

Re: Corporate Transparency Act

A NEW LAW REQUIRES THAT YOU TAKE ACTION

Dear _____:

On January 1, 2024, the Corporate Transparency Act (CTA)¹ became effective. The new law imposes reporting requirements on many limited liability companies, corporations, limited partnerships, and other closely-held entities, including those that we previously formed on your behalf, as identified in **Schedule 1** to this letter. Note that Schedule 1 was created for your convenience. It is not meant to be an all-inclusive list. If one or more entities that we formed on your behalf is not listed on **Schedule 1**, that does not indicate that it is not subject to the CTA.

Unless your company falls under one of the 23 exemptions listed in the CTA, it is a “reporting company” and the CTA impacts you. The CTA applies not only to companies that are formed on or after January 1, 2024, but to all reporting companies in existence prior to that date.

Companies that are exempt from the reporting requirements of the CTA are generally subject to significant reporting requirements that already identify the individuals who own or are responsible for the entities. We will provide the complete list upon request, but the exempt companies include:

- Issuer of classes of securities registered under Section 12 of the Securities Exchange Act of 1934;
- Banks, credit unions and depository institutions
- Money transmitting business registered with Financial Crimes Enforcement Network (“**FinCEN**”), which is a bureau in the U.S. Treasury Department;
- Brokers and dealers in securities;
- Investment companies and investment advisers;
- Insurance companies;
- Futures commission merchant;
- Public accounting firms registered in accordance with section 102 of the Sarbanes-Oxley Act;
- Public utilities;
- Pooled investment vehicles;
- Tax-exempt entities that are described in Section 501(c) of the Internal Revenue Code (“**Code**”).
- Political organizations, as defined in Section 527(e)(1) of the Code;
- Trusts described in paragraph (1) or (2) of Section 4947(a) of the Code;
- Large operating companies meeting specified criteria; and
- Inactive entities meeting specified criteria.

¹ Adopted as part of the Anti-Money Laundering Act of 2020 and codified at 31 U.S.C. 5336.

All reporting companies will be required to file reports with FinCEN that provide certain information regarding the companies, their “beneficial owners” and those that exercise significant control over reporting companies. The definitions of the terms are very broad and are designed to be overly inclusive. Reports must be filed electronically through the FinCEN website. FinCEN is charged with the responsibility of creating and maintaining the database of filed information, which will be available only to certain governmental and law enforcement agencies.

The CTA will affect virtually all small family businesses, including limited liability companies and other entities designed only to hold real estate and not to otherwise conduct any active business activities. Even if an entity has only one owner and is ignored for Federal income tax purposes (such as a single-member limited liability company), that entity still will have to file reports with FinCEN. For entities that exist as of the January 1, 2024 effective date of the CTA, their initial reports are due by January 1, 2025. For entities created on or after that date, during 2024, their initial reports are due within 90 days from the creation of the entity. After 2024, initial reports are due within 30 days. **There are very significant civil and criminal penalties for failing to file.**

If you have any interest in a reporting company, such as a limited liability company, corporation, or limited partnership, or if you exercise, or have the legal or contractual right to exercise, significant control over any such entity (which will include the manager of a manager-managed limited liability company, the senior officers of a corporation (i.e., President, CEO, CFO, COO and General Counsel), individuals with the authority to remove senior officers or a majority of the board of directors, and individuals who direct, determine, or have substantial influence over, important decisions with respect to the business, finances or structure of the entity), you are required to be identified on the FinCEN report for the reporting company. Given the difficulties in identifying all the entities and individuals that will have to so report to FinCEN, we suggest that you begin now to assemble a list of every privately held entity in which you own an interest or over which you exercise, or have the right to exercise, substantial control. You should also obtain a copy of the certificate that was filed with the state where the entity was formed.

Because we have formed many entities over the years, including those formed by us on your behalf, we may no longer have the information necessary to identify all such entities or to determine their current ownership and management structure. In addition, the FinCEN report requires photo identification of beneficial owners and those who control the entity, information that we do not have. We also understand that you may have other entities formed by other advisers on your behalf of which we are not aware and that you may have even formed entities on your own. **As such, we do not accept responsibility to obtain or provide current information about such entities, including those listed in Schedule 1, neither will we undertake to find these entities for you or to prepare the CTA forms required to be filed with FinCEN, unless in each such case you separately engage us in writing to do so.**

If you do wish to engage us to help with this new reporting requirement, please contact us as soon as possible and we will prepare a separate written engagement letter with you that will define the scope of our assistance. If engaged to do so, we will begin the process of determining whether the entity or each of the entities for which our services are so engaged is a non-exempt

reporting entity and whether you or someone else will assume responsibility for the reporting. We believe that assembling such a comprehensive list may be prudent to avoid overlooking any potentially non-exempt entities, particularly considering the penalties that may be imposed. For the avoidance of doubt, you will be responsible for filing the CTA reports within the time frames set forth under the new law. The accuracy of the filed reports will be based solely on the quality of the information that you provide to us.

Please feel free to contact us if you have any questions or would like to discuss this matter further.