 1065. Please indicate below if you would like our firm to make this "***opt out"*** election on your behalf:

_____ **YES:** I/We **do** want to ***"opt out"*** of the new partnership audit rules.
_____ **NO:** I/We **do not** want to ***"opt out"*** of the new partnership audit rules.

CLIENT ACKNOWLEDGEMENT:

By your signature below, you acknowledge and agree that <LLC Name> has the ultimate responsibility for decisions related to the application of the new audit rules to your LLC.

_____ _____
Partnership Representative Date

[1] The *Partnership Representative* under the new rules has a much more expansive role; the Partnership Representative has the **sole and exclusive authority** to act on behalf of the partnership and to bind all partners with respect to partnership matters subject to the partnership audit rules.

Kirkey & Co., Inc.
Certified Public Accountants

New IRS Tax Audit Rules for Partnerships Notification Letter

The Bipartisan Budget Act of 2015 ("Act") made significant changes to the Internal Revenue Service's ("IRS") partnership audit rules effective for partnership tax years beginning in 2018. How the new audit rules will affect a partnership and its partners will depend, in large part, on choices the partnership, the partnership representative, and/or the partners make or fail to make.

The new partnership audit rules are complex. Consequently, the information contained in this letter is general in nature and is not intended to address all the nuances in the new rules that may impact your partnership.

What are some of the significant highlights of the new partnership audit rules?

Under the new rules, the IRS will audit, assess and collect tax at the partnership level. If the IRS determines that additional tax is due at the conclusion of an audit, the Act allows the IRS to impose tax, interest, and penalties on the partnership at the entity level in the year of the adjustment, at the highest rate then in effect for individuals or corporations (the "default rule"). Consequently, the partnership would pay the tax directly, causing the then-current partners to indirectly pay their respective share of the tax.

However, two provisions under the "default rule" permit partnerships to reduce the tax owed at the time of the assessment. The first provision allows the partnership to provide the IRS with sufficient information regarding the individual tax attributes of the affected partners (e.g., tax exempt status, etc.) to help reduce the tax. The second provision would permit one or more partners to amend their tax returns for the year under examination taking into account all adjustments properly allocable to such partners, and pay tax due with their amended returns.

Alternatively, the Act does have the following provisions to allow certain partnerships the ability to elect out of the new rules.

- Small partnerships (100 or fewer eligible partners) may choose to "***opt out"*** of the new partnership audit rules by making an annual election on a timely filed Form 1065 for the applicable tax year. This option is not available to any partnership that itself has partners that are also partnerships (including LLCs taxed as partnerships).

- Another option, the ***"push out"*** election, is available to partnerships once a notice of final partnership adjustment is issued. The partnership would need to make a timely election within 45 days of receiving a notice of final partnership adjustment to "push out" the assessment to the individuals that were partners during the audited tax year. However, the election comes at a cost: The rate of interest assessed on underpaid taxes rises two percentage points (i.e., 3% to 5%) if this election is utilized.

The Act also eliminated the position of “tax matters partner” and replaced the position with a “partnership representative.” The partnership representative under the new rules has a much more expansive role; the partnership representative has the sole and exclusive authority to act on behalf of the partnership and to bind all partners with respect to partnership matters subject to the partnership audit rules. This authority includes, but is not limited to, making relevant elections, representing the partnership during an audit, negotiating and agreeing (or disagreeing) to settle with the IRS, and seeking judicial review of an IRS adjustment.

What should partnerships do in response to the new audit rules?

Partnerships and their partners should consider modifying partnership agreements in light of these new audit rules. We strongly encourage you to consult with legal counsel as soon as possible to review and update, as appropriate, your partnership agreement.

Although we are not legal advisors, we do believe it is prudent for partnerships to address the following items in their partnership agreements:

- Identify the designated partnership representative and indicate the scope of discretion afforded to the partnership representative.
- Specify the manner in which the partnership will apply the new audit rules.
- Address the required cooperation and information sharing between the partnership and its partners.

Other provisions that may be beneficial to consider adding to the agreement include, but are not limited to, the following:

- Establish qualifications for the partnership representative and terms for removal of, or resignation by, the partnership representative.
- Address any restrictions regarding transfers of partnership interests to ineligible partners.

As always, please feel free to contact us if you have any questions. We are available to assist you, and to work with your legal counsel as appropriate, to address the implications of the new audit rules to your partnership and its partners.

Sincerely,

David R. Kirkey, CPA, CFP
Kirkey & Co., Inc. CPAs