

J.E. LEANOS & COMPANY

Certified Public Accountants

716 Melvin Avenue
Annapolis, Maryland 21401
410-280-2200
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MEMORANDUM OF UNDERSTANDING FOR CORPORATE, S-CORPORATE, & PARTNERSHIP RETURN TAX YEAR 2011

OTHER TAX YEARS: _____

Dear Client:

We appreciate the opportunity to work with you. To minimize the possibility of a misunderstanding between us, we are setting forth pertinent information about the services we will perform for you.

We will prepare the federal and state income tax returns for the business for the year ended December 31, 2011 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.

We will not audit or verify the data you submit, although we may ask you to clarify it or furnish us with additional data. **A fee of \$1,000 is required to begin the preparation of your tax returns. Work will not begin until the retainer and signed MOU are received by our office. Final payment for returns needs to be paid when the returns are received by the client.**

By your signature below, you are confirming to us that unless we are otherwise advised, the travel, entertainment, gifts, and related expenses are supported by the necessary records required under Section 274 of the Internal Revenue Code. If you have any questions as to the type of records required, please ask us for advice in that regard.

The law provides for a penalty to be imposed where a taxpayer makes a substantial understatement of his or her tax liability. For corporations and individual taxpayers, a substantial understatement exists when the understatement for the year exceeds the greater of 10 percent of the tax required to be shown on the return or \$10,000. The penalty is 20 percent of the underpayment. 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. Because an S corporation is an entity whose tax attributes flow through to its shareholders, the penalty for substantial understatement of tax relating to S-corporation items may be imposed on the shareholder. You agree to advise us if you wish disclosure to be made in your returns or if you wish for 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.

Our work in connection with the preparation of your income tax 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 income tax returns.

You are also confirming that you will furnish us with all the information required for preparing the returns. **All individual partners are responsible for submitting their individual K-1s to their own tax preparers for inclusion with their individual tax returns. Business owners are required to distribute the K-1s to the partners and shareholders.** All information received by our office is kept within our custody and prepared by the in-house staff. Our office requires written permission to release any information to a third party.

We will use our professional judgment in preparing your returns. 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. We will follow whatever position you request on your return so long as it is consistent with the codes and regulations and interpretations that have been promulgated. If the Internal Revenue Service 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.

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

If any dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for 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 Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. 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.**

It is our policy to keep records related to this engagement for seven years. However, J.E. Leanos & Company, CPAs 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.

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 45 days of our invoice, all work will be suspended until your account is brought current. A copy of the tax return is provided when returns are completed. Additional copies, paper or electronic, will be provided upon request with a charge of \$25 per year requested due prior to releasing.

The fee does not include responding to Internal Revenue Service inquiries, and the client understands that the tax preparer is not responsible for Internal Revenue Service disallowance of doubtful deductions or deductions unsupported by adequate documentation or for resulting taxes, penalties, and interest.

The IRS has become more rigid concerning 1099s. If you paid an individual or unincorporated business more than \$600 during the calendar year, you may be required to file a Form 1099. According to new guidelines and regulations from the IRS, paid preparers are required to have documentation and proof of filing from the clients who are required to file Form 1099. If you are unsure about whether or not you are required to file Form 1099, please contact our office and we can discuss on a per client basis.

Please answer “Yes” or “No” to the questions below by checking the appropriate box:

- **Did you make any payments in 2011 that would require you to file Form(s) 1099?**
 - Yes
 - No
- **If “Yes” did you or will you file all required Forms 1099?**
 - Yes
 - No

We will be pleased to discuss this letter with you at your convenience. If the foregoing is acceptable to you, please sign the original copy of this letter in the space provided and return it to us in the enclosed envelope.

Signature

Date

Very truly yours,

Joan E. Leanos, CPA
J.E. Leanos & Company, CPAs

J.E. LEANOS & COMPANY

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BILLING POLICIES AND PROCEDURES FOR CORPORATIONS, FIDUCIARIES, AND TRUSTS – JANUARY 1, 2012

Fees for tax preparation are determined by a number of factors, including but not limited to: logging in the client for the current tax year; transfer of prior year data; organizing and copying documents and other file work; preparing the return (including any research if required); number of forms and schedules; complexity of the return; management review of final tax return; assembly of tax return; conferences and meetings; e-mails and phone calls to our office; e-mails and phone calls our office makes on your behalf to a third party; long distance, fax, and postage charges; extension fees and computer fees. **A copy of the tax return is provided when returns are completed. Additional copies, paper or electronic, will be provided upon request with a charge of \$25 per year requested due prior to releasing.**

A flat fee between \$50 - \$200 for administrative and computer processing charges will be added to the cost of each return. Tax returns that include multi-state returns are billed strictly on a time-spent basis.

Time is billed in 1/10 of an hour increments; conferences with Joan Leanos are billed at one-hour minimum. Chargeable phone calls are billed at a .25 hour minimum. Telephone calls to remind clients of deadlines, picking up packages and other reminders from the administrative staff will be billed at .1 an hour at our hourly rates. Mileage is billed at 55.5 cents per mile. Billing is done twice a month and reminder statements are mailed to clients monthly

The amount of your final invoice is influenced by how well organized and complete your documentation is and whether time is incurred obtaining missing or incomplete information or clarification.

PAYMENT TERMS

A retainer fee of \$1,000.00 is required before we can begin tax preparation. For returns that are complex progress invoices will be mailed to you and are due upon receipt. An invoice becomes delinquent 45 days past the invoice date. Once an invoice becomes delinquent, work will be suspended until payment is received.

Tax returns will not be released until the invoice is paid in full. If you would like our office to mail your tax return to you, the invoice must be paid before our office mails the return. We accept cash, check, American Express, Visa, and MasterCard.

FEE SCHEDULE

| | |
|---------------------------------------|------------|
| Joan E. Leanos, CPA | \$225 |
| Adrienne Day, CPA | \$175 |
| Sheri Turk, CPA | \$135 |
| Edward Keough | \$100 |
| Janice Pettigrew | \$100 |
| Bookkeeping & Administrative Services | \$ 40 - 60 |
| AccountEdge Services | \$125 |
| QuickBooks Services | \$125 |