



2500 Tanglewilde St., Suite 425
Houston, TX 77063-2187
(713) 974-4660 FAX (713) 782-5299

2700 Research Forest, Suite 125
The Woodlands, TX 77381
(936) 441-6550 FAX (936) 539-6308

January 22, 2018

Dear Client:

This letter is to confirm our understanding of the terms and objectives of our engagement and to clarify the nature and limitations of the services we will provide. If you agree with the terms as stated, **PLEASE SIGN THIS LETTER AND RETURN IT TO US.**

We will prepare your Federal (and State, if required) Income Tax Return for the calendar year 2017. The return(s) will be prepared from information you will provide. We will not audit or otherwise verify the data you submit, however, we may ask for clarification of certain items. Current tax law pertaining to preparer's liability requires that we obtain client representation relative to the tax information given to us. By signing this letter, you represent that to the best of your knowledge and belief, the information you will present for preparation of your income tax return, including all travel and entertainment expenses, will be properly supported, complete and accurate.

Your returns may be subject to examination 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 deductions shown on the tax return. Any items resolved against you by the examining agent are subject to certain rights of appeal. If your return is examined, we will represent you if you so desire, however, such additional services are not included in our fee for preparation of your returns.

(1) **Meals, Travel and Entertainment Expense**

The law specifically requires that any deduction claimed for meals and entertainment must be substantiated by records indicating the amount, time, place and business purpose of the expenditure. If you claim a deduction for these types of expenses, you represent that you have the required records and receipts. Only 50% of unreimbursed meals and entertainment expense qualify as deductible.

(2) **Business Vehicle Use**

The minimum records for deducting business use of an automobile should be written and include the following:

- A) Total miles driven for the year
- B) Percentage of personal use claimed
- C) Commuting mileage
- D) Availability for personal use

The best evidence would be a detailed log with an entry for each trip. However, account books, diaries, trip sheets, expense reports or similar written evidence are probably adequate.

(3) **Business Gifts**

The minimum documentation for the deduction of business gifts includes a description of the gift, business purpose, and business relationship. Gifts are limited to \$25 per person, per year.

Section 7216 Consents

Sheffield, Trackwell, & Rapp, LLC adheres to the standards governing the confidentiality of taxpayer information as prescribed by the Internal Revenue Service, AICPA, state boards of public accountancy and other governing agencies. Effective January 1, 2009, Internal

Revenue Code ("IRC") Section 7216 and the related Treasury Regulations require that STR obtain your affirmative consent to disclose or use your information obtained by us in the process of preparing your tax returns. IRC Section 7216 is intended to protect taxpayers' privacy and limit the use of their information for purposes other than tax return preparation.

Standards of Conduct for Preparing Tax Returns

As a paid tax return preparer, STR is subject to certain standards of conduct for preparing tax returns and potential penalties for not meeting those standards of conduct. In certain cases, we may be required to do additional work to determine if one or more of the tax positions in your return meets the modified reporting standards under the new law. If we determine, in our sole discretion, that we may be subject to a preparer penalty due to a tax position in your return should it be filed with the Internal Revenue Service, you agree to either adequately disclose that position on your return or change the position to one that we confirm would not subject us to penalty. If you do not choose to change your position or adequately disclose the tax position so as to eliminate, in our sole opinion, our exposure to the preparer penalty, we, in our sole discretion and at any time, may withdraw from the engagement without completing or delivering tax returns to you. Such withdrawal will complete our engagement, and you will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenses through the date of our withdrawal.

Reportable Transactions

The Internal Revenue Service and some states have promulgated rules that require taxpayers to disclose their participation in reportable transactions by attaching a disclosure form to their federal and/or state income tax returns and, when necessary, by filing a copy of that disclosure form with the IRS and/or the applicable state agency. These rules impose significant requirements to disclose certain transactions and such disclosures may encompass transactions entered into in the normal course of business. You are responsible for ensuring that you have properly disclosed all reportable transactions and failure to make the required disclosure will result in substantial penalties. STR will not be liable for any penalties resulting from your failure to accurately and timely file any required reportable transaction disclosure.

Unless outlined below or the subject of a separate engagement letter, the tax compliance services that are the subject of this engagement letter do not include any obligation of STR to identify any reportable transactions that have not been the subject of a prior consultation between you and STR.

At the present time, STR is not aware of any reportable transactions for you that require disclosure, and STR has not been informed about any such transactions that should be disclosed. If you are aware of a transaction that may constitute a reportable transaction, you must inform us accordingly.

Report of Foreign Bank and Financial Accounts

The Internal Revenue Service has increased its enforcement of the filing requirements for the Report of Foreign Bank and Financial Accounts ("FBAR"), a U.S. Treasury Department form that is due April 17, 2018 with respect to the 2017 calendar year. Although the FBAR is not an income tax return, a taxpayer's requirement to file an FBAR is specifically addressed in the informational reporting sections of most U.S. federal income tax returns. A taxpayer's requirement to file an FBAR may arise because such person (including U.S. persons as well as foreign persons doing business in the U.S.) owns directly or indirectly an interest in a foreign financial account or has signature or other authority over such an account. For these purposes, the instructions to the FBAR provide that a foreign financial account may include, but is not limited to, foreign bank accounts, foreign securities accounts, foreign commingled funds, etc. The penalties for failure to file an FBAR can be significant. The tax compliance services that are the subject of this engagement letter do not include the obligation of STR to identify any FBAR reporting obligations. You are responsible for reviewing the requirements of the FBAR and determining whether you have any filing requirement. We would be pleased to assist you with performing such a review and making any required filings, if and as directed by you.

E-Mail and E-File Protocol

In today's technological environment, businesses and individuals are continuously interacting through e-mail. This often involves sending data, documents and other information, including sensitive tax and financial information. Although we may deliver your tax return to you via e-mail, you should ensure that your e-mail server and the information stored in that system is secure. By providing your financial information to us for the preparation of your tax return, you authorize us to send information to you (or to other authorized recipients) via the email addresses that you provide. The firm is not responsible for any transmission problems or the failure of you or any authorized recipient of the information to receive the file containing the information or maintaining the confidentiality of any information transmitted via e-mail or in the possession of you or any authorized recipient. You are solely responsible for (i) notifying the firm of the failure to receive your file containing

the information so that a copy can be provided in an alternate form; (ii) the security of your e-mail server and for restricting access to your e-mail in order to maintain confidentiality of the information transmitted; (iii) storing the electronic file containing the information; and (iv) acquiring and maintaining the software needed to open and access the files containing the information.

File Retention and Privacy Policies

STR has a file retention policy generally requiring the destruction of all client tax files on the 7th anniversary of the calendar year which includes the tax year end for a particular return. We, as a firm, make no representation of retention of files after this date, nor assume any liability for the retention of any tax return information, data, or otherwise in which the client has such legal liability. Please be advised that there may be important tax or financial information in the files that will be destroyed. As a client, you may request all or part of the files be copied at your expense, prior to destruction. This notice represents any and all notice of our retention policy. By accepting the terms of this engagement letter as described below, you acknowledge understanding of the STR retention policy.

Acceptance of Engagement Letter

By accepting the terms of this engagement letter, you agree to indemnify us and hold us harmless from any liability and costs from misrepresentations of any item of income or expense, or any other information supplied to us, to prepare your tax return. Further, you agree that if any part of this agreement is found to be non-binding or illegal, all other parts of this agreement shall remain binding. You may terminate this agreement at any time. Upon written notice of termination, we will stop all work immediately. You will be responsible for all fees and expenses incurred prior to our stopping work.

If the above fairly sets forth your understanding, please sign and return the enclosed copy of this engagement letter to us. Whether you return a signed copy of this engagement letter to us or not, the receipt of any tax data from you for the preparation of your return will be your confirmation of your agreement to the terms of this letter, including your affirmative representation that you have substantiation to support all deductions claimed and that you have provided us with all information necessary to prepare a complete and accurate return. We are pleased to have you as a client and look forward to a long and mutually beneficial association.

Our charges for these services will be on the basis of standard rates billed as our services are performed plus out of pocket expenses, including computer processing charges. Our fees are not contingent on any outcome achieved as a result of our services. Your account is due and payable to Sheffield, Trackwell & Rapp, LLC when you receive the Sheffield, Trackwell & Rapp, LLC invoice.

If these arrangements meet with your approval, **PLEASE SIGN THIS LETTER IN THE SPACE PROVIDED**, and return it along with your completed organizer.

We want to thank you for the opportunity to be of continuing service to you.

Very truly yours,

Jim Trackwell, CPA

The services described in the foregoing letter are in accordance with my understanding. The terms described in this letter are acceptable and are hereby agreed to.

Agreed and Accepted:

By: _____
(Print Name)

(Signature)

Date: _____