

January, 2012

Dear Client:

We appreciate the opportunity to work with you. To minimize the possibility of a misunderstanding between us, we are setting forth pertinent information about the services we will perform for you.

We will prepare your 2011 Federal and State individual income tax returns from information you furnish us. Our services will be concluded upon delivery to you of your 2011 tax returns for your review and filing with the appropriate tax authorities.

We will not audit or otherwise verify the data you submit although we may ask you to clarify some of the information. We may furnish you with questionnaires to help you gather and organize the necessary information for us, in order to keep our fee to a minimum. This engagement letter may also apply to tax planning engagements if you choose to engage us for this service.

Our work in connection with the preparation of your income tax returns does not include any procedures designed to detect fraud, theft, or illegal acts and you agree that we have no responsibility to do so. If you suspect such acts have occurred, you agree to notify us promptly. We will render such accounting and bookkeeping assistance as determined to be necessary for preparation of the income tax returns. You have the final responsibility for the income tax returns and, therefore, you must review them carefully before you sign them. Your agreement to this engagement letter acknowledges that you fully approve of the tax return that we will file.

We must receive all information to prepare your return by March 1, 2012, to ensure that your return will be completed by April 17, 2012. Returns for which information is received after March 1, 2012, will be completed as time allows. Although a reasonable effort will be made to complete your return by April 17, 2012, we cannot commit to completion by the April 17, 2012, deadline. Returns not filed by April 17, 2012, may be subject to late filing or late payment penalties. The law provides various penalties and interest that may be imposed when taxpayers underestimate their tax liabilities. You acknowledge that any such understated tax, interest and/or penalties are your responsibility and that we have no responsibility in that regard.

It is your responsibility to maintain, in your records, the documentation necessary to support the data used in preparing your tax returns, including but not limited to the auto, travel, entertainment, and related expenses and the required documents to support charitable contributions over \$250. If you have any questions as to the type of records required, please ask us for advice in that regard. It is also your responsibility to carefully examine and approve your completed tax returns before signing and e-filing them to the tax authorities. We are not responsible for the disallowance of doubtful deductions or inadequately supported documentation, nor for resulting taxes, penalties and interest. .

Again, this year the IRS is requiring us to file your 1040 return electronically (e-file). When your return has been completed, you will be contacted to come into our office to sign the e-file authorization form, pay your tax preparation fee and review your return prior to e-filing. If you cannot come into the office, we may be able to offer you an alternative. In this case, after you have paid the tax preparation fee, we will e-mail to you the e-file authorization forms (Federal and State). Upon receipt of the signed authorization forms, we will e-mail a PDF of your return for your review. This MUST be reviewed immediately. Please let us know, also immediately, if there are any changes to be made. (Conversely, we need to know right away if there are NO changes to be made.) If we do NOT hear from you in 3 days, it will be assumed, per your acceptance of this engagement letter, that there are no changes to be made to your return and we will e-file your return at that point. If you want to make changes to your return after it has been e-filed, we must file an amended return for which you will be billed as an additional charge. Keep in mind that e-filing is free and the benefits include quicker processing by the IRS, which will result in receiving refunds in a faster manner. If you have a balance due, you will still e-file your return and pay any balances due before 4/17. As with all new processes, there might be some bumps in the road, but in the end, this will be a very positive change for everyone. We are responsible only for the preparation of the returns listed above. Our fee does not include responding to your questions or inquiries or examination by taxing authorities and we may choose not to represent you or your organization if you are examined in any way by taxing authorities. If you receive correspondence from a taxing agency and want us to respond either to you or the agency, you will be billed for our time at our regular rates.

In conjunction with the preparation and quality control processes applied to your tax returns, additional work may be necessary in order to comply with new professional standards which generally require all undisclosed tax positions to satisfy the substantial authority standard. Substantial authority exists if the weight of authorities supporting the taxpayer's treatment is substantial in relation to the weight of those that take a contrary position. While we may generally rely in good faith on information you furnish us, we are prohibited from relying on information you provide us with respect to conclusions of federal tax issues. Therefore, to avoid the need for disclosure, we must have a reasonable belief that there is substantial authority for the position. However, for positions not satisfying the substantial authority standard, we must have a reasonable basis for the position and we must disclose the position on the return. Such a position may be disclosed by filing a disclosure statement with your return. However, if any position is with respect to a tax shelter or a reportable transaction, the position must achieve a "more likely than not" level of success, which requires that we have a reasonable belief that the position has a greater than fifty percent likelihood of being sustained on the merits. If necessary, we will alert you of the need for any additional procedures required to prepare your returns under the new higher standard and provide you with an estimate of the related costs to perform that work. If the additional procedures are not performed, we will be required to prepare your returns with proper disclosure to the IRS. If this agreement is terminated by you prior to completion and delivery of all tax return preparation services covered by this agreement, you hereby agree to pay for all fees incurred up to the date of termination. Additionally, we have 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.

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).

Federal law has extended the attorney-client privilege to some, but not all, communications between a client and the client's CPA. The privilege applies only to non-criminal tax matters that are before the IRS or brought by or against the U.S. Government in a federal court. The communications must be made in connection with tax advice. Communications solely concerning the preparation of a tax return will not be privileged. In addition, your confidentiality privilege can be inadvertently waived if you discuss the contents of any privileged communication with a third party, such as a lending institution, a friend, or a business associate. We recommend that you contact us before releasing any privileged information to a third party. If we are asked to disclose any privileged communication, unless we are required to disclose the communication by law, we will not provide such disclosure until you have had an opportunity to argue that the communication is privileged. You agree to pay any and all reasonable expenses that we incur, including legal fees, that are a result of attempts to protect any communication as privileged. It is our firm's policy to retain copies of your tax returns for three years, after which they will be destroyed. If either one of us terminates our relationship, to protect your privacy we will destroy your records in a timely fashion – according to our regular office procedures.

Fees for our services will be at our standard rates plus miscellaneous charges and out-of-pocket expenses. Additional fee(s) will be added for rush orders, making copies, and filing extensions. Payment for service is due when rendered and interim billings may be submitted as work progresses and expenses are incurred. We reserve the right to stop work on any account that is 30 days past due, in accordance with our firm's stated collection policy. If you choose to give us original documents, we must charge you an administrative fee ranging from \$10 - \$50 depending on the length of time required to copy your original documents. Payment is expected upon release of the tax return.

In the interest of facilitating our services to you, we may communicate by facsimile transmission or by email. As emails can be intercepted and read, disclosed, or otherwise used to communicate by an unintended third party, or may not be delivered to each of the parties to whom they are directed and ?? only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information. 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.

At the conclusion of this engagement, we will return all original records you supplied to us. Your records are the primary backup and support for your financial reports and tax returns. Our records and files are our property and are not a substitute for your own records. Catastrophic events or physical deterioration may result in our firm's records being unavailable.

This engagement is for the purpose of individual tax preparation only. 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 would like any of these services, please let us know immediately. 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.

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 you **do not** authorize the posting of the draft and final versions of your tax returns, please let us know immediately.

If any dispute arises among the parties, they agree to try first in good faith to settle the dispute by mediation administered by the American Arbitration Association (AAA) under its Commercial Mediation Rules. All unresolved disputes shall then be decided by final and binding arbitration in accordance with the Commercial Arbitration Rules of the AAA. Fees charged by any mediators, arbitrators, or the AAA shall be shared equally by all parties. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE OVER FEES, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.

If the above fairly sets forth your understanding, please send us your tax information so that we may start preparing your tax return. If you send us your tax information it will be established that you expressly and implicitly agree to the terms of this engagement letter. If you do not agree to the terms of this letter, please do not send us your information.

We are pleased to have you as a client and look forward to a long and mutually satisfying relationship.

Sincerely,

Larry Little, CPA
President
The A.C.T. Group, Ltd.

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

TAX TIME!

Whether you are a new or loyal client of The A.C.T. Group, we thought it would be helpful, right from the beginning, to answer some questions you may have.

If you have not already done so, please take a few minutes to visit our website and online documents that will make your tax preparation easier for us http://www.actgroup.to/info/resources_tax.htm You will need to accept the terms of the engagement letter to access these documents, both of which I think you will find very helpful.

Also, I have listed below a few highlights of our FACT Sheet which you should know immediately:

- This year, again, the IRS is requiring us to file your 1040 return electronically (e-file). When your return has been completed, you will be contacted to come into our office to sign the e-file authorization form, pay your tax preparation fee and review your return prior to e-filing. If you cannot come into the office, we may be able to offer you an alternative. In this case, after you have paid the tax preparation fee, we will e-mail to you, the e-file authorization forms (Federal and State). Upon receipt of the signed authorization forms and payment, you will be able to review your return through our secure client portal, which can be found on the home page of our website. This MUST be reviewed immediately. Please let us know, also immediately, if you approve. (Conversely, we need to know right away if there are NO changes to be made.) If we do NOT hear from you in 3 days, it will be assumed, per your acceptance of our engagement letter, that you approve and we will e-file your return at that point. If you want to make changes to your return after it has been e-filed, we must file an amended return for which you will be billed as an additional charge. Keep in mind that e-filing is free and the benefits include quicker processing by the IRS, which will result in receiving refunds faster. If you have a balance due, you will still e-file your return and pay any balances due before 4/17. As with all new processes, there might be some bumps in the road, but in the end, this will be a very positive change for everyone!
- If we gave you an estimate for our tax preparation fees, please remember that our fees are based on actual time spent on the return, which includes data entry, processing, etc. and we will do our best to be accurate with an estimate.
- Our fees allow for a limited amount of time for questions to be answered about your return after you have reviewed it. You may be billed additionally for extra time.
- We are not responsible for original documents. It is preferable that you give us copies.
- Please do not give us receipts, but rather, add up your expenses and give us the totals by category. You will find our Organizer to be very helpful, and will realize a significant cost savings if a staff member does not have to bill you for totaling and analyzing receipts.
- As we did last year (and as mentioned above), we will expect payment upon release of your tax return. This has proven to be a cost effective measure for us, which will ultimately be passed on to you! We accept cash, checks and credit cards.
- If you e-mail documents to us and do not receive a confirmation or response e-mail from a staff member of The A.C.T. Group shortly thereafter, please contact us to ensure that we received your documents.

We look forward to working with you and hope you have a pleasant and prosperous year.

Best,

Cheryl Simon
Office Manager