

J.E. LEANOS & COMPANY

Certified Public Accountants

716 Melvin Avenue
Annapolis, Maryland 21401
410-280-2200
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MEMORANDUM OF UNDERSTANDING – INDIVIDUAL 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 your **2011** federal and state(s) individual income tax returns from information you furnish to us. We will not audit or otherwise verify the data you submit, although we may ask you to clarify some of the information. We will furnish you with questionnaires to help you gather and organize the necessary information for us, in order to keep our fee to a minimum. **A retainer fee of \$250.00 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 is paid when the returns are received by the client.** Fees for our services will be at our standard rates plus computer charges and out-of-pocket expenses. Payment for service is due when rendered and interim billings may be submitted as work progresses and expenses are incurred. We reserve the right to stop work on any account that is 45 days past due, in accordance with our firm's stated collection policy.

We must receive all information to prepare your return by March 15, 2012, to ensure that your return will be completed by April 17, 2012. If we have not received all of your information by March 15, 2012, and your return is not completed by April 17, 2012, you may be subject to late filing or late payment penalties.

It is your responsibility to maintain, in your records, the documentation necessary to support the data used in preparing your tax returns, including but not limited to the auto, travel, entertainment, and related expenses and the required documents to support charitable contributions. If you have any questions as to the type of records required, please ask us for advice in that regard. It is also your responsibility to carefully examine and approve your completed tax returns before signing and mailing them to the tax authorities. We are not responsible for the disallowance of doubtful deductions or inadequately supported documentation, nor for resulting taxes, penalties and interest.

We will use our judgment to resolve questions in your favor where a tax law is unclear if there is a reasonable justification for doing so. 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, so long as

it is consistent with the codes and regulations and interpretations that have been promulgated. If the IRS 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, your confidentiality privilege can be inadvertently waived if you discuss the contents of any privileged communication 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. 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.

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 you would like our office to forward information to a third party, we must have a written request stating the information to forward and the name of the individual that will receive the information.

If any dispute arises among the parties, they agree to try first in good faith to settle the dispute by mediation administered by the American Arbitration Association (AAA) under its Rules for Professional Accounting and Related Services Disputes. All unresolved disputes shall then be decided by final and binding arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the AAA. Fees charged by any mediators, arbitrators, or the AAA shall be shared equally by all parties. **IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE 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.** If the above fairly sets forth your understanding, please sign the enclosed copy of this letter and return it to us.

It is our firm's policy to retain copies of your tax returns for seven years, after which they will be destroyed. **Tax returns will not be released from the office until payment is received in full. No tax returns will be mailed or sent by courier until payment is received. 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.**

For tax years beginning in 2000, the IRS has provided that an individual taxpayer and his or her spouse, if applicable, may authorize the IRS to discuss the taxpayer's tax return with the CPA who signed the taxpayer's return as the return preparer. The authorization is granted by checking the "yes" box in the signature area of the tax return. By checking the "yes" box, you are granting the IRS permission to contact our firm with questions that may arise during the processing of your return. You would also be granting our firm the permission to (1) provide the IRS with any information that may be missing from your return, (2) call the IRS to inquire on the processing of your return or on the status of your refund, and (3) respond to any IRS notices that you have provided to our firm relating to mathematical errors, offsets, and return preparation. Please note that our firm will not receive separate copies of IRS notices; therefore, you must provide our firm with copies of any notices you receive from the IRS. Once elected, the authorization cannot be revoked. The authorization is valid for one year after the due date for filing the tax return.

Also, please indicate, by circling the appropriate response in the following sentence: I hereby *grant/do not grant* (circle one) limited authorization for your firm to contact the IRS on our/my behalf as discussed in the above letter. If you fail to indicate a response, it is our firm's policy to mark the box that does grant authorization.

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**

If this letter accurately summarizes your understanding of our agreement relating to the preparation of your tax returns, please sign in the space indicated and return to our office.

Signature of Taxpayer **Date**

Signature of Spouse (if applicable) **Date**

We are pleased to have you as a client and look forward to a long and mutually satisfying relationship.

Sincerely,

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

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BILLING POLICIES AND PROCEDURES FOR INDIVIDUAL TAX RETURNS - JANUARY 1, 2012

Fees for individual income 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; CPA 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 electronic filing fees. 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. **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 of \$25 to \$200 for administrative and computer processing charges will be added to the cost of each return. Tax returns that include multi-state and out of 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 rate. Billing is done twice a month and reminder statements are mailed to clients monthly.

Accounting and bookkeeping services; consultations; IRS audits and representation; financial statement compilations; tax projections; computer software consultations; and travel time are billed at normal hourly rates. Mileage is billed at 55 cents per mile.

PAYMENT TERMS

A retainer fee in the amount of \$250.00 is required before preparation begins on your tax return. 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