

**KEYSTONE FINANCIAL SOLUTIONS**  
**47 Marchwood Road, Suite 2-G**  
**Exton, PA 19341**  
**(610) 594-2601 (610) 594-2055 fax**  
**info@keysolutions.us**

**Letter of Understanding for Preparing Corporate & Partnership Tax Returns**

Keystone Financial Solutions (“KFS”) is pleased to provide you with professional tax preparation services for your business. This letter confirms the entire agreement regarding the income tax preparation services KFS is to provide you, our client (“Client”).

We will prepare your company’s federal and PA business income tax return(s) and supporting schedules for the year ended December 31, 2011 and perform a limited amount of bookkeeping and analysis necessary for the preparation of these income tax returns. If you are a corporation, the federal return will be a Form 1120 or Form 1120S. If you are a partnership for federal tax purposes, we will prepare Form 1065.

If your company is a Pennsylvania (“PA”) single member limited liability company (“SMLLC”), we will prepare the PA corporate income tax return RCT-101. A PA SMLLC is not required to file a federal income tax return.

The federal return is due March 15, 2012 for corporations and April 15, 2012 for partnerships, unless an extension to file is requested. If your business is subject to any local income or gross receipts taxes, you must provide us with that jurisdiction’s original tax form if you want us to prepare that return. If your company is operating or conducting business in a state other than PA, you must notify us in writing of this fact. If you are unsure if your company is operating in a state other than PA, you may engage us to consult with you on this matter.

**SCOPE OF ENGAGEMENT**

The scope of this engagement is to prepare only the returns or work noted above. The services described herein will conclude with the delivery of these tax returns or upon our suspension of services or resignation from the engagement.

KFS will use its best efforts to prepare these returns as soon as possible, and Client agrees that it will devote his or her full resources to timely provide KFS with all the information it needs to prepare these returns.

If this executed engagement letter or the Client’s tax documents are not received at least 15 business days before the federal due date, KFS, at its sole discretion, will determine if it has sufficient time and information to file your returns by the due date or to request an extension of time to file. Client acknowledges that an additional fee will be charged for filing an extension request and that KFS does not guarantee any tax jurisdiction’s acceptance of any extension request that may be filed on your behalf. You further acknowledge that any extension request does not grant you an extension of time to remit payment for any tax liability that you may owe.

**DOES NOT COVER REVIEW BY TAX AUTHORITIES**

KFS will use its professional judgment in preparing these returns. It is understood that all tax returns are subject to review by taxing authorities. The agreed fee for this engagement does not provide for assistance you might need in connection with inquiries, audit examinations, assessments by authorities, or amended returns.

### **NO INDEPENDENT VERIFICATION**

The above returns will be prepared on the basis of information and documents supplied by you and by others designated by you. It is understood that no independent verification will be made of such records by KFS. The Client understands that KFS is not responsible for Internal Revenue Service disallowance of deductions not supported by adequate documentation or for resulting taxes, penalties, and interest. 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. Management is responsible for proper recording of transactions in the accounts, safeguarding of assets, and substantial accuracy of the financial records. Because you have final responsibility for these returns, you need to review them carefully before you sign and file them and send tax reporting information to shareholders.

### **IMPOSITION OF PENALTIES**

The Internal Revenue Service ("IRS") imposes penalties on taxpayers, and on us as return preparers, for failure to observe due care when filing income tax returns. If you would like information about those penalties, please call this office. Because an S corporation is an entity whose tax items are generally reported by its shareholders, any penalty for substantial understatement of tax relating to S corporation and partnership items will be imposed at the shareholder or partner level.

We will use our professional judgment in preparing your returns. Whenever we are aware that a possible 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 IRS should later contest the position taken, there may be an assessment of additional tax plus interest and penalties.

We assume no liability for (1) any interest or penalty assessments resulting from late filing or late payment of taxes; (2) for any additional interest, penalties or tax assessments resulting from tax positions taken on your returns requested by you; or (3) for your failure to exercise due care in substantiating your income and deductions.

Pursuant to Internal Revenue Service Circular 230, KFS is required to advise you that any advice included as part of this engagement, is not intended or written to be used, and it cannot be used by you or any other person or entity, for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions.

### **INFORMATION TO BE PROVIDED BY YOU**

You agree to provide us with all the information requested as summarized on KFS's Corporation and Partnership Checklist found on our website at [www.keysolutions.us](http://www.keysolutions.us) (using the Forms & Publications menu option) and timely responses to any additional requests for information. If you are a monthly client of KFS, we acknowledge receipt of this information providing that you have sent us all twelve (12) months of information as requested by us.

### **FEES FOR THIS ENGAGEMENT**

If KFS prepared your returns last year, the fee for this engagement should not increase significantly from what you paid last year providing that the returns are comparable.

If you have prepaid your tax return preparation fee over the past tax year as a monthly client, there will not be any additional charge unless an extension to file is prepared by KFS. If you have been a monthly client for less

than a full twelve-month period, the monthly fees you paid will be credited against the total amount invoiced to prepare these returns.

For new clients, our fees will be based upon the number of hours needed to complete your returns multiplied by our standard billing rate, plus any out-of-pocket expenses (e.g., an overnight delivery fee charge). Any unforeseen conditions or time requirements that could cause the fee to exceed our estimate will not be assessed without your prior authorization.

Payment for this engagement will be due immediately upon presentation of the e-file authorization forms to you or when invoiced. Amounts not paid when invoiced will bear a \$50 monthly handling fee.

### **MAINTENANCE OF TAX RECORDS**

KFS will return to Client all original tax and financial records used to prepare these returns. It is Client's responsibility to retain a copy of (1) these returns permanently and (2) the company's supporting tax and financial records until the IRS and the state authorities are barred by the statute of limitations from making adjustments to the returns filed. KFS recommends that you retain these supporting documents for a minimum of seven years. Our working papers, including any photocopies of your records, are our property and will be retained by KFS in accordance with our records retention policy. This policy currently states that we will retain these working papers for three years.

### **CONFIDENTIALITY**

All information you provide to us in connection with this engagement will be maintained by us on a strictly confidential basis. In the interest of facilitating our services to you, we may communicate by facsimile transmission or send electronic mail over the Internet. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over the unauthorized interception of these communications once they have been sent and consent to our use of these electronic devices. **If you have not already done so, you need to register on our website to access an encrypted Cybercabinet so that confidential documents can be securely transferred between us. Select the "File Transfer" button on our menu and follow the instructions to set up your Cybercabinet.**

We will be pleased to discuss this letter with you. You received this letter because we understand you are the person responsible for the tax matters of your company. If that is not correct, please tell us who that person is so that we can coordinate return preparation work with the correct party.

This three-page letter confirms my understanding of the services to be performed and the limitations of those services.

\_\_\_\_\_  
Signature of Officer, Owner or Partner

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name of Officer, Owner or Partner

\_\_\_\_\_  
Title

\_\_\_\_\_  
Printed Name of Company