



**FLOTT  
& Co.**  
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**Terms and Conditions of ShipTax Representation**  
(current as of January 1<sup>st</sup>, 2011)

**Introduction**

It is the firm's practice to set out the scope and terms of our engagement for a client at the start of the relationship. Accordingly, we have prepared this document to *explain the general terms and conditions that will apply to our representation of shiptax clients*. Please read these general terms and conditions carefully. We want you to be aware in advance of our customary fee charges and how we calculate them, our billing practices, and our payment terms.

**Responsibility**

Stephen Flott is principally responsible for shiptax representation, assisted by Benjamin Snipes, Jeanne Franklin and Ji Zhang. Law clerks and others may be used to perform tasks associated with this representation that are appropriate to their training and experience.

**Charges**

<b>Tax Filings for Clients Complying with Section 883 Regulations</b>	
<b>Charges for New Clients<sup>1</sup></b>	
Initial Section 883 Filing for the first filing corporation, preparation of ownership statement(s) for qualified shareholders of more than 50% of filing corporation	\$2,500
Initial Section 883 Filing for each of the next four filing corporations, preparation of ownership statement(s) for qualified shareholders of more than 50% of filing corporation	\$1,250
Initial Section 883 Filing for balance of filing corporations, each	\$800
Standard Administrative Charge	\$47.83
<b>Charges for Established Clients</b>	
General Section 883 Representation – fewer than 8 ships under management per year, includes all Information Only returns and repeat Ownership Statements for that year	\$800
General Section 883 Representation – 8 or more ships under management per year, includes all Information Only returns and repeat Ownership Statements for that year	\$2,100
Preparation of Initial/Revised Ownership Statements per corporation	\$385
Preparation of Renewal Ownership Statements per corporation	\$50
Preparation of Tax Returns, per return	\$400
Standard Administrative Charge	\$47.83
<b>Tax Filings for Clients using Treaty Based Exemptions</b>	
<b>Charges for New Clients<sup>1</sup></b>	
Initial Treaty Filing for the first filing corporation	\$1,500
Initial Treaty Filing for each of the next four filing corporations	\$750
Initial Section 883 Filing for balance of filing corporations, each	\$500
Standard Administrative Charge	\$47.83
<b>Charges for Established Clients</b>	
General Treaty Representation – fewer than 8 ships under management per year, includes all Information Only returns	\$600
General Treaty Representation – 8 or more ships under management per year, includes all Information Only returns	\$1,750
Preparation of Tax Returns, per return	\$400
Standard Administrative Charge	\$47.83

<sup>1</sup>These charges cover advice and assistance with all filings including for overdue years regardless of the number of such returns that are filed.



<b>Tax Filings for Clients Paying Tax</b>	
<b>Charges for Initial Filings for New Clients</b>	
Initial Filing for the first filing corporation, including calculation of tax and preparation of Rev.Proc. 91-12 schedule	\$2,500
Initial Filing for each of the next four filing corporations, including calculation of tax and preparation of Rev.Proc. 91-12 schedule	\$1,250
Initial Filing for each additional filing corporation, including preparation of Rev.Proc 91-12 schedule, each filing corporation	\$500
Calculation and filing of estimated quarterly tax payments, each	\$300
Standard Administrative Charge	\$47.83
<b>Charges for Tax Filings for Established Clients</b>	
General Representation per year, includes all Information Only returns	\$375
Calculation and filing of estimate quarterly tax payments, each	\$275
Preparation of Tax Returns, per return	\$400
Standard Administrative Charge	\$47.83
<b>Tax Consulting Option</b>	
<p>For those clients who wish to prepare their own returns and conduct their own interaction with the IRS, we offer the option of an annual, non-refundable retainer of \$4,500 for our advice and assistance on US shiptax matters. The retainer entitles clients to 12 hours of professional time, using a blended rate of \$375/hr. Clients are billed for time charges at our normal hourly rates when they exceed the annual retainer allowance. These clients pay our standard administrative charge equal to 15 filings which is the cap for all clients. For 2011, the maximum will be \$717.45 or \$47.83 per filing, which is a 2.1% increase from 2010. The standard administrative charge will be adjusted based on actual costs incurred during 2011.</p>	

We charge on an hourly basis for work that is outside the scope described above using our current hourly billing rates. Clients will be advised of specific matters for which hourly billing will be applied in addition to fees calculated according to this schedule.

In addition to the above listed charges, if the filing of an extension is caused by the client's delay in completing and returning the tax information worksheets required to prepare the tax returns, we will charge \$25 per extension that must be filed as a result. No extension will be filed, and no fee will be charged, if a corporation affected by the client's delay is filing an "information only" return. If a client is unable to complete the filing by the extended deadline, we will charge a further \$35 per extension request that must be filed.

### **Expenses**

The firm will bill you for all out-of-pocket costs incurred in connection with our representation. These costs include expenses for courier services, long distance telephone, faxes, photo-copies, postage and similar expenses. Generally, these expenses are billed on a pass-through basis. However, we add a small mark up on postage, photocopying, courier, and communication expenses to reflect administrative time associated with tracking and billing them.

Based on the nature of our shiptax representation, we divide our general out-of-pocket costs associated with travel and other expenses that relate to the shiptax representation generally on a pro-rata basis among clients by means of a Standard Administrative Charge which is charged for each filing, including Information Only filings, to a maximum of 15 filings per year. It is separately described on our invoices.

***These costs are in addition to our fees for services rendered.***



## **Retainers & Advanced Fees**

Generally we do not require retainers or advanced fee payments. If one is required, it will be requested as part of a separate letter. We may require you to advance any substantial out-of-pocket costs. Any money advanced to us will be kept in the firm's escrow account, which is maintained strictly in accordance with the rules of professional ethics of the District of Columbia, Florida, Maryland and Virginia State Bars.

## **Billing**

Our bills itemize fee charges and expenses. The bill will show any amounts deposited in our escrow account that are applied to the fees and expenses shown on that bill.

## **Payment**

*Our invoices are due upon receipt, and should be paid by the last day of the month. As a small firm, we must insist on timely payment unless arrangements have been made ahead of time for less prompt or partial payments.*

## **Late Payment/Non-Payment**

*If an invoice is not paid by the end of the month in which it is rendered, you will be charged a late fee of \$25, and interest on the balance owed to us at an annual rate of twelve percent (12%). We will waive the late payment charge and interest on any invoice that is paid before the close of the next billing period. Invoices that remain unpaid after sixty (60) days will be subject to monthly late charges and interest until fully paid.*

## **Withdrawal as Counsel**

*If an invoice is not paid in full with interest and late charges within ninety (90) days, the firm may, upon notice to you, terminate its representation and cease to act as your counsel. We will do our best to make sure that your interests are not compromised, but will move promptly to withdraw as your counsel.*

## **Suits for Fees**

In the highly unlikely event that the firm has to bring a lawsuit to collect any amounts due, you will be responsible for court costs and the firm's reasonable attorneys' fees involved in collecting the amounts due. We are confident that this situation will not arise; however, we want you to have this notice and understand our policy in the unlikely event it becomes relevant.

## **Declining Representation**

*If you do not agree to any of these general terms and conditions, you must advise us as soon as possible so that we can discuss mutually acceptable alternatives. If we cannot reach mutually acceptable terms, then we cannot serve as your lawyers. If we have already started to represent you, we will immediately cease to do so and work with you to transfer your matter to a lawyer of your choice. You are free at any time to discharge us as your lawyers. If you do so, we will render an invoice immediately for any unpaid fees or expenses and cooperate with you to transfer your matter(s) to new counsel.*