

HARRINGTON

LAW P.C.

STATEMENT OF GENERAL TERMS OF ENGAGEMENT FOR LEGAL SERVICES

This statement sets forth terms that apply generally to engagements of Harrington Law P.C. (“the Firm”) to provide legal services. Unless superseded by other specific arrangements that have been mutually agreed upon by Harrington Law P.C. and the Client, these terms apply to all engagements to provide legal services. This statement should be read in conjunction with the engagement letter to which it is attached or in which it is referenced, and is subject to modifications or additions specifically stated in that letter.

Attorneys. Harrington Law P.C. currently employs two attorneys: (1) James M. Harrington, a shareholder of the Firm, and (2) Maria D. Floren, an associate of the Firm. While client matters may be assigned to either or both of these attorneys for primary responsibility, every client of these attorneys is a client of the Firm. Every effort is made to place work with the attorney best suited to provide the client with competent and efficient representation, based upon the complexity of the matter, the experience and expertise of the attorney, the standard billing rate of the attorney, and the attorney’s present workload. Some matters are suitable for placement with only one of the attorneys of the Firm, or with one of the attorneys only with supervision of another attorney. Other matters may be jointly handled by all of the Firm’s attorneys.

Legal Fees. In general, our fees for legal services are based primarily on one or more of the following factors:

- The standard billing rate for the time actually spent on the engagement;
- A specific billing rate established by statute or rule;
- The value of the legal services performed, as established by the marketplace for similar services or by the value the legal services represent to the client;
- A flat rate for a specific item of work; and/or
- A fee that is contingent upon the outcome of an engagement, when such an arrangement is allowed by law.

We will try to designate the method by which our fees will be calculated at the outset of the engagement. Unless we designate another method, our fees will be based upon a combination of the standard billing rate for the time actually spent on the engagement and the market value of the legal services performed. Upon request, we will provide a good-faith estimate of our fees before work is begun.

Our billing rates and practices will be reviewed from time to time and revised accordingly. In accordance with applicable Rules of Professional Conduct, our billing rates and practices are designed to reflect various factors to be considered in determining legal fees for any matter, including (1) the time and work required; (2) the novelty and difficulty of the questions involved; (3) the skill requisite to perform the legal services properly; (4) the fees customarily charged for similar services; (5) the amount involved and the results obtained; (6) the time limitations imposed by the client or by the circumstances; (7) the nature and length of the particular professional relationship; and (8) the experience, reputation and ability of the particular attorneys performing the services. We review each statement in light of those considerations and, to the extent we determine that they are not reflected in the calculation of our fees based upon our

standard hourly billing rates, we make appropriate adjustments to our fees. Our statements may reflect a number of hours that establishes the basis for fee calculations, which should not be taken as a definitive representation of the number of hours actually devoted to the work.

Generally, we consider the following non-exhaustive list of items to be “billable” work: conferences and telephone conferences; factual investigation; legal research; legal analysis of documents and circumstances; client counseling; review and preparation of correspondence; preparation, drafting and review of contracts, pleadings, briefs, memoranda and other documents; preparation for and attendance at depositions and other discovery proceedings; preparation for and participation in meetings, negotiations and closings; court appearances; waiting time in court; travel time; and responding to clients’ requests to provide information to auditors. Every effort is made to waive or reduce our fees for time spent on unproductive or duplicative work.

Each attorney has an established standard per-hour billing rate, which may vary depending, for example, upon the nature of the matter. These rates are subject to modification at any time. Please contact us for current rates or to verify a particular attorney’s billing rate for a matter.

Expenses. In addition to our fees for professional services, we may charge our clients for costs and expenses incurred in connection with a particular engagement (“Chargeable Costs”). Generally, we do not charge our clients for supplies or for telephone long distance charges, or printing and photocopying for our own files. In all cases, however, we reserve the right to charge our clients for expenses related to the engagement. Examples of charges of this nature that would be billed through are providing more than one copy of a paper to a client; reproduction charges or telephone charges exceeding \$50.00 for any one matter or group of matters; and postage, delivery, or courier charges in excess of the Priority Mail rate for the item.

Out-of-pocket expenditures directly related to a particular engagement will be charged to clients at our cost. For example, travel expenses (including mileage, parking, airfare, lodging, meals, and ground transportation) incurred while on business for the client; court costs; filing fees (including Patent and Trademark Office fees); fees for certified documents; and foreign associate fees (when necessary) will be charged to clients. Subject to our retainer policy as outlined below, we require prepayment of significant out-of-pocket expenditures. Our policy is to utilize the IRS standard mileage rate per mile driven, and to determine the number of miles driven as calculated using Google Maps.

Computerized legal or factual research which is necessary or helpful to the engagement will be charged to the client at the applicable rates, which are in addition to our fees.

Funds Policies. It is our general policy to require appropriate fees to be paid to us in advance of the engagement. Exceptions to this policy are granted on a case-by-case basis and generally reflect the length of our representation of a particular client and the payment history of a client. The amount of the fee to be paid in advance will be selected based upon our best estimate of the fees and expenses expected to be incurred during the engagement (for bill-upon-completion matters) or during at least the first three months of the engagement (for monthly-bill matters), and may be modified based upon circumstances specific to a particular matter or client.

Our handling of funds paid to us by a client in advance may differ depending upon the purpose for which the funds have been paid. Generally, these funds fall into one of three categories: expense funds (funds paid for chargeable costs), retainer funds (unearned funds held as security for future work),

and advance fee funds (flat, not-to-exceed, or nonrefundable fees, or fees that will be automatically paid to us as they are earned). Expense funds will be deposited into our operating account or into our trust account, depending, respectively, upon whether the expense has been incurred (thus making the payment a reimbursement) or not (and we are therefore holding the funds for payment to a third party later). Retainer funds will be deposited into our trust account and held as security; they will be drawn if the secured conditions are not met or at the completion of a milestone in the matter. We also reserve the right to apply retainer funds to our fees immediately upon presentment of an invoice, and to replenish the trust account upon payment of the invoice. Advance fee funds may be deposited into our operating account as earned.

From time to time, and particularly when the nature of an engagement so requires, we may request additional fees in advance after the engagement has begun.

IOLTA Notice. Client funds deposited in our trust account, including retainer funds and some expense funds as designated above as well as client-owned funds originating from other sources or for other purposes, are subject to rules established by the North Carolina Supreme Court regarding the disposition of interest earned. Specifically, our trust account is a special interest-bearing account known as an "IOLTA" ("Interest on Lawyers' Trust Accounts") account. Interest earned on these deposits, net of any fees imposed by the bank, is paid not to the attorney or the client but to the State Bar in support of programs for the public benefit, including the funding of legal services programs for the poor, for at-risk children, for the elderly, and for the disabled. Effective January 1, 2008, our participation in this program became mandatory. In the event that we are tasked to hold client funds so substantial or for such a long period of time that the client would expect them to be held for a return, we will establish an appropriate individual trust account for that purpose; under such circumstances, the interest would belong to the client. We may maintain trust accounts in other jurisdictions, which accounts are not subject to North Carolina's IOLTA rules.

Billing. Invoices are generally rendered immediately upon completion of our work on a matter, and/or on a monthly basis for ongoing engagements. For some engagements that extend beyond one month's work, such as the preparation of patent applications, we may hold bills for our services until completion of the work, or we may issue one or more interim invoices. Our invoices will contain a short description of the services rendered during the invoice period (such as a calendar month), the fees therefor, an itemized listing of any costs billed through to the client, and the amount due and payable. If the client requests it, we will provide detailed invoices with daily summaries of work performed. For matters in which a detailed summary of the work performed is unnecessarily duplicative, we may issue a summary invoice. We will try to be responsive to any particular requests the client may have as to the format of our invoices.

Invoices are due and payable upon receipt. They are considered delinquent if not paid in full within 15 days of the invoice date. We reserve the right to apply a 1.5% per month late charge to any outstanding past-due balance. In order to keep our fees low, we ask that you satisfy our invoices at your earliest convenience after receipt. We may, from time to time and in our discretion, offer a discount as an incentive for more prompt payment than within the 15-day grace period. If a discount is offered, you will be informed at the time of invoicing.

We accept payment by cash, check, money order, and wire transfer. We also accept payment by credit card through PayPal. Payments made through PayPal will be assessed a convenience charge of

3.5% of the total amount. A payment that is returned for any reason will incur a \$50.00 administrative fee plus the amount of any bank charges resulting from the returned payment.

If our usual mode of communicating with the client is by electronic mail, we may render invoices in an electronic format, which will generally be a document in Adobe Acrobat (PDF) format. Electronic invoicing is optional. If you do not wish to receive invoices electronically, please notify us, and a paper invoice will be mailed to you instead.

Our clients are invited to contact us at any time to discuss any questions or concerns they may have about our services or our fees, without charge.

Communications. We will attempt to communicate with clients as the client prefers, whether by telephone, postal mail, electronic mail, or facsimile. We may make available to clients a secure facility for the transmission of messages and documents through our internet website. Clients who are interested in this service should contact one of our attorneys for more information.

Regardless of the method of communication chosen, you should be aware of (a) the necessity of refraining from conducting certain types of communications via insecure means, such as facsimile or electronic mail, and (b) the necessity of conducting certain types of communications, such as the presentation of legal opinions, only in writing. Please note that we are not responsible for misdirected communications from you as a client or from us to you (provided that we rely in good faith upon a communications address you provide).

Confidentiality. Once we and our clients have agreed to the terms of an engagement and we commence work, an attorney-client relationship is established between our firm and the client as to the legal matters subject to our representation. Confidential communications between us and the client during that relationship is generally subject to the Attorney-Client Privilege, which means that neither the attorney nor the client may be compelled by law to disclose the substance of those communications. However, it should be noted that there are many exceptions to this rule, in which our clients may be deemed to have waived the privilege. One of the most common exceptions to this rule is when the client discloses (even inadvertently) the substance of the communication to a third party. When you engage in confidential communications with us, please take great care in determining whether others should be included in such communications, either during or after the fact. When in doubt, please contact us for assistance in determining whether the privilege applies to a particular communication.

Confidential information that is subject to the attorney-client privilege and other information gained by us in our professional relationship with a client that the client has requested be held in confidence or that, if disclosed, would be detrimental or embarrassing to the client are also protected under applicable Rules of Professional Conduct to which we adhere. Without the client's consent, we are prohibited from knowingly revealing such confidential information to others or using it for our own advantage or the advantage of others, except that we may reveal it when necessary to carry out the goals of our representation or under other limited circumstances provided in the Rules of Professional Conduct.

We take our obligation to preserve the confidences of our clients very seriously, because our ability to render competent legal services necessarily depends upon our receiving candid information from our clients. We will endeavor to keep client confidences safe from disclosure in all cases, unless we are required by law or authorized by the client to disclose them.

Conflicts of Interest. The North Carolina Revised Rules of Professional Conduct and our own ethical principles impose special obligations upon us to avoid conflicts of interests between two clients or between a client and our own interests. When our ability to represent a client effectively may be materially limited by our relationship with another client or by our own interests, we are obligated at least to consider declining, and in some cases to decline, the representation. When the interests of two clients are not directly adverse, it may be possible to accept the representation with the consent of both clients. Where it is not possible to do so, we may be required to withdraw from or decline representation of one or both of the clients in connection with the particular matter. Clients should be aware that these situations can arise, sometimes without warning, and that our declining or withdrawing from a matter should not be taken as an opinion on the merits of any particular position. From time to time, we may be precluded from stating the reason for withdrawing or declining.

Termination and Withdrawal. A client is free to terminate our engagement at any time upon notice to us, but such termination does not affect the obligation of the client to pay for all services rendered and expenses incurred prior to the time of such termination.

We reserve the right to withdraw from our representation of any client upon reasonable notice (1) if our fees and expenses are not paid when due, (2) if other material terms of our engagement are not honored by the client, (3) if the client does not reasonably cooperate with us or follow our advice as we deem necessary for us to perform the services properly, or (4) if the withdrawal is required or permitted by the North Carolina Revised Rules of Professional Conduct. Our withdrawal does not relieve the client of the responsibility to pay for services rendered or expenses incurred.

If our engagement is terminated by the client or we withdraw from representation, we expect the client to take all steps necessary to free us of any obligation to perform further services.

Please direct any questions regarding these General Terms to James M. Harrington at (704) 315-5801.

This Statement of General Terms was updated effective December 1, 2010.