



Accounting, Consulting & Training for Developing Small Businesses

January, 2012

Dear Client:

We are pleased to be engaged to prepare your 2011 United States federal income tax return and the 2011 state income tax return. Our work will be performed in accordance with the Statements on Responsibilities in Tax Practice as published by the American Institute of Certified Public Accountants. This letter will serve to document our discussions regarding the scope of the engagement and contains the entire understanding of the parties regarding the work to be performed.

In preparing your tax return, a staff person will assemble the initial data from the files you provide to us. Other staff personnel may contact you to obtain additional information. Our tax services will be concluded upon delivery to you of your federal and state tax returns and will continue in following years when we receive that year's tax information.

Although there are many kinds of taxes other than income tax that may be levied against your enterprise, this engagement has been limited to income tax only. We would be pleased, however, to engage with you in an analysis of your business and the different types of levies and other tax issues that may arise. Any requests must be initiated by you, and we encourage you to do so.

This engagement is limited to historical compliance. You will provide information sufficient to prepare tax returns based on what happened in the prior tax reporting period. Other services are offered, and encouraged, under separate engagements, to include tax planning, business consultation, financial statement analysis, local or state tax study or a sales tax nexus study, etc. These additional services might be helpful to you in determining any unknown tax liabilities.

If you provide our firm with copies of brokerage (or investment advisory) statements, we will use the information from these statements solely in connection with the preparation of your income tax returns. We will rely on the accuracy of the information provided in the statements and will not undertake any action to verify this information. We will not monitor investment activity, provide investment advice, or supervise the actions of the entity or individuals performing investment activities on your behalf. We recommend that you read all brokerage (or investment advisory) statements promptly and carefully, and direct any questions regarding activities on your account to your broker (or investment advisor).

Unless we are otherwise advised, you confirm that your personal expenses are segregated from business expenses and costs such as meals, travel, entertainment, vehicles use, gifts and related expenses, are supported by necessary records required by the IRS. At your request, we are available to answer your questions and advise you on the types of records required.

Federal law requires that certain individuals and entities report financial interests in, and signatory authority or certain other authority over, foreign financial accounts with more than \$10,000 in aggregate value in a calendar year on Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. The form is not a tax form and is not filed with a tax return. Instead, the form must be filed separately with the IRS by June 30 of the year following the calendar year in which aggregate amounts held in the foreign financial accounts meet the threshold. The definition of financial accounts is broadly defined and includes certain interests held indirectly. Failure to comply with these laws could result in significant civil and criminal penalties. Unless otherwise specifically agreed in writing, The A.C.T. Group will not prepare, file or provide assistance with respect to the Form TD F 90-22.1.

If you agree to this engagement, we reserve the right to automatically file "0" balance extensions on your behalf, without notifying you this year and the next, unless we hear from you otherwise. Extensions are required when we do not receive

information needed to prepare a return on a timely basis. Applying for an extension of time to file may extend the time available for a government agency to undertake an audit of your return or may extend the statute of limitations. Additionally, extensions may affect your liability for penalties and interest or compliance with government and constituent deadlines. We are available to discuss this matter with you at your request at our regular hourly fee should the need arise.

The engagement does not include responding to inquiries by any governmental agency or tax authority. If your tax return is selected for examination or audit, you may request that we assist you in responding to such an inquiry. In that event, we would be pleased to discuss providing assistance to you under the terms of a separate agreement for that specific purpose. This engagement does not include any procedures guaranteed or designed to discover errors, misinterpretations, fraud, illegal acts, or theft and you agree that we have no responsibility to do so. We are not responsible for third party interceptions of internet transmissions. We may use a subcontractor (located outside the U.S.) to assist us in the preparation of your tax returns. The subcontractor has established procedures and controls designated to maintain data security and protect client confidentiality. As the paid preparer of your tax returns, our firm remains responsible for exercising reasonable care in preparing your tax return, and your tax return will be subjected to our firm's normal quality control procedures.

We will not audit or otherwise verify the data you submit to us, although we may ask you to clarify some of the information. We will prepare the tax returns solely for filing with the Internal Revenue Service ("IRS") and state and local tax authorities. They are not intended to benefit or influence any third party, either to obtain debt or equity financing or for any other purpose.

Please let us know before we start your corporate tax preparation if your company pays at least 50% of the health insurance costs for the employees – you may be entitled to a special tax credit.

As a result, you agree to indemnify and hold our firm and any of its partners, principals, shareholders, officers, directors, members, employees, agents or assigns harmless with respect to any and all claims arising from the use of the tax returns for any purpose other than filing with the IRS and state and local tax authorities regardless of the nature of the claim, including the negligence of any party. We reserve the right to withdraw from this engagement without completing the work if you fail to comply with the terms of this engagement letter, or as we determine professional standards require.

You authorize us to post both draft and final versions of tax returns to our secure portal site which allows the client, if registered with us, to obtain access to the documents. In the event Management **does not** authorize the posting of the drafts and finals of its tax return to the portal site, please let us know immediately.

Thank you for selecting The A.C.T. Group Ltd. (Larry Little, Inc.) for your tax preparation needs. The fee for our services will be billed at our regular hourly rate for senior accountants and may be less for other staff members. A service fee may also be charged. Payment will be expected upon release of the tax return.

2012 FACT SHEET

SERVICES: We offer the following services:

- a) Tax preparation of historical data (1040, 1120, 1120S, 1120H, 1065, 1041, 990)
- b) Tax planning – current and future tax positions.
- c) QuickBooks training services.
- d) Business income tax preparation, sales tax, payroll tax.
- e) Business consultation.
- f) For profit corporate entities: Compilation and Review of Financial Statements.
- g) Audits for non-profit organizations.

We do not review or give advice on tax returns prepared by clients or other tax professionals.

RATES: Most of our services are billed at the following rates: \$200 per hour for Larry Little, \$175 per hour for CPAs, \$125 for Staff Accountants, and \$100 per hour for bookkeeping or junior accountant staff. Basic QuickBooks training is \$100 per hour, intermediate training is \$175 per hour and advanced is \$200 per hour. Hours are billed in quarter hour increments with a two-hour on-site minimum. Project administrative fees will be added to tax returns, compilations, reviews, audits and other engagements.

Corporate tax returns start at \$500. All bookkeeping for corporate tax returns is billed separately and is NOT included in the tax preparation fee or estimate. Individual tax returns start at \$250. Our fees for individual tax returns are based on the forms used during tax preparation, as well as our time incurred. Tax preparation invoices are condensed, showing only the total amount due.

We may offer a complimentary 30 minute consultation to new corporate clients.

TAX RETURNS: Payment is expected at the release of your tax return or when it is e-filed. We are committed to answering questions you may have about the preparation of your tax return and have allowed a limited amount of time for these questions before any additional fees will be incurred.

PHONE CONSULTATIONS: Our practice is to respond to brief telephone questions without charge, as a courtesy to our regular clients of record about their tax situation only. However, it is necessary for us to bill for extended phone consultations (e.g. beyond five minutes) at our regular hourly rates, just as we would for the same discussion if conducted in person. In addition, we want you to know that we are committed to quality service, so please do not ask us to quickly give you feedback on a complex or significant tax or business issue.

TRAVEL: Travel time to and from a client location is billable at the rates above.

INVOICING: We prepare invoices twice monthly (middle and end), and the terms of our invoices are *Due Upon Receipt*.

OUT OF POCKET EXPENSES: Clients will be billed for all out of pocket expenses such as parking, tolls, mileage, copies, etc. unless otherwise noted in proposals or engagement letters.

ENGAGEMENT LETTER: Clients may receive engagement letters or proposals. These will outline specifically what you have asked us to do, and what the expectations of both parties are. If we ask for a deposit, those monies will be applied to the last invoices in the project.

PAYMENT OPTIONS: We accept cash, checks and credit cards.

We value your business!!

REMINDER: We've moved to 6228 N. Broadway, Chicago, IL 60660

* We do not provide any services pertaining to, searching for, researching or investigating any indications of fraud or other illegal acts.

* The above rates are valid 01/01/2012 through 12/31/2012