

FAIRFAX, VIRGINIA OFFICE:
Mailing: 10640 Main Street, Suite 200
Driving: 10640 Railroad Square
Fairfax, Virginia 22030
Phone: 703-691-1888

FREDERICKSBURG, VIRGINIA OFFICE:
511 Westwood Office Park
Fredericksburg, Virginia 22401
Phone: 540-479-1435

DC MEETING LOCATION:
1775 I Street NW, Suite 1150
Washington, DC 20006

MARYLAND MEETING LOCATION:
1 Research Court, Suite 450
Rockville, MD 20850

FARR LAW FIRM

A PROFESSIONAL CORPORATION



WWW.FARRLAWFIRM.COM
TOLL-FREE TEL: 800-399-FARR
FIRM-WIDE FAX: 703-345-9999

ATTORNEYS & COUNSELORS AT LAW
EVAN FARR, CELA, CAP (VA, DC, MD)
WILLIAM FRALIN, CELA (VA, DC, MD)
SARA ENTIS (VA, DC, MD)
ALICIA TRUITT (VA, DC)

PARALEGAL TEAM
CONNIE FREGM
SERESA EL-GAFY
ARLENE FIGUEROA
NATASHA CRANFORD
ANTHONY BOND
SIERRA KOLASA
TIMOTHY FARR
CLIENT SERVICES
JEANNIE FARR
DEBBIE MITCHELL

Re: Farr Law Firm Serving as Fiduciary

Dear

You have inquired about naming the Farr Law Firm as a primary or successor fiduciary under one or more of your estate planning documents – either Trustee or Successor Trustee of your Living Trust, Executor of your Last Will and Testament, and/or Agent under your Durable General Power of Attorney. This letter has been prepared to assist you in deciding whether to select our Firm or another person or entity as your fiduciary. It summarizes the services we provide, the fees we charge, and other important considerations you should weigh while making your decision. Please review the following information carefully, and then complete and sign the attached “Client Elections Response Form.”

SERVICES WE PERFORM AS TRUSTEE OF YOUR LIVING TRUST

If you name the Farr Law Firm as Trustee or Successor Trustee of your Living Trust, we will perform the following services:

- **Trust Funding and Distribution:**
 - ✓ Collection of trust assets, including preparation and submission of documents necessary for transferring existing assets into Trust ownership and/or naming the Trust as beneficiary;
 - ✓ Distribution of income and principal to the Settlor and Beneficiaries according to the terms of the Trust;
 - ✓ Allocation and distribution of final distributions required by the terms of the Trust, and acquisition of any necessary receipts and releases;
- **Bill Paying:**
 - ✓ Complete bill paying services for the Trust and the Trust Settlor;
 - ✓ Payment of expenses of Trust administration;

- **Administration and Protection:**
 - ✓ Safekeeping of Trust assets;
 - ✓ Implementation and enforcement of all Trust provisions to protect the interests of current and future beneficiaries;
 - ✓ Account and records maintenance related to administration of the Trust property,
 - ✓ Preparation of quarterly statements describing account activity and asset values;
 - ✓ Ordering appraisals of trust assets when required;
- **Investments:**
 - ✓ Assistance with formulation and review of Trust investment policy;
- **Tax Returns:**
 - ✓ Recordkeeping with regard to the tax status of each transaction;
 - ✓ Preparation of an annual summary of taxable income and expense transactions;
 - ✓ Collection of information required by tax preparer for preparation of annual fiduciary income tax returns (if required), and verification of preparation and filing of such returns;
 - ✓ Collection of information required by tax preparer for preparation of estate tax return upon death of Settlor (if required) and verification of preparation and filing of such return;
 - ✓ Forwarding of required income tax information to the Trust Settlor and beneficiaries annually.

FEES WE CHARGE AS TRUSTEE OF YOUR LIVING TRUST

- **Financial Assets** (stocks, bonds, cash, mutual funds and other marketable securities)

Market Value	Annual Fee
Up to \$1,000,000	3.00%
Next \$1,000,000	2.00%
Next \$3,000,000	1.00%
Balance over \$5,000,000	0.50%
First year after death of Settlor - regardless of amount	3.00%

- *The Minimum Annual Fee for acting as Trustee is \$10,000. Fees are calculated and charged quarterly using the fair market value of the account at the end of the quarter.*

- **Asset Transaction (Buy/Sell) Services:**

Service Provided	Fee
Purchase or Sale of Stocks, Bonds, Mutual Funds (additional brokerage firm clearing and executions costs may apply)	\$250
Purchase or Sale of Mortgage Notes	\$500
Purchase or Sale of Promissory Notes	\$500
Purchase of Real Estate Selected by Settlor or Beneficiary	\$1,000
Sale of Real Estate with Broker participation.	\$1,000
Sale of Real Estate without Broker participation.	3% of gross sales price
Unique Assets	Hourly at prevailing rate

- **Real Estate Title Holding Services** (when the Trust holds title to real estate but the trust services are limited to payment of mortgage, taxes, and insurance; these fees are in lieu of the percentage fees that apply to monetary assets):

Type of Property	Annual Per Asset Fee
Settlor's Residence	\$1,000
Rental / Income-Producing Real Estate	\$5,000
Vacant land	\$500
Time Share	\$500

- **Real Estate Management Services.** As Trustee, we can provide the following services when managing Trust-owned real estate, usually by hiring an outside third party:

- ✓ Evaluation of the desirability of retaining, selling, exchanging or acquiring real estate assets;
- ✓ Determination of an appropriate means of financing real estate;
- ✓ Production and funding of capital improvement budgets;
- ✓ Definition and implementation of needed capital improvement programs;
- ✓ Collection of rents and management of rental delinquencies;
- ✓ Management of tenant relationships and mediation of disputes;
- ✓ Furnishing a list of dependable and experienced vendors who can provide maintenance and repairs at reasonable rates;
- ✓ Payment of property and other taxes on a timely basis;
- ✓ Acquisition of reasonable insurance policies that may include flood and earthquake coverage;
- ✓ Oversight of maintenance and repair to buildings and other improvements.

Please note that third-party services are billed to the Trust at cost plus a 5% trustee processing fee. As Trustee, we will negotiate in good faith with third party vendors to try to obtain fair and reasonable fees.

- **Tax Preparation Services** (when the Farr Law Firm prepares and files the tax returns):

Type of Return	Fee
Fiduciary Income Tax Return (1041)	\$2,500
State Fiduciary Income Tax Return	\$1,500
Personal Income Tax Return (1040)	\$2,000
Gift Tax Return (709)	\$1,500
Estate Tax Return (706)	\$7,500

- **Co-Trustee Services:**

- We are delighted to work with a co-trustee, particularly if the co-trustee is a family member who knows your beneficiaries. If your Trust requires that we consult with a co-trustee or holder of right of approval prior to making trust decisions or exercising investment discretion, we charge an extra \$2,500 annually in addition to our normal Trustee fees. Any fees due to the co-trustee shall be paid in addition to our normal Trustee fees.

- **Litigation Services:**

- When the Farr Law Firm acts as Trustee for your Trust, we will not simultaneously represent your Trust as an attorney, because such representation can result in a conflict of interest. Instead, we will refer all litigation or threatened litigation to outside counsel, who will bill their fees to the Trust.

- **Miscellaneous Expenses:**

- Extraordinary out-of-pocket expenses associated with the administration of your Trust will be charged to the Trust. Such charges include, but are not limited to, bank charges such as wire transfer or stop payment fees, shipping and postage, long-distance telephone charges, mileage, and photocopying.

SERVICE AND FEES WE CHARGE AS EXECUTOR OF YOUR PROBATE ESTATE

Serving as Executor or Administrator of your estate is more difficult than serving as Trustee of your Living Trust because of the complexities of the probate process. In addition to the fiduciary duties described above, the Executor must prepare and file numerous documents with the probate court, including court-required documents such as notices to heirs, an inventory of your estate, and annual estate accountings. Accordingly, the fees are considerably higher than our fees for serving as trustee of your living trust:

- All Probate Assets (real estate, stocks, bonds, cash, mutual funds and other marketable securities):

Market Value	Fee Percentage
All assets	5% of total assets + 5% of income receipts (not including capital gains)

- ✓ The Minimum Executor Fee is \$15,000 per year, subject to the approval of the Commissioner of Accounts.
- ✓ 1.00% one-time fee on assets that pass outside of probate and outside of any living trust.
- ✓ Please note that executor and testamentary trustee fees are subject to the approval of the Commissioner of Accounts.

SERVICE AND FEES WE CHARGE AS AGENT UNDER YOUR GENERAL POWER OF ATTORNEY

- **If You Have a Living Trust.** If the Farr Law Firm is named as agent under your General Power of Attorney and as Trustee under your Living Trust, then if and when we are required to commence acting as Agent under Power of Attorney (*i.e.*, upon your request or upon your incapacity), one of our first objectives will be to determine which of your non-retirement assets are not already in your Living Trust, and transfer them into your Living Trust. Accordingly, the fees we charge in such a situation will be our fees (listed above) for acting as Trustee of your Living Trust, with an additional fee of 3.00 % per year of your assets that remain outside your Living Trust, such as retirement accounts that cannot go into trust.
- **If You Don't Have a Living Trust.** If the Farr Law Firm is named as agent under your General Power of Attorney and you do not have a Living Trust, then if and when we are required to commence acting as Agent under Power of Attorney (*i.e.*, upon your request or upon your incapacity), we may, if appropriate, create a Living Trust on your behalf and transfer all of your non-retirement assets into your Living Trust. At that point, the fees we charge in such a situation will be our law firm's fee for creating the Living Trust, plus our fees (listed above) for acting as Trustee of your Living Trust, with an additional fee of 3.00 % per year of your assets that remain outside your Living Trust, such as retirement accounts that cannot go into trust.

SERVICE AND FEES WE CHARGE AS AGENT UNDER YOUR ADVANCE MEDICAL DIRECTIVE

- We charge a flat fee of \$4,000 per year, per person, to act as Agent under your Advance Medical Directive if and when such services are needed. We will of course at all times act in accordance with your known wishes as expressed in your 4 Needs Advance Medical Directive[®]. Depending on your situation, we may hire another company that specializes in medical case management to act on our behalf for your benefit, and their fees will be in addition to our flat annual fee.

OTHERS WHO MAY SERVE

- You should consider and investigate all of the alternatives available to you before deciding whom to select as Trustee and/or Executor and/or Agent under a General Power of Attorney and/or Agent under an Advance Medical Directive. Aside from the Farr Law Firm, others who might serve include members of your family, personal friends, business associates, your accountant, your investment advisor, or any bank or trust company that has been authorized to provide such services under State or Federal law.
- Other fiduciaries may charge more or less than the Farr Law Firm charges.
- Banks and trust companies normally publish and update rate schedules which list variable percentage-based commissions, usually dependent upon the total value of the assets involved. In addition, most banks and trust companies require a minimum asset amount before they will agree to manage the assets. You may obtain these rate schedules and minimum amount requirements at any bank branch or from any trust company. Some banks and trust companies also post their rate schedules on their Web sites.

WHAT TO EXPECT WHEN HIRING A PROFESSIONAL FIDUCIARY

- If the Farr Law Firm is acting as your fiduciary, we will hire, as needed, outside professionals to assist as needed, such as appraisers, accountants, financial planners, investment advisers, and attorneys. All of these other professionals will charge their own fees for the services they provide, and these fees will be paid by your trust or estate in addition to our fees for acting as fiduciary.
- Although a fiduciary is responsible for filing all necessary tax returns, that does not mean that a fiduciary must personally prepare said tax returns. On the contrary, many fiduciaries hire an accountant or tax attorney to prepare tax returns on behalf of a trust and/or estate. This is why we assess an additional charge, as stated above, for Tax Preparation Services if we prepare tax returns.
- Even though an attorney may be serving as your fiduciary, the job of a fiduciary is not that of an attorney, and therefore an attorney acting as your fiduciary may possess legal skills and knowledge, but does not give legal advice or provide legal representation to your trust or estate. For this reason, please note that even if you name the Farr Law Firm as your fiduciary, we may employ other attorneys for legal representation from time to time. For example, if a claim or lawsuit is brought against your estate, your Executor would normally hire an attorney to represent your estate. Similarly, if a legal question arises, your Executor would normally hire an attorney to provide legal advice; if a tax question arises, your Executor would normally hire an accountant, or perhaps a specialized tax attorney, for tax advice. If you designate the Farr Law Firm as your fiduciary, then the Firm as fiduciary will not hire the Firm to provide separate legal services, in order to avoid any potential conflict of interest.

REQUIRING CORPORATE SURETY BOND

- An individual executor or individual trustee of a testamentary trust established under a Will is normally required to purchase a corporate surety bond (a form of insurance against the fiduciary's wrongful depletion of the assets of the estate), unless the testator specifically requests in the Will that the fiduciary be permitted to qualify without any security on the bond. The surety bond must cover the value of the estate or trust under the control of the executor or trustee. The annual bond premium for the surety bond is paid by the estate or by the trust.
- There are several exceptions to this requirement. A bank or trust company is generally not required to give security or surety upon its bond. When an individual serves jointly as an executor or trustee with a bank or trust company, that individual is also exempt, unless the court directs otherwise.
- An individual serving as trustee of a living trust is not required to purchase a surety bond.
- Waiver of security on the bond in your Will saves money, but places the estate or trust at greater risk than if security were required. If you waive security on the bond of a law firm who is serving as executor or trustee and that law firm wrongfully depletes an estate or trust, then you must rely on the law firm's assets (or the law firm's coverage against legal malpractice) to cover the loss. Attorneys are not required to have minimum assets in reserve in order to serve as an executor of an estate or trustee of a trust, nor are they required to carry insurance against legal malpractice.
- Our firm carries Lawyer's Professional Liability insurance (i.e., malpractice insurance) with coverage in the amount of at least \$1,000,000 per claim.
- If you would like to waive the bond requirement in your Will, in order to save your estate the money for the bond premium, please let us know.

COURT OVERSIGHT OR PRIVATE OVERSIGHT

- In Virginia, all Executors are required to file an inventory of each estate as well as annual accounts of the receipts and disbursements of the estate. The Commissioner of Accounts for each city and county provides an independent review and audit of the estate's receipts and disbursements each year. These accountings may be waived with the consent of the beneficiaries of your trust.
- Please note that while this independent review by the Commissioner of Accounts does provide an audit of the accounts, it also establishes a public record of the actions of your Executor or Trustee and a public record of how you dispose of your property.
- If you establish a living trust, then there is no requirement that accounts be filed with the Commissioner of Accounts. However, there is a requirement for reports to be rendered to trust beneficiaries, and you may appoint a Trust Protector or Trust Protector Committee with the power to remove the Trustee of your Living Trust.

Sincerely,

The Farr Law Firm

ACKNOWLEDGMENT AND CLIENT CONSENT

By signing the acknowledgment below, you acknowledge that you have had a chance to read the above information and explore your options for selecting a fiduciary, and that you desire to name the Farr Law Firm as a fiduciary / decision maker or successor fiduciary / decision maker under some or all of your estate planning documents. If you have any questions or concerns about anything covered in this letter, please feel free to discuss with any attorney in the firm and we will be happy to answer your questions and address any concerns. Regardless of your decision as to a fiduciary, we look forward to continuing to work with you as we complete and finalize your estate planning documents.

I/We have reviewed the foregoing **Fiduciary Fee Schedule, Disclosure, and Agreement**, and I/We accept the terms and conditions contained therein.