Filed
10 May 13 A9:29
Amalia Rodriguez-Mendoza
District Clerk
Travis District
D-1-GV-10-000486

No. _____

THE STATE OF TEXAS, Plaintiff	§ § §	IN THE DISTRICT COURT OF
V.	§ §	TRAVIS COUNTY, TEXAS
TAXMASTERS, INC., TMIRS ENTERPRISES, LTD., TM GP SERVICES, LLC, D/B/A TAXMASTERS, and PATRICK R. COX, individually, Defendants	§ § § § §	_____ JUDICIAL DISTRICT

PLAINTIFF'S ORIGINAL PETITION AND APPLICATION FOR TEMPORARY RESTRAINING ORDER, TEMPORARY INJUNCTION AND PERMANENT INJUNCTION

TO THE HONORABLE JUDGE OF SAID COURT:

Plaintiff the STATE OF TEXAS, acting by and through the Attorney General of Texas, Greg Abbott, complains of TAXMASTERS, INC., TMIRS ENTERPRISES, LTD., TM GP SERVICES, LLC, D/B/A TAXMASTERS, and PATRICK R. COX, individually, ("Defendants" or "Taxmasters"), and for cause of action would respectfully show the Court the following:

I. DISCOVERY CONTROL PLAN

1.1 The discovery in this case is intended to be conducted under Level 2 pursuant to Tex. R. Civ. P. 190.3.

II. JURISDICTION

2.1 This action is brought by Attorney General Greg Abbott, through his Consumer Protection Division in the name of the State of Texas and in the public interest under the authority granted to him by TEXAS DECEPTIVE TRADE PRACTICES--CONSUMER PROTECTION ACT, TEX. BUS.

& COM. CODE § 17.41 *et seq.* (Vernon 2002 & Supp. 2009)("DTPA") upon the grounds that Defendants have engaged in false, misleading and deceptive acts and practices in the conduct of trade and commerce as defined and declared unlawful by §§ 17.46(a) and (b) of the DTPA.

III.

DEFENDANTS AND SERVICE

3.1 Defendant TAXMASTERS, INC. is a Nevada corporation doing business in Texas and throughout the United States of America. Defendant TAXMASTERS, INC. may be served with process by serving its registered agent, InCorp Services, Inc. at 815 Brazos Street, Suite 500, Austin, Texas 78701.

3.2 Defendant TMIRS ENTERPRISES, LTD. is a Texas limited partnership doing business in Texas and throughout the United States of America. Defendant TMIRS ENTERPRISES, LTD. may be served with process by serving its registered agent, Patrick R. Cox at 900 Town & Country Lane, Suite # 400, Houston, Texas 77024.

3.3 Defendant TM GP SERVICES, LLC is a Texas limited liability company doing business in the State of Texas and throughout the United States of America. Defendant TM GP SERVICES, LLC may be served with process by serving its registered agent, Patrick R. Cox at 900 Town & Country Lane, Suite # 400, Houston, Texas 77024. Defendant TM GP SERVICES, LLC is the general partner of Defendant TMIRS ENTERPRISES, LTD. Patrick R. Cox is the sole member of Defendant TM GP SERVICES, LLC.

3.4 Defendant PATRICK R. COX is an individual and is a Texas resident. PATRICK R. COX is the sole member of Defendant TM GP SERVICES, LLC, which is the General Partner of Defendant TMIRS ENTERPRISES, LTD. PATRICK R. COX is also the President, Board

Director, and Chief Executive Officer of Defendant TAXMASTERS, INC. PATRICK R. COX is the registrant of Defendant TAXMASTERS, INC.'s website at www.txmstr.com. PATRICK R. COX may be served with process by serving him at his residence at 247 Hedwig Road, Houston, Texas 77024.

IV.

VENUE

4.1 Pursuant to §17.47(b) of the DTPA, venue of this suit lies in Travis County, Texas because the Defendants have done business in Travis County, Texas.

V.

PUBLIC INTEREST

5.1 Because Plaintiff STATE OF TEXAS has reason to believe that Defendants have engaged in, and will continue to engage in the unlawful practices set forth below, Plaintiff STATE OF TEXAS has reason to believe that Defendants have caused, and will cause adverse effects to legitimate business enterprise which conducts its trade and commerce in a lawful manner in this State. Therefore, the Consumer Protection and Public Health Division of the Office of the Attorney General of Texas believes and is of the opinion that these proceedings are in the public interest.

VI.

TRADE AND COMMERCE

6.1 Defendants engaged in trade and commerce as that term is defined by § 17.45(6) of the DTPA.

VII.

ACTS OF AGENTS

7.1 Whenever in this Petition it is alleged that Defendants did any act, it is meant that:

a. Defendants performed or participated in the act; or

b. Defendants' officers, agents, or employees performed or participated in the act on behalf of and under the authority of the Defendants.

VIII.

NATURE OF DEFENDANTS' OPERATIONS AND STATEMENT OF FACTS

8.1 Taxmasters advertises on television commercials in Texas and across the country, inviting consumers to "solve their tax problems" by calling Taxmasters' toll-free telephone number for a "free consultation" with a "tax consultant." [Exhibit A is a copy of Taxmasters' home page, as accessed and printed on April 22, 2010.] In fact, consumers who accept the invitation and call Taxmasters are connected to a telephone sales representative who proposes a solution to the consumers' tax problems and then closes the deal by obtaining the consumers' credit card or bank account number without providing to the consumers several material disclosures, including that the fees paid by the consumers will be "non-refundable." [See Exhibit B, Affidavit of Curtis Smith, Jr., attached.]

8.2 In this initial sales call, Taxmasters' representatives frequently misrepresent and fail to disclose important aspects of Taxmasters' service and the terms on which they are offered, including, as indicated above, the fact that Taxmasters treats all fees paid as non-refundable, and the fact that Taxmasters will not begin working on a client's case until she has paid all of the installment payments agreed to. The latter misrepresentation can result in Taxmasters' clients, who have been

told that retaining Taxmasters will "solve their tax problems," missing IRS deadlines and otherwise prejudicing their tax cases. [See Exhibit C, Affidavit of Karen Sanchez, attached.]

8.3 Defendants operate what they describe as a "tax resolution" firm, aimed at the market of taxpayers who have received an audit notice, a notice of tax deficiency, or are otherwise in some difficulty with the IRS. Essentially, Taxmasters offers to act as the taxpayer's agent in his dealings with the IRS. Although Taxmasters claims that it "employ[s] and use[s] the expertise of . . . tax attorneys [and] tax CPAs," it says that it "is not a law firm or a CPA firm." According to Taxmasters, it provides the following tax-related services, among others: (a) stopping IRS wage garnishments, (b) stopping IRS property seizures, (c) assistance with paying back taxes, and (d) settlement of consumers' tax debts by reducing the amount of interest and penalties.

8.4 The image and words of Patrick R. Cox, the President and Chief Executive Officer of Taxmasters, Inc., appear in the numerous Taxmasters television commercials and on the Taxmasters website, where he introduces himself as the founder of Taxmasters. He represents that Taxmasters will "get between" the IRS and the consumer, and will solve the consumer's tax problems. He says that former IRS agents and other tax professionals are standing by to assist the consumers with their tax problems.

8.5 Taxmasters runs commercials which air frequently on network and cable television including MSNBC, CNN and Fox News, and on the internet. Customers who call the toll free number featured in Taxmasters' advertisement are connected with an inside salesperson who is not required to have any "previous tax knowledge," as a condition of employment, but is encouraged to have "a firm understanding of the sales process." [Exhibit D is a copy of a "help wanted" notice printed from Taxmasters' web site on April 19, 2010.] During the sales pitch, the salesperson

presents the caller with a solution to his tax problem–one of the services offered by Taxmasters–and quotes a fee, which can run into thousands of dollars. This fee is generally presented as a flat fee.

8.6 During the "free consultation"call, which is also the initial call between a consumer and Taxmasters, the "tax consultants" work to "close the sale" by obtaining a credit card number or bank account number from the consumer so that Taxmasters can collect its fee. To this end, Taxmasters' sales personnel emphasize the necessity of retaining Taxmasters in order to "solve" the consumer's tax problem. If the consumer asks to receive a written description of the services prior to agreeing to purchase, the salesperson refuses, telling the consumer that it is not possible to "generate" the documents without first inputting a payment method into the Taxmasters system.

8.7 The fees that Taxmasters charges for its services are large, typically ranging from $1,500.00 to $9,000.00 or even more. If the consumer cannot afford to pay the fee in whole, or if the consumer balks at agreeing to pay such a large amount without seeing written terms, the "tax consultant" offers the consumer an installment plan to pay the Taxmasters fee. The consumer is usually required to agree to a down payment of at least $500.00, or 25% of the total fee, whichever is greater.

8.8 The "tax consultation" reaches its climax when the consumer agrees to retain Taxmasters and to make payment in full or payment via an installment plan The "tax consultant" then turns the consumer over to another member of the Taxmasters sales team, the "verifier", who tells the consumer what a good decision he has made and reviews the payment plan to which the consumer has agreed. Neither the original "consultant" nor the "verifier" discloses to the consumer that it is Taxmasters' position that the consumer is now irrevocably bound to pay the initial fee and any future installments before the consumer has signed any written engagement letter or received any

services from Taxmasters. [A transcription of an actual sales call is attached as Exhibit E.]

8.9 After the call is ended, and in most cases before Taxmasters sends the consumer any written materials, Taxmasters charges the consumer's credit card, or debits the consumer's bank account, for the amount of the whole fee or down payment. It then sends a letter to the consumer, along with IRS forms appointing Taxmasters as the consumers' agent, an "engagement agreement," and "engagement guide." The letter instructs the consumer to sign the engagement agreement and IRS forms and return them to Taxmasters. [Exhibit F is a sample copy of this letter].

8.10 The engagement agreement is a nine page document that contains numerous previously undisclosed terms and conditions printed in small type. These previously undisclosed terms and conditions materially and substantively limit or change services as described by Taxmasters during the sales call with the consumer. [Exhibit G is a sample copy of the engagement agreement].

8.11 One of the terms disclosed for the very first time in the engagement agreement involves the cancellation of the agreement by the consumer and the consumer's right to receive a refund. This disclosure reads as follows:

> **Client's Early Termination Agreement**
> Client may terminate this agreement at Client's discretion by providing Client's notice in writing to Firm. In the event of termination by client, the minimum professional fees due for services rendered or to be rendered will be the higher figure of: (1) the minimum total retainer specified above and the actual fee for any other services performed - or- (2) the actual time expended by Firm at standard billing rates. If Client has paid more than then minimum fee as determined herein, a refund will be paid. Client agrees to remit any balance in full with its termination notice or to permit any remaining balance to be drafted in full using the payment method established in the installment agreement.

Besides the fact that this paragraph is imbedded in small print in the engagement agreement and is not clearly and conspicuously disclosed, the disclosure is deceptive and confusing, as it appears to

say that the consumer may be entitled to a refund. However, many consumers who have attempted to get a refund from Taxmasters have been denied. In fact, in correspondence to the consumers after the consumers have requested a refund, Taxmasters have represented to the consumer that it disclosed to the consumer during the "third-party verification" part of the sales call that "all fees are non-refundable." [Exhibit H is a copy of the form denial of refund letter Taxmasters sends to consumers.] In truth, Taxmasters does not routinely provide this disclosure to consumers during the sales calls. Taxmasters takes the position that its fees are binding and non-refundable whether the consumer has signed the engagement agreement or not. Consumers who have called Taxmasters to cancel within 24 hours after the initial sales call have been told that Taxmasters will not refund their money, even though Taxmasters has provided no services at that point, and, indeed, cannot begin working on the consumer's behalf until the consumer has returned the IRS form appointing Taxmasters as his representative.

8.12 Taxmasters not only refuses to refund the fees already collected by it after the sales call, it also attempts to continue to collect fees from consumers who cancel their agreements. In fact, the Defendants have threatened to subject consumers to collection procedures if they refuse to pay fees after the consumer has cancelled the agreement. In attempting to collect these fees, Taxmasters has threatened to bring suit to collect such fees in Harris County, Texas, even though the consumer is not a resident of Harris County and did not sign the contract on which the alleged debt is based in Harris County. [See Exhibit I.]

8.13 In addition to its failure to disclose numerous material terms to the consumer prior to attempting to bind the consumer with those terms, Taxmasters makes affirmative representations on its website and during the sales call that contradict some of those undisclosed terms and conditions.

More specifically, as indicated earlier, during the sales call the Taxmasters salesperson presents the consumer with a fee amount for resolving the consumer's tax issue. The engagement agreement sent later includes terms that state that the fee quoted to the consumer is not in fact the fee required by Taxmasters to resolve the consumer's tax problem, but only the minimum fee. According to the engagement agreement, the Taxmasters fee may be far larger than that quoted on the sales call.

8.14 On its website and during the sales call, Taxmasters represents that it will begin working on the consumer's tax problem as soon as the consumer purchases the service from Taxmasters. According to the engagement agreement, however, Taxmasters does not have to begin working on the consumer's tax problem until the consumer has paid the Taxmasters fee in full. Therefore, when an installment plan is involved, it may take months before the Defendants begin work on a consumer's file and the only notice that consumers on an installment plan receive about this policy is information that is included in the engagement agreement, as this issue is not disclosed to consumers during the sales call. The provision is located under the section entitled "**Acknowledgements of Client and Firm**," and it reads as follows:

> Client agrees Firm is not obligated to begin providing services to client until all fees are paid in full. Firm may begin providing services earlier than this date at its sole discretion without waiver of this provision or future right to invoke it.

Numerous consumers have complained that they have retained Taxmasters pursuant to an installment plan with the understanding that it would begin work immediately, only to find out later that Taxmasters has done nothing. Consumers usually learn there is a problem when they receive a notice from the IRS that an important deadline was missed, or that the consumer now owes additional interest and penalties to the IRS. These consumers often find their tax cases irreparably prejudiced

because they did not understand that Taxmasters would not start its representation until after the client's last fee installment had cleared the bank. [See Exhibit J, Affidavit of Crespin Gonzales, attached.]

8.15 Although there are numerous deceptive acts and practices in the manner in which Taxmasters solicits and sells its tax resolution services, the problems are by no means confined to the sales practices. The Texas Office of the Attorney General has received 292 complaints against Taxmasters in the last two years; 97 of those in the first four and one half months of 2010. [See Exhibit K, Affidavit of Rosalinda O. Fierro, investigator in the Consumer Protection and Public Health Division of the Office of the Attorney General, attached.] The Better Business Bureau of Houston, Texas, which is where the Defendants base their business operations, has given Taxmasters an "F" rating, and has received 679 complaints in the last three years. While consumers complain about the deceptive practices described above during the sales process, many of the consumers also complain of service issues with Taxmasters after the consumer has purchased tax resolution services. [See Exhibit L, Affidavit of Art Fierro, attached.] These complaints include:

a. Poor or nonexistent customer service: Consumers complain that after they have purchased services from Taxmasters, Taxmasters:

   i. Fails to respond to consumer inquiries;

   ii. Subjects consumers to long hold times on the telephone;

   iii. Fails to respond to questions by electronic mail or regular mail; and

   iv. Fails to acknowledge and process requests to cancel and receive refunds.

b. Poor or nonexistent tax resolution service: Consumers complain that

Taxmasters:

i. Dispenses false or erroneous tax information and advice;

ii. Makes false representations regarding work done by Taxmasters on the consumer's tax issue, including representing that Taxmasters has consulted with the IRS on the consumer's behalf when it has not in fact contacted the IRS on the consumer's behalf; and

iii. Fails to perform promised tax services, including failing to appear at audits and hearings on the consumer's behalf, and failing to halt or postpone garnishments and liens.

IX.

VIOLATIONS OF THE TEXAS DEBT COLLECTION ACT

9.1 The State incorporates and adopts by reference the allegations contained in each and every preceding paragraph of this petition.

9.2 Defendants, as alleged and detailed above, have violated the Texas Debt Collection Act § 392.301(8) by threatening to take an action prohibited by law by threatening to file suit in Harris County, Texas in violation of § 17.46(b)(23) of the DTPA.

X.

VIOLATIONS OF TEXAS DECEPTIVE TRADE PRACTICES ACT

10.1 The State incorporates and adopts by reference the allegations contained in each and every preceding paragraph of this petition.

10.2 Defendants, as alleged and detailed above, have in the course of trade and commerce engaged in false, misleading and deceptive acts and practices as declared unlawful in § 17.46(a) of

the DTPA;

10.3 Defendants, as alleged and detailed above, have in the course of trade and commerce violated § 17.46(b)(2) of the DTPA by causing confusion or misunderstanding as to the source, sponsorship, approval, or certification of good or services;

10.4 Defendants, as alleged and detailed above, have in the course of trade and commerce violated § 17.46(b)(3) of the DTPA by causing or misunderstanding as to affiliation, connection, or association with, or certification by, another;

10.5 Defendants, as alleged and detailed above, have in the course of trade and commerce violated § 17.46(b)(5) of the DTPA by representing that good or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or quantities which they do not have or that a person has a sponsorship, approval, status, affiliation, or connection which he does not;

10.6 Defendants, as alleged and detailed above, have in the course of trade and commerce violated § 17.46(b)(9) of the DTPA by advertising goods or services with the intent not to sell them as advertised;

10.7 Defendants, as alleged and detailed above, have in the course of trade and commerce violated § 17.46(b)(12) of the DTPA by representing that an agreement confers or involves rights, remedies, or obligations which it does not have or involve, or which are prohibited by law;

10.8 Defendants, as alleged and detailed above, have in the course of trade and commerce violated § 17.46(b)(24) of the DTPA by failing to disclose information concerning goods or services which was known at the time of the transaction if such a failure to disclose such information was intended to induce the consumer into a transaction into which the consumer would not have entered had the information been disclosed; and

10.9 Defendants, as alleged and detailed above, have violated the Texas Debt Collection Act, and such violations are specifically made false, misleading, or deceptive acts or practices in violation of the DTPA, pursuant to Texas Debt Collection Act § 392.404.

XI.

TRIAL BY JURY

11.1 Plaintiff herein requests a jury trial and will tender the jury fee to the Travis County District Clerk's office pursuant to Texas Rules of Civil Procedure 216 and Texas Government Code § 51.604.

XII.

PRAYER

APPLICATION FOR TEMPORARY RESTRAINING ORDER AND TEMPORARY INJUNCTION

12.1 The State incorporates and adopts by reference the allegations contained in each and every preceding paragraph of this petition.

12.2 As alleged above, Defendants have violated the DTPA and will continue to do so unless immediately restrained by this court. The entry of such an order is in the public interest.

12.3 Plaintiff therefore prays that an immediate TEMPORARY RESTRAINING ORDER be issued against Defendants restraining Defendants, their agents, servants, employees, and representatives from engaging in any of the following acts or practices:

a. Failing to clearly and conspicuously disclose to consumers prior to purchase of tax resolution services from Defendants that Defendants' contract provides that

Defendants are entitled to their full fee regardless of Defendants' success or failure in resolving the consumer's tax issue;

b. Failing to clearly and conspicuously disclose to consumers prior to purchase of tax resolution services from Defendants that Defendants' contract provides that Defendants are under no obligation to perform any services on behalf of consumers unless and until Defendants' fee has been paid in full by the consumer;

c. In the case of consumers who make partial payments to Defendants, failing to clearly and conspicuously disclose to those consumers prior to purchase of tax resolution services from Defendants that Defendants may not begin working on the consumer's tax issue until the Defendants have received the entire fee;

d. Failing to clearly and conspicuously disclose to consumers prior to purchase of tax resolution services from Defendants that Defendants' contract provides that any and all fees paid by the consumer to Defendants for tax resolution services are non-refundable; and

e. Destroying, transferring, hiding, secreting, or moving to a location outside the State of Texas any records, books, computers, ledgers, customer lists, audio recordings, sales scripts, client contracts, advertisements, or any other records belonging to Defendants.

12.4 Plaintiff further prays that it be granted leave to take telephonic, video, written, and other depositions as well as leave asking Defendants to respond to a Request for Production prior to any scheduled Temporary Injunction hearing upon reasonable shortened notice to Defendants.

12.5 Plaintiff further prays that upon notice and hearing the Court convert said Temporary

Restraining Order into a Temporary Injunction.

APPLICATION FOR PERMANENT INJUNCTION

12.6 Plaintiff further prays that upon final hearing a PERMANENT INJUNCTION be issued, restraining and enjoining Defendants, their agents, servants, employees, and representatives from engaging in any of the following acts or practices:

a. Charging a consumer's credit card, drafting or debiting a consumer's bank account, or billing the consumer or collecting payment of any kind from consumers unless Defendants have obtained the consumer's express affirmative consent to purchase Defendants' tax resolution services. For purposes of compliance with this paragraph, express affirmative consent to purchase must be evidenced by either:

i. Defendants' receipt of a contract, signed and dated by the consumer ("Engagement Agreement") agreeing to purchase Defendants' services; or

ii. An audio recording of the consumer giving express oral authorization ("Authorization") to the terms of the agreement.

A. In order to be in compliance with this term, the Engagement Agreement or Authorization must at a minimum include:

1. Clear and conspicuous disclosures of all costs to the consumer of Defendants' services; the amount of the debit, charge, or payment; and the date or

dates that the debit, charge, or payment will be submitted for payment;

2. A description in plain and understandable language, clearly and conspicuously disclosing to the consumer the specific services which the consumer will receive; and

3. Clear and conspicuous disclosures of any material terms, conditions, and/or restrictions regarding the services, including but not limited to the term of the contract, cancellation policies and procedures, refund policies and procedures, and all cancellation fees, termination fees or penalties that consumers may be asked to pay if they terminate the agreement.

iii. Within two business days of charging a consumer's credit card, drafting or debiting a consumer's bank account, or collecting payment of any kind from a consumer as a result of a telephone sale, Defendants shall send a Engagement Agreement by mail to the consumer. This Engagement Agreement shall include all of the disclosures required by the preceding, and further shall clearly and conspicuously advise the consumer of her right to cancel the agreement for a full refund, by stating the following:

"On _[date]____you agreed on the telephone to the terms of this Engagement Agreement. For your records, this Engagement Agreement was mailed to you on __[date]___, and you now have until ___[date]___ (10 (ten) business days) to review this Engagement Agreement, and exercise your right to cancel for a full refund. If you wish to cancel this Engagement Agreement, you may do so by filling out the attached Cancellation Form, and faxing it to __[facsimile number], or by mailing it to ___[mailing address]___.

A. The mailing to the consumer shall include a Certificate of Mailing signed by Defendants' employees or agents attesting to the date that the Engagement Agreement was mailed.

B. All funds collected by Defendants from consumers as a result of telephone sales must be placed in a reserve or escrow account by Defendants until the cancellation period in the preceding paragraph has passed.

C. If a consumer purchases Defendants' services over the Internet, Defendants must provide the consumer with each of the terms of the Engagement Agreement and the disclosures required by the preceding paragraphs by a method that requires the consumer to acknowledge each

disclosure by affirmatively checking a box for each, indicating that the consumer has read and understands the disclosures.

iv. Nothing in Defendants' marketing materials, sales presentations, or websites shall be inconsistent with the material terms disclosed in the Engagement Agreement.

b. Failing to respond to consumer inquiries in a timely fashion. For purposes of compliance with this provision, Defendants shall respond:

i. To voicemails and emails within two (2) business days of receipt; and

ii. To other written inquiries within five (5) business days of receipt.

c. Failing to have adequate personnel to provide represented tax resolution services to consumers.

i. It is a violation of this provision to represent to consumers that there are tax experts, former IRS agents, tax attorneys, and/or certified public accountants on Taxmasters' staff if in fact persons holding this specialized knowledge, degrees, or professional certifications will not be performing the services necessary to resolve the consumer's tax problem.

ii. In order to be in compliance with this provision, Defendants must have sufficient personnel to respond to consumer inquiries such that no consumers who have purchased services from Defendants

are required to hold on the telephone for longer than five minutes in order to speak with a Taxmasters representative.

d. Failing to provide represented tax resolution services to consumers, including but not limited to:

i. Failing to contact and consult with the IRS on behalf of consumers;

ii. Failing to appear at hearings, audits, and other events or meetings pertinent to the represented services;

iii. Failing to postpone or prevent wage and other garnishments;

iv. Failing to postpone, prevent, or remove liens and levies of the consumers' property; and

v. Failing to perform represented tax resolution services in a professional and timely fashion.

e. Threatening to file suit against a consumer in any county other than the county in which the consumer resides at the time of the commencement of the action or in the county in which the consumer in fact signed the contract.

f. Destroying, transferring, hiding, secreting, or moving to a location outside the State of Texas any records, books, computers, ledgers, customer lists, audio recordings, sales scripts, client contracts, advertisements, or any other records belonging to Defendants.

12.7 Plaintiff further prays, that upon final hearing, this Court will order Defendants:

a. To pay civil penalties of up to $20,000.00 per violation for each and every

violation of the DTPA as authorized by Tex. Bus. & Com Code § 17.47(c)(1);

b. To disgorge any ill-gotten gains;

c. To restore all money or other property acquired by means of unlawful acts or practices, or in the alternative, to compensate identifiable persons for actual damages; and

d. To pay all costs of Court, costs of investigation, and reasonable attorney's fees pursuant to TEX. GOVT. CODE ANN. § 402.006 (c).

12.8 Plaintiff further prays for post-judgment interest and such other relief to which Plaintiff may be justly entitled.

Respectfully submitted,

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Attorney General of Texas

C. ANDREW WEBER
First Assistant Attorney General

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EXHIBIT A

Have you faced your IRS tax problem?

If You Have a Tax Problem, It Won't Go Away On Its Own

The Internal Revenue Service (IRS) hangs like a threatening cloud over the heads of tens of thousands of taxpayers every year who find themselves swimming against the overpowering current of the IRS collections process. Federal tax debt is serious and the IRS is a terrifying opponent for anyone with tax problems. The IRS is known to use questionable audit tactics, garnish your wages, put liens on your property, and levy the money in your bank accounts to satisfy your tax debt. And if they think you are intentionally withholding information or revenue, they can drown you with charges of evasion and even fraud.

You don't have to live with the weight of unfair or substantial IRS debt if you don't want to. The peace that accompanies tax resolution is within your reach today. All you have to do is stretch out and grab the lifeline Tax Masters offers. We can get you real IRS tax relief and we can start today.

We Can Help

Contact us for a free consultation.
Or Call NOW at (800) 581-0456

Enter name:

Enter phone:

Enter email:

Enter comments:

SUBMIT

Patrick Cox and Tax Masters Commercials

Tax Masters has received a great deal of attention and questions about the Tax Masters commercials we have run over the years. It seems that people either hate the commercials or love them. Regardless of your opinion of the current Tax Masters commercial that's running, there are some key things we want you to understand, which is why we made the commercials in the first place.

If you have a tax problem, it won't go away on it's own.
Tax Masters can get between you and the IRS.
Whether facing tax debt, unfiled returns, wage garnishment, or an IRS audit, Tax Masters can solve your tax problem.

Tax Masters Provides IRS Tax Relief

The most important thing to realize if you are facing seemingly insurmountable tax problems is that you don't have to fear the IRS as long as you react properly and take the correct steps. Relief from substantial federal tax debt is achievable and is even easier with Tax Masters than you might think.

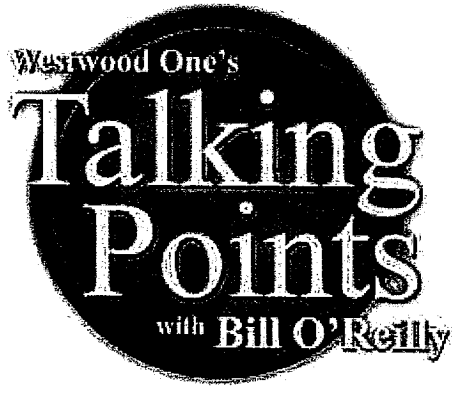
Tax Problems Are Common-Your Reaction Is Critical

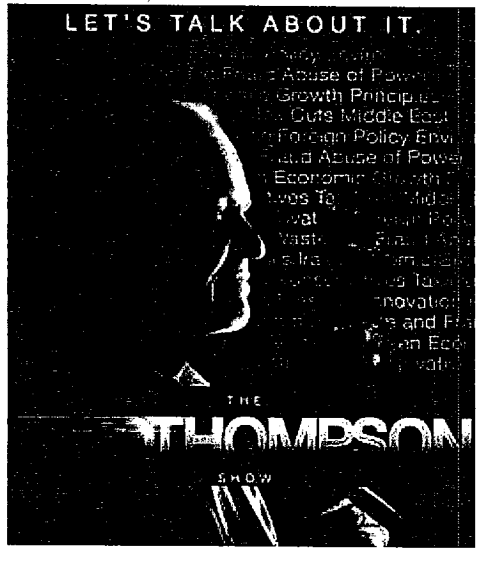
Having a problem with back taxes is not so unusual, but that doesn't keep you from feeling like the IRS is calling the shots-largely because they are. The simple fact is that many Americans will be forced to deal with the IRS at some point in their lives. The way you react when you learn you have a tax problem is critical to your financial future and wellbeing.

Divulging information to the IRS is tricky. Giving them incorrect information or ambiguous detail can ruin your best shot at a favorable tax resolution. Not giving them enough detail means you can be accused of tax evasion, tax fraud, or the IRS may refuse to ever consider your case. IRS agents can use whatever tactics they want to extract incriminating information from you and then use that information against you.

- Shareholder Letter
- IRS Tax Relief
- Past-Due Tax Returns
- Tax Settlement
- Audit Defense
- Wage Garnishment

As Heard On:





Custom Effective IRS Tax Relief Services

Tax Masters offers services we customize to bring the most benefit to each of our clients. We can shield you from IRS harassment and lead you to solid ground using proven and effective tax relief services customized to solve your specific tax issues.

Founded in 2001, Tax Masters provides the tax problem help so many taxpayers need to favorably resolve their federal tax debt. We employ and use the expertise of ex-IRS agents, enrolled agents, tax attorneys, tax CPAs, and seasoned tax consultants who are ready to talk to you about your specific tax issues today. Federal tax debt is nothing to be ashamed of. We can help you fulfill your obligation to pay your back taxes without it costing you your life.

TXMSTR.com - The Online Home for Tax Masters

We have redesigned TXMSTR.com to better address the concerns voiced by our clients and potential clients. Use the site to learn more about tax problems, find out more about Tax Masters, and learn how we can help you get IRS tax relief. We want you to have access to enough information for you to determine exactly where you are in the IRS collections process. We know the more you understand about your situation, the more likely you will be to realize how important it is for you to call us.

Begin your journey today out of the chaotic uncertainty of IRS debt toward the peace and financial freedom afforded by tax relief. Help is within your grasp right now. Let us go to work for you today.

Careers at Tax Masters

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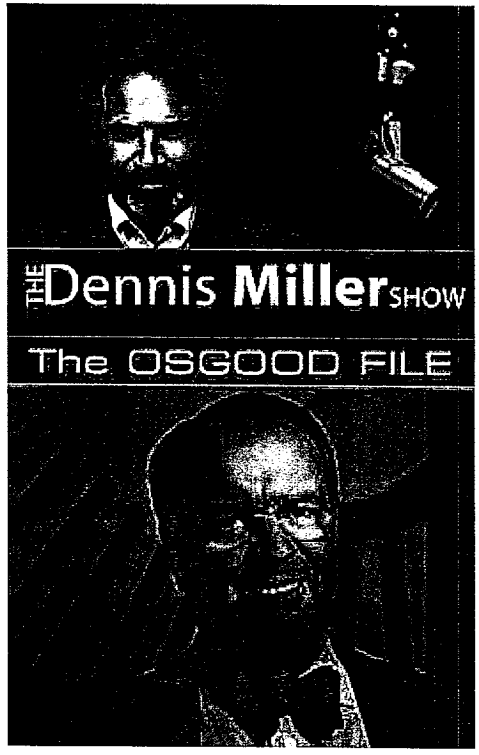

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EXHIBIT B

STATE OF NORTH CAROLINA

COUNTY OF LINCOLN

AFFIDAVIT

BEFORE ME, the undersigned notary public, on this day personally appeared Curtis J. Smith, Jr., who proved himself to be the person whose name is subscribed hereon through his driver=s license which contained his photograph and signature, and who after being by me duly sworn, upon his oath deposed and said:

AMy name is Curtis J. Smith, Jr. The following is true and accurate to the best of my recollection:

AA salesperson at Taxmasters, AOctavio,@ called me on August 28, 2009. Octavio told me that Taxmasters would not charge me for our conversation. Octavio transferred me to another Taxmasters= employee, who performed the Athird party verification@ and obtain my payment information. At no time during the call with Octavio, nor during the third party verification, was I told that the fees were non-refundable. Taxmasters also did not tell me that it would not begin working on my tax issue until I had paid its entire fee. After the call, Taxmasters removed the initial payment from my account, and then sent me the Taxmasters contract and some Powers of Attorney by email. I reviewed the contract, and did not like the terms. I did not sign and return the contract or the Powers of Attorney to Taxmasters. I called to cancel on August 31, 2009, which was the next business day after August 28, 2009. I spoke with Octavio, who transferred me to a voice mail box in the refunds division. I left a message, but no one at Taxmasters returned my call. I called again on September 1, 2009, and spoke again with Octavio. Octavio told me that he would send an email to the refund division on my behalf, and connected me again to the refund division. I left another message. No one from Taxmasters returned my call. I called the refund/billing division directly that afternoon, and again left a message. No one at Taxmasters returned my call. After this, I contacted my bank for assistance. I subsequently received a letter from E. Dewayne Logan, the VP of Quality Assurance at Taxmasters, dated October 26, 2009. A true and correct copy of that letter is attached to this affidavit. In that letter, Taxmasters refused to give me a refund of the $800.00 it had taken from me, and threatened to subject me to collection procedures if I did not pay it an additional $7,150.00. Taxmasters claimed that the Athird party verification@ during the Afree@ call on August 28, 2009 states that all fees are non-refundable. I have made attempts to obtain a refund of $800.00 that was charged to my credit card. I was never informed that all fees were non-refundable. I never signed a contract. I never signed a power of attorney. I was informed twice that the consultation fee was free. I was unable to talk to anyone about my refund.@

AFurther affiant sayeth not.@

Curtis J. Smith, Jr.

SUBSCRIBED AND SWORN TO before me on the 23 day of April, 2010.

Notary Public in and for the State of North Carolina

Henry A. Brassel, Jr

HENRY A. BRASSEL, JR. NOTARY PUBLIC CLEVELAND COUNTY, NC

MY COMMISSION EXPIRES 5/6/14

EXHIBIT C

STATE OF GEORGIA :

COUNTY OF COBB :

BEFORE ME, the undersigned notary public, on this day personally appeared Karen Sanchez who proved herself to be the person whose name is subscribed hereon through her driver=s license which contained her photograph and signature, and who after being by me duly sworn, upon her oath deposed and said:

AMy name is Karen Sanchez. I am 65 years old. The following is true and accurate to the best of my recollection:

AI contacted TaxMasters on 11/10/09 requesting assistance with respect to a tax debt that I have. I spoke with James Ballentine who told me that TaxMasters needed to act quickly in order to assist me. He informed me that the IRS would take my home and place a lien against all of my earnings and that TaxMasters would have to file documentation of representation right away in order to avoid me losing my home. I am a single woman and a senior. This frightened me very much. Mr. Ballentine told me that the only way this process won=t work was if I didn=t cooperate with him.

Mr. Ballentine sent me the documentation and told me that it would cost me no more than $6,250.00 for TaxMasters to help me and that TaxMasters typically helps people settle their tax dispute for 1/3 of what the IRS says they owe. He also reiterated that TaxMasters would assist me in keeping my home and vehicle.

Mr. Ballentine insisted that I needed to provide him with signed contracts right away and a deposit of $2083.24 so that TaxMasters could immediately file the paperwork in order for my home to be protected. Mr. Ballentine told me over the phone and in the email where I needed to sign. When I questioned him about the content of the documentation, he indicated that I just needed to hurry up and sign as time was of the essence.

I paid Mr. Balletine over the phone with my debit card, the amount of $2083.34. He indicated he would notify me as soon as possible after the paperwork was filed to preclude the IRS from taking my personal belongings. I attempted to obtain a copy of the documentation filed on my behalf on November 12, 2009; December 8, 2009, and December 16, 2009. The only response I received was an email from Mr. Ballentine dated November 13, 2009 (after paperwork signed and down payment was received) indicating that "We have already started the process for you. We will be in touch to keep you up to date with how thing are progressing." (Stet).

Cobb Co.

TaxMasters withdrew another $1,000.00 from my bank account in December, 2009. When I did not hear anything more from TaxMasters, I contacted the IRS who indicated that nothing had been filed on my behalf by TaxMasters; and further informing me that my right to appeal had expired. I explained to the IRS what had transpired with TaxMasters and they allowed me to request an appeal again. I requested an appeal in or around late December 2009 with the IRS. Still, I was unable to reach anyone from TaxMasters.

I was finally able to talk to the Operations Manager who informed me that nothing had been done in my case because the full amount had not been paid. She further informed me that nothing would be done until April, 2010, when the final payment was due to be paid. When I explained to her what Mr. Ballentine told me, she only told me that I would have to handle the matter myself.

On December 29, 2009, I notified TaxMasters that I was withdrawing my consent for their representation and demanding that they cease withdrawing funds from my account. I notified my bank of the fraud and was required to close my account.

I have requested my money be returned. As I have been unable to speak with my former representative, I cannot resolve this issue with TaxMasters directly. However, I have received three messages from them wanting to discuss my account.

I was never informed by TaxMasters that I would not be able to obtain a refund, never informed that TaxMasters would not begin working on my case until the entire amount was paid, and I was never informed that I would be required to pay the fee even if nothing was done on my case.@

AFurther affiant sayeth not.@

Karen Sanchez
KAREN SANCHEZ

SUBSCRIBED AND SWORN TO before me on the 22 day of April, 2010.

Alan Jor
Notary Public in and for the State of Georgia

Alan N Jordan IV
Notary Public
Cobb County, Georgia
exp 5-15-12

EXHIBIT D

Tax Masters: We solve your tax problems.

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In this time of economic downturn, we're hearing about layoffs and RIFs (reductions in force). They can't even call a layoff a layoff anymore because everyone is doing so much of it. Well, we're going the opposite direction, adding new team members in sales and operations every day. Tax Masters can be the step in your career that puts you closer to the top than to the bottom, nearer the finish than the start. So the question is, how good are you? Are you going to go to work again tomorrow, hating what you do and knowing you'll never **make what you're worth**? Or will you apply and see if you have what it takes to **join the Tax Masters team**?

We are actively looking for successful sales people. If you have been on the top of any sales market - real estate sales, mortgage broker, IT services, communications services, financial services, even insurance and car sales - consider contacting us. If you've outgrown your position or your vertical market is cratering, we just may be the answer.

It's Your Call

Think about it. Even the current Secretary of the Treasury got in trouble with the IRS. This trend is nearing pandemic stages. People need help getting their IRS tax debt settled and negotiated. As long as the IRS is in business, there's a need for tax representation firms like ours and there's a need for a sales force intelligent enough to understand how to apply our set of services.

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If you are a talented sales person looking for a great inside sales job in Houston, Texas, you need to contact us and apply today. there is nothing between you and $75K - $100K and more per year other than your drive, talent, and willingness to be at the office and close the next deal.

Tax Consultant-Inside Sales Representative Job Specifics

Tax Masters is looking for the finest professional inside sales people to employ full time, selling tax representation services and tax debt solutions to people and businesses in trouble with the IRS who have tax debts they cannot pay. Previous tax knowledge is not required, but a firm understanding of the sales process and of selling services(as opposed to products) is a strong plus. We provide the training.

Hard work and a minimum 50 hour week are expected. A great income and great working environment is the reward.

Previous inside sales success experience and **phone sales** skills are a must. In depth understanding of effective closing techniques practiced to an art form are required.

We pay a base wage or commission, whichever is higher. Benefits and paid vacation are included.

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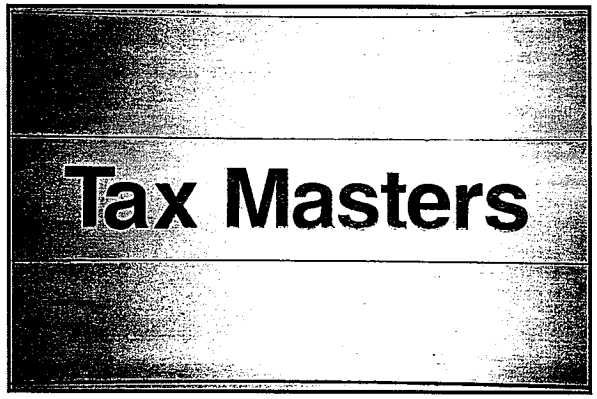

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EXHIBIT E

STATE OF CALIFORNIA §
§
COUNTY OF LOS ANGELES §

BEFORE ME, the undersigned notary public, on this day personally appeared Denise J. Miranda who proved herself to be the person whose name is subscribed hereon through her California Drivers License which contained her photograph and signature, and who after being by me duly sworn, upon her oath deposed and said:

"On April 20 2010 I listened to the attached audio recordings of the my conversation with persons at Taxmasters and have reviewed a transcript of that recording. Both the audio recording and the transcript are an accurate record of my conversation with persons at Taxmasters, which took place on June 18, 2009, pursuant to my call to Taxmasters at 1-888-497-5973 to seek help for a tax problem. Very shortly - within an hour or two of completing this call- I called Taxmasters because I had changed my mind and decided I wanted to wait before committing to use their services. The Taxmasters representatives that I spoke with were very uncooperative and told me my bank card had already been charged. They told me I had to contact to the billing department to cancel and gave me a phone number which did not go through to the billing department. I called back again and was told to send an email, which I did. I sent multiple emails but never received a response confirming my cancellation. When I was finally able to speak with a person in the billing department who told me that my written request for a refund would have to be reviewed by her and several other persons in the company. Four days later on June 22, 2009 my bank account was charged $1500.00 by Taxmasters. I continued attempting to contact Taxmasters by phone and via email but never received a response to my refund request. Eventually I was able to work with my bank to reverse the charges that Taxmasters had placed against my account. I never received any services from Taxmasters, and tried to cancel the same day I signed up, but Taxmasters was unwilling to return my money to me.

"Further affiant sayeth not."

Denise J. Miranda

Denise Miranda

SUBSCRIBED AND SWORN TO before me on the 20th day of April, 2010 by DENISE MIRANDA who proved to me on basis of satisfactory evidence to be the person who appeared before me.

CHRISTI M. PIDO
Commission # 1846385
Notary Public - California
Los Angeles County
My Comm. Expires Apr 25, 2013

Notary Public in and for the State of California

****

TRANSCRIPTION OF SALES CALL

BETWEEN TAXMASTERS, INC. AND DENISE MIRANDA

ON JUNE 18, 2009

****

TRANSCRIBED BY: JANE DEMARS
Job No. 85268

ORIGINAL

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1 UNIDENTIFIED FEMALE: Thank you for
2 calling Taxmasters. If you are already a client, please
3 press five to be connected to client services.
4 Otherwise, please hold while we connect you with the
5 next available tax consultant. All calls may be
6 monitored or recorded for quality assurance.
7 JD: Thank you for calling Taxmasters.
8 This is JD speaking. May I ask who I'm speaking with?
9 DENISE MIRANDA: Hi, JD. My name is
10 Denise.
11 JD: Hey, Denise. How you doing?
12 DENISE MIRANDA: I'm, I'm not doing too
13 well.
14 JD: Uh-oh. Tell me what's going on so I
15 can --
16 DENISE MIRANDA: Um.
17 JD: -- see if I can help you out.
18 DENISE MIRANDA: This is my first audit.
19 I was contacted in May --
20 JD: Okay.
21 DENISE MIRANDA: -- via letter.
22 JD: Okay.
23 DENISE MIRANDA: Mail letter and I had my
24 first appointment with the auditor yesterday, and it
25 lasted a whole entire day, and I can't do, I don't think

1 I can do this by representing myself. It's just way too
2 complicated.
3 JD: Okay.
4 DENISE MIRANDA: And I think, I think
5 there's a lot of unfair things going on, but I'm not too
6 sure, you know, because I don't know.
7 JD: That's exactly why they like you to
8 represent yourself because you don't know.
9 DENISE MIRANDA: Yeah.
10 JD: And that's okay. That's okay. You
11 know, we've got tax attorneys that went to school for
12 seven years to learn everything that needs to be known,
13 and they still learn something new every day. So --
14 DENISE MIRANDA: Yeah.
15 JD: -- don't feel alone.
16 DENISE MIRANDA: Okay.
17 JD: All right. So tell me, let's talk
18 about the audit and let's talk --
19 DENISE MIRANDA: Okay.
20 JD: Well, let's first, let's talk about
21 the reason for the audit. There's always typically
22 usually a reason for the audit. What do you think --
23 DENISE MIRANDA: He wouldn't --
24 JD: What --
25 DENISE MIRANDA: He wouldn't give me a

1 direct answer why. Everything that we kind of went
2 over, he -- it didn't seem like there was anything wrong
3 with it. He did say something that I didn't file, I had
4 a CD account with Washington Mutual --
5 JD: Uh-huh.
6 DENISE MIRANDA: -- which collected $400
7 interest --
8 JD: Uh-huh.
9 DENISE MIRANDA: -- and that's something
10 I didn't, I don't remember filing, so I think it could
11 have, that was probably the red flag.
12 JD: Okay.
13 DENISE MIRANDA: Other than that, we went
14 over everything and everything was fine until he opened
15 my, my bank statements of my personal checking account.
16 He added up all of the withdrawals and all of the
17 deposits. Some of those withdrawals were, were cash --
18 I mean not withdrawals, the deposits were cash, and he
19 said that those, the IRS sees all of those as revenue,
20 because I also have a side business. So he said that
21 those, I was supposed to claim that for my side
22 business, which it wasn't, because it was all -- a lot
23 of that is personal with like my mom helping me with
24 rent. Some of it were birthday gifts. Some of it, I
25 know some of it must have even been from a student loan.

1 JD: Uh-huh.
2 DENISE MIRANDA: So I asked him, you
3 know, if there's any way I could prove it, and he said
4 to get bank deposits. Well, the bank deposits don't
5 show what exactly the income is from. It just shows
6 cash deposits.
7 JD: Uh-huh, uh-huh, uh-huh.
8 DENISE MIRANDA: So he's, he added it up
9 and it was $1,100, and I'm getting penalized on that,
10 and he wants to have another meeting to go through my
11 other bank statements from '06 and '08.
12 JD: Okay. So, so '06, '07 and '08 are
13 the three years that he's trying to audit you for, then.
14 DENISA MIRANDA: Right.
15 JD: Okay. Okay. All right. Here's,
16 here's what needs to happen. Okay. I think you've got,
17 a, a firm understanding that audits are guilty until
18 proven innocent.
19 DENISE MIRANDA: Uh-huh.
20 JD: And then, and I think you understand
21 the need for representation.
22 DENISE MIRANDA: Yes.
23 JD: Okay. Now, if you're being audited
24 for three years, which is the typical time frame that
25 they audit you for, so we need to say it's '06 to '08.

1 Okay? Okay. Now, have, do you have any idea of what
2 the fallout's going to be yet?
3 DENISE MIRANDA: No idea. He's not
4 giving me any type of lead for that at all, even when I
5 asked. He's like, (inaudible) this attorney thing, he's
6 just trying to go through every single little thing, so.
7 JD: Was he asking a bunch of odd
8 questions?
9 DENISE MIRANDA: What do you mean by odd?
10 I mean he asked so many questions. I --
11 JD: Generic, generic questions, and then
12 you answer and he goes uh-huh uh-huh uh-huh, and he
13 writes it down on his pad.
14 DENISE MIRANDA: Yes. That, that was the
15 whole audit, how the entire audit was.
16 JD: Okay. What happens there is is --
17 And these guys are trained professionals. Okay? What
18 they do is is they, they try to ask you a bunch of
19 generic questions and based on your answers is whether
20 or not they can deny any of your claims that you've made
21 on your return, and then what they do is they go back
22 and remove those deductions, charge you for what you
23 were paid on them, plus interest and penalties. So
24 typically, for one year of -- And they only audit you,
25 okay, I don't give a crap what they say, they always say

1 oh, it's random.
2 DENISE MIRANDA: Yeah.
3 JD: Bull. It's not random. Okay?
4 They, they select you based on the amount of money they
5 think they can get from you.
6 DENISE MIRANDA: Got it.
7 JD: So if they've already identified
8 somewhere in the three years of returns, then they're
9 not going to waste their time on, you know, a couple
10 thousand dollars. They're going to waste their time on
11 20, 30, $40,000.
12 DENISE MIRANDA: Yeah.
13 JD: Okay.
14 DENISE MIRANDA: It's -- Yeah. See, the
15 thing is I've been filing for a family with me and my
16 fiance, and I, I have a CD account that has quite a good
17 amount, and, and I know, you know, what scared me is
18 that he can seize all of that.
19 JD: Yeah, he can.
20 DENISE MIRANDA: He can seize all of it.
21 JD: Yes, ma'am.
22 DENISE MIRANDA: Which I'm really afraid
23 of, because I, I just really got pregnant and it took so
24 long for that to happen, you know so --
25 JD: Right. Well, congratulations.

1 DENISE MIRANDA: Thank you.
2 JD: You're welcome, you're welcome.
3 I'm, I'm a proud pappa of a two-year-old.
4 DENISE MIRANDA: Oh, congratulations to
5 you.
6 JD: Thank you. Thank you.
7 DENISE MIRANDA: Yeah.
8 JD: Okay. This is definitely something
9 we can help you out with. One of our, in fact our main
10 audit attorney, his name is Clyde Miller, you'll be,
11 you'll be glad to know he's never lost a case. So what
12 happens in an audit is you just need somebody that has
13 the backbone to stand up to the IRS, and that has the
14 ability to back up all of your, all of your claims and
15 all of your deductions to the hilt. Okay? The
16 beautiful thing about tax attorneys is, a lot of people
17 think, you know, they, they can file your taxes and this
18 and that, they're, yeah, they're great with tax
19 problems, but they're also great when it comes to audit
20 because they know the, the rule book better than most
21 IRS agents. What we try to find is where the IRS agent
22 has taken shortcuts and, you know, did not allow things
23 that they should have allowed and everything else.
24 Now, here's my fear. Okay? And this is,
25 this is a pretty standard fear whenever you get this far

1 is how much information have you given him and is it
2 damaging to your case.
3 DENISE MIRANDA: We went through the, the
4 most part of it was an interview session --
5 JD: Uh-huh.
6 DENISE MIRANDA: -- which lasted a few
7 hours where he asked me about my side business, which is
8 a really small business. I don't even make any money.
9 I'm a personal trainer, and I do boot camps on the side.
10 JD: Okay.
11 DENISE MIRANDA: Yeah, and I, I had
12 claimed my equipment, my apparel and park permits, you
13 know, things I had to buy to put on these boot camps.
14 JD: All right.
15 DENISE MIRANDA: And it, I took a loss
16 because I didn't make any money off of them. I was
17 doing a lot of promotional things, trying to promote my
18 business, trying to get it up off, off of its feet, you
19 know, on to its feet.
20 JD: All right.
21 DENISE MIRANDA: And there's also, you
22 know, the, the travel, the cost of travel to get
23 certifications in order to train people and to be out
24 there, you know, giving instruction on exercise.
25 JD: Right.

1 DENISE MIRANDA: So that was pretty much
2 the whole part of it, and other than that, I, I can't
3 think of anything would would be detrimental to the
4 whole case, that I -- you know.
5 JD: Okay. Any time, any time, you know,
6 and we tell all of our clients in any matter, whether it
7 be an audit or just plain old, you know, somebody needs
8 a negotiation, to stop any contact with the IRS. Now,
9 I'm not telling you to, to avoid meetings with them,
10 just simply because, you know, if you do that, then what
11 they're going to do is they're just going to go and, and
12 make their own assumptions and do what they were
13 planning on doing in the first place.
14 DENISE MIRANDA: Yeah.
15 JD: So sounds like you, you've gotten a
16 decent handle on what's going on and that's, that's,
17 that's half the battle for me, because a lot of times I
18 have to spend, you know, 45 minutes to an hour
19 explaining to people the nature of an audit. You know,
20 most of the people that call me haven't gone to the
21 meetings yet. They don't understand what they're in
22 for.
23 DENISE MIRANDA: Yeah.
24 JD: Oh, no, I can take care of this. I
25 can do this on my own. Oh, okay. Okay.

1 DENISE MIRANDA: Yeah. I, I really
2 can't, only because I, you know, I, I didn't want to
3 argue with him because I knew what he was doing, and I
4 was like there's no way you can put this into, you know,
5 say that this, I was making business revenue when this
6 is my personal account. Like I, I didn't understand how
7 I had to claim a gift from my family or like, you know,
8 they were supporting me with my rent, too, because I was
9 out here by myself.
10 JD: Right.
11 DENISE MIRANDA: So depositing money in
12 my account, and he was going to penalize me for that, so
13 it, it didn't seem right.
14 JD: Right. What do you do for a living,
15 your, your real job?
16 DENISE MIRANDA: My real job also health
17 fitness, so I work, I work with health fitness and I, I
18 do, you know, I run at corporate, at corporate sites,
19 like for Mattell and for Toyota, I'm here and I'm taking
20 care of their, you know, their members, their employees,
21 so.
22 JD: Yeah. I see you're calling from a
23 Toyota --
24 DENISE MIRANDA: Yeah.
25 JD: -- looks like a Toyota --

1 DENISE MIRANDA: Yeah, right now.
2 JD: -- dealership?
3 DENISE MIRANDA: Right, yeah, correct.
4 JD: Okay. Okay. Well, here's, here's
5 what it boils down to. Okay? And this is, this is
6 what's going to make or break the case for you. Okay?
7 To do an audit, we charge 2,000 a year.
8 DENISE MIRANDA: Okay.
9 JD: Okay? So you're looking at $6,000
10 to take care of the audit, and then the consultation
11 fee, not between you and I, but between us and the
12 IRS --
13 DENISE MIRANDA: Uh-huh.
14 JD: -- and all the communication that
15 needs to go forth, because the IRS charges per phone
16 call.
17 DENISE MIRANDA: Yeah.
18 JD: Okay? So you're looking at $6,500
19 for us to take over the case and get all this taken care
20 of. Now, again, I stress to you that, that Clyde Miller
21 has never lost a case --
22 DENISE MIRANDA: Okay.
23 JD: -- and we don't typically take on
24 cases that we know we're, that we know we can't win.
25 DENISE MIRANDA: Yeah.

1 JD: So just from where I'm standing, it
2 sounds like you've done everything on the up and up.
3 You'd be surprised at some of the losers I have calling
4 me that have, yeah, well, I've cheated the system and
5 now they've caught up with me and I need you guys to
6 defend me. Well, if you cheated the system, you know, I
7 paid my taxes, you know, I did what I was supposed to
8 do, and I'm got going to pay for your mistake, you know,
9 and I, if it's you've made just a bunch of ridiculous
10 claims on your, your income taxes, I can't protect you.
11 DENISE MIRANDA: Yeah.
12 JD: So if that's, you know -- And that
13 doesn't sound like the case here, so that's good.
14 DENISE MIRANDA: No. I, I didn't, I know
15 I didn't make any ridiculous claims. There, I know
16 2007, I did make some mistakes because it was my first
17 time claiming taxes.
18 JD: Uh-huh.
19 DENISE MIRANDA: And I didn't know what
20 the hell I was doing and I was using Turbo Tax, which
21 wasn't any help.
22 JD: Right.
23 DENISE MIRANDA: And I was trying to
24 reach the deadline and get my taxes done, you know,
25 before the deadline.

1 JD: Uh-huh, uh-huh, uh-huh.
2 DENISE MIRANDA: And so I know he found
3 some mistakes. Like I claimed I had a renter when I,
4 I'm, I thought it was meant that I was the renter, but
5 the way it was worded was, you know, I didn't
6 understand.
7 JD: Uh-huh.
8 DENISE MIRANDA: So I know that, but
9 other than that, there was no -- I wasn't trying to go
10 around anybody, I wasn't trying to get more money than I
11 was supposed to or make all these weird, ridiculous
12 claims.
13 JD: Okay. Good. If there's some
14 fallout, you know, that's okay. Some fallout is better
15 than, you know, going back and reversing everything
16 you've claimed for the last three years, because that's,
17 that's where you get in big trouble.
18 DENISE MIRANDA: Yeah, yeah, and I
19 understand that.
20 JD: Right. And it's far easier to
21 defend your, to defend your claims than it is to go back
22 and try to negotiate an amount that comes from, from an
23 audit.
24 DENISE MIRANDA: Uh-huh.
25 JD: Okay? So, and, and this, you know,

1 cut and dry, plain and simple, the $6,500 to, to take
2 care of you, you know, we, we need, obviously, as, as
3 much of that up front as possible, especially in an
4 audit, especially in an audit case. I mean, you tell me
5 what are you comfortable coming up with, and, and I can
6 get creative with the rest of it.
7 DENISE MIRANDA: I can probably come up
8 with 2,000 right now, at the most.
9 JD: Okay. All right. Let's do this
10 here. Let me do some quick math here.
11 DENISE MIRANDA: Uh-huh.
12 JD: Not my strong suit, believe it or
13 not. I'm great with numbers and a calculator, but when
14 I, when I get them all rattling around in my head, I get
15 lost.
16 DENISE MIRANDA: Yeah.
17 JD: Okay. So if we do 2,000 down, that
18 will leave a balance of 4,500 and you know, obviously I
19 want to get that, you know, as, as quickly as possible
20 because audit appeals, we can get audit -- Usually what
21 we try to do is get involved and get the audit
22 completely thrown out.
23 DENISE MIRANDA: Yeah.
24 JD: Sometimes we can. Sometimes we
25 can't. If we actually physically have to go through the

1 audit, that's fine too. Okay? So the sooner, the
2 sooner we get all the funds in, the better. So you --
3 $4,500 split up over two months, is that going to be
4 okay for you?
5 DENISE MIRANDA: Well, what would those
6 payments look like?
7 JD: Oh, let's see, 2,250 a month for the
8 next two months.
9 DENISE MIRANDA: 2,250 a month? Okay.
10 JD: Okay? All right. So let's do that.
11 And that should, that should be ample enough opportunity
12 for us to get involved, because you can only do one year
13 at a time so --
14 DENISE MIRANDA: Yeah. Just, just to be
15 clear, the 2006, I don't know if he -- I know he looked
16 at it so --
17 JD: If he --
18 DENISE MIRANDA: But he didn't --
19 JD: If he actually --
20 DENISE MIRANDA: He (inaudible) over it.
21 JD: If he asked you questions, any
22 questions at all about 2006, then he's -- Audits always
23 happen in threes. Usually what happens is is they come
24 after you for one year.
25 DENISE MIRANDA: Yeah.

1 JD: Okay? And then based on the results
2 of that one year, then they go back. Like say, say he
3 audits you for -- which is, which is what it sounds to
4 me has happened, he's audited you for '07 first.
5 DENISE MIRANDA: Yes.
6 JD: Okay. Now, because he's opened up
7 the floor for '06 and '08, that tells me that he's
8 already got a substantial amount for 2007 that you may
9 not be aware of, but he is, and he knows that if he can
10 get that amount from '06 -- if he knows he can get that
11 amount from '06, he can probably get it from '06 -- or
12 excuse me. He knows if he can get that amount from '07,
13 there's a good chance he can get it from '06 and '08,
14 plus interest and penalties.
15 DENISE MIRANDA: Yeah. I, I don't think
16 he's auditing '06, because I didn't, I didn't work in
17 '06. There's, I made nothing, not even -- You know, I
18 filed my taxes. I didn't, didn't make any money.
19 JD: Okay. So it's just two years then,
20 '07 --
21 DENISE MIRANDA: I --
22 JD: -- and '08?
23 DENISE MIRANDA: I'm pretty sure it was
24 two years, but he did look at '06, but totally skipped
25 over it. He, he even said, oh, you don't make enough

1 money in '06.
2 JD: Okay. Okay. So then it's just two
3 years. Well, that's good. Then it makes it, that will
4 be $4,500, then, and then with 2,000 down, that will
5 leave $2,500.
6 DENISE MIRANDA: Uh-huh.
7 JD: And we can split that up if you
8 want, into two months, or we can do one month some
9 payment, and the next month.
10 DENISE MIRANDA: Okay.
11 JD: So I mean you tell me what, in your
12 budget, what's come, what's comfortable for you.
13 DENISE MIRANDA: What if I gave you 1,500
14 now?
15 JD: Okay.
16 DENISE MIRANDA: Then what would it look
17 like for my payments?
18 JD: Okay. Let's see here. That would
19 be 3,000, so it would be 1,500 next month and the
20 following month, or it will be 3,000 one, one lump sum.
21 DENISE MIRANDA: One lump sum.
22 JD: You want to do one lump sum? Okay.
23 DENISE MIRANDA: No, I don't want to.
24 JD: Oh, you don't?
25 DENISE MIRANDA: Yeah.

1 JD: Okay.
2 DENISE MIRANDA: Just right now it's kind
3 of -- because I have all my medical stuff that I'm going
4 through, too, that I'm paying as well, so I want to -- I
5 mean I could pay it. I just need, like I need it to be
6 spread up, spread up, because I don't know what --
7 JD: Okay.
8 DENISE MIRANDA: -- I --
9 JD: That's fine. I can do, I can do
10 1,500 down and then we'll do 1,500 next month and then
11 1,500 the month after that.
12 DENISE MIRANDA: Okay.
13 JD: Okay? Because what we're going to
14 do is we're going to tie, we're going to tie it up in
15 litigation as long as we can.
16 DENISE MIRANDA: Uh-huh.
17 JD: Okay. And basically all we do is we
18 use their own rules and laws against them and make them
19 wait, and put them on the spot, make them, you know, let
20 them squirm a little bit, and kind of turn the table on
21 them. That gives us enough opportunity to buy some time
22 to get ready for any appeals that need to happen. So,
23 so you're looking at -- Let's see. Let me start at,
24 yeah, 4,500, and then split up over the course of the
25 next three months with 1,500 down, or two months, three

1 months counting this month, so let's go ahead and get
2 that started. Let me get some information from you.
3 DENISE MIRANDA: Okay. How do I know
4 this is legit, first, because I don't want to get, I
5 don't want to get, you know.
6 JD: Oh, I understand, I understand.
7 Well, first, first of all, you know, we've, we're, we've
8 been in business for a very long time. This is a
9 question we get sometimes. And we're endorsed by Bill
10 O'Reilly and a lot of the big guys on, on Fox News
11 Network and, and everyone else. You know, we've, just,
12 you know, when you picked up the phone today and you
13 called, you found us, so it's, you'll find us again
14 tomorrow and the day after that. We're not going
15 anywhere. We're not hiding. We advertise pretty
16 heavily. We spend lots of money on advertising every
17 month, you know, to, to put our name out there, so.
18 Have you ever heard of, you, you know who Bill O'Reilly
19 is?
20 DENISE MIRANDA: I'm familiar with Bill
21 O'Reilly.
22 JD: You know who Dennis Miller is?
23 DENISE MIRANDA: Dennis Miller?
24 JD: Uh-huh.
25 DENISE MIRANDA: No.

1 JD: He, he is, he does some similar to
2 Bill O'Reilly. He's on, he's on Fox News, and he also
3 does, he has a big radio talk show. He was a football
4 announcer for a long time, and then it didn't work out
5 for him.
6 DENISE MIRANDA: Uh-huh. Yeah. It
7 sounds familiar, but I'm not too sure.
8 JD: He also endorses us, personally
9 endorses us. So that was a, that was a really huge, a
10 monumental thing for our company is to, is to get
11 endorsed by those guys because you know, they're big
12 names in the political world, and they do a lot of help
13 for, they do, they help out a lot of folks so.
14 DENISE MIRANDA: Uh-huh.
15 JD: But other than that, I mean, you
16 know, we've been in business, like I said, been in
17 business for a long time so.
18 DENISE MIRANDA: Okay. And how, I don't
19 know, I just, I kind of feel like I, I need a -- I don't
20 know. It's just like a lot of money to give out when
21 I'm not too sure on the first phone call.
22 JD: Uh-huh.
23 DENISE MIRANDA: But I do definitely, I
24 know I definitely need help with this. This is a lot to
25 take on on my own.

1 JD: Yeah. And, and rightfully,
2 rightfully, you know, you should -- you, you are
3 obviously, an understanding of the severity of the
4 situation, the gravity of what's going on, so -- And in
5 an audit, you know, time is never on your side, so I
6 mean, we're -- You've already, you've already had one
7 appointment with the, with the auditor and -- What is,
8 what was the -- You said you went yesterday was the day
9 of the audit?
10 DENISE MIRANDA: Yes.
11 JD: Okay. So you --
12 DENISE MIRANDA: All right. Yeah. He
13 wants the, he said at least one more appointment
14 for '07, and then he wants to go through '08 as well.
15 JD: Okay. Okay. Did he set up a time,
16 a timetable with you?
17 DENISE MIRANDA: Yeah. It's July 1st is
18 the next one.
19 JD: Okay.
20 DENISE MIRANDA: But he --
21 JD: 1st of July.
22 DENISE MIRANDA: You know, it's just hard
23 because I have to go -- He made me buy bank statements
24 for three years and that's $5 a bank statement.
25 JD: Yeah.

1 DENISE MIRANDA: So I've already put a
2 lot of money into it, like, you know, according to my
3 budget, because I don't, you know, I don't have that
4 much money.
5 JD: The next one is for 2007?
6 DENISE MIRANDA: They both are. The
7 first one was, and then this will be a followup for
8 2007.
9 JD: Okay. And then the one after that,
10 did he set a date for the one after that?
11 DENISE MIRANDA: No.
12 JD: Okay. He will next time. 2007, and
13 then for 2000 -- You'll probably have the same situation
14 with 2008 as well. They'll want to, they'll want to
15 meet with you twice for 2008, so that will probably be,
16 I'd say mid, mid to late July.
17 DENISE MIRANDA: Okay.
18 JD: And then he'll have another one for
19 2008 to wrap, to wrap it up. Okay. Let's see here.
20 All right. So I'm, you tell me what do you want to do
21 next.
22 DENISE MIRANDA: Can I just hear like
23 some of the benefits, how this is going to help me? You
24 know, it's just --
25 JD: Absolutely. I mean absolutely.

1 What's -- And, you know, just to kind of reiterate
2 what's going to happen here is when we get involved, the
3 first thing we do, obviously, is contact the IRS and you
4 know, we give them legal documents, power of attorneys,
5 let them know we're your representation, because, you
6 know, you should never, you should never go into an
7 audit alone and by yourself, and I think you've, you've
8 gotten a firm understanding of why that is now. Then we
9 pull your master file and find out exactly, you know,
10 get the, get the reasoning behind the audit, because
11 there's, there's always a reason. They don't just audit
12 you for, for no apparent reason. They, they have
13 ulterior motives.
14 DENISE MIRANDA: Yeah.
15 JD: Okay? So we find out, you know,
16 what's going on. We're going to try to locate ourselves
17 the, what they can be consider to be fishy and, and you
18 know, identify ahead of time what we're working against.
19 Then we start building a case, while we are putting
20 them, you know, while we're stalling them with, you
21 know, tying them up in litigations and everything else
22 and buying as much time as possible. You know, we want
23 to try to stretch this out as long as we can, because
24 what's, what happens here is the auditor is going to get
25 tired of waiting, and he's just going to, he'll either

1 drop the case and say forget about it and move on to the
2 next person or, you know, he'll go ahead and try to
3 follow through with it, in which case, you know, we're,
4 we're more than welcome to invite that, bring it on, in
5 other words. You know, we, by the time, by the time
6 they get done with all the litigation, we'll be ready
7 for the case and we'll have all the proof and
8 documentation that we need, and it's at that point we
9 pretty much just lay it down on the table and say
10 listen, this is what it is, you know, you can scream and
11 moan all you want to about this and that, but we have,
12 right here in black and white, and according to tax
13 article four, section six, you know, this is what's
14 going on, this is the right stuff that we need. We,
15 it's just a matter of knowing the laws and knowing what
16 your rights are, and we do.
17 Like I told you earlier, Clyde Miller has
18 never lost a case. We actually do more audits in one
19 month than most firms do in a year and most tax
20 attorneys do in a lifetime, so audits are one of our
21 main things.
22 DENISE MIRANDA: Okay.
23 JD: So rest, rest assured, we're, we're
24 very, we're very good at what we do and we're proud of
25 that.

1 DENISE MIRANDA: Do you -- I mean in the
2 long run, you think I'd be saving money rather than, you
3 know, paying out all this money to the IRS?
4 JD: Yeah, because here's -- It's like I
5 said before. Here's what happens in an audit. Okay?
6 Before they even decide to audit you, they've already
7 identified something in your return that is going to get
8 them a sizable amount of money back. Okay? What,
9 what's, what has really spawned all this and let's,
10 let's kind of take the long, the long loop around to
11 kind of get back to where we're at is, you know, with
12 all the corporate bailouts and everything that's been
13 going on, you know, with buying, you know, bailing out
14 the big three, you know, Ford, Chevy and, and Chrysler
15 and --
16 DENISE MIRANDA: Yeah.
17 JD: -- you know, all the, the financial
18 institutions that need bailing out, you know, they've,
19 they're shelled out, you know, close to a trillion
20 dollars now in, in bailout money. And what they didn't
21 tell you was, yeah, what they -- They gave you the, the,
22 you know, the warm fussy, you know, yeah, we're going to
23 do this, this is going to save them, this is going to,
24 you know, what this is going to do for America is great,
25 blah, blah, blah, blah, blah. What they didn't tell you

1 was, by the way, taxpayer, you're responsible, you know,
2 for the amount of money that -- you're, you're
3 responsible, you're going to wind up being responsible
4 for, you know, whatever the outcome is, you know,
5 whatever you wind up owing the IRS, so what, you know,
6 whatever. So they've increased their collection
7 activity to, you know, pursue tax evaders, and they've
8 been looking a little bit harder at folks' tax returns.
9 And they, what they've done is they've identified
10 somewhere in your return where they can make money, and
11 they can get some money back to pay for the deficit,
12 because it's fallen on the taxpayer. Just in the last
13 two months alone, Obama has beefed up the, the
14 collection efforts and the collection team for the IRS
15 by hiring, you know, 8,000 new revenue agents and
16 collection agents and everything else. You know, first,
17 their, their first strike is, you know, on small
18 companies and corporate organizations. Then, then it's
19 going to trickle down into, you know, private tax
20 returns and everything else like that, which is, which
21 is where you're at right now, and unfortunately, you
22 know, once, once they get involved, there's not a whole
23 lot that we're going to be able -- you know, all we're
24 going to be able to do is be able to help people deal
25 with the fallout and, you know, try to help represent

1 people as much as possible, because these next couple of
2 years are going to be pretty shaky when it comes to tax
3 returns. So --
4 DENISE MIRANDA: Okay.
5 JD: -- just for future reference, make
6 sure you're being careful when you do all your tax
7 returns, because --
8 DENISE MIRANDA: Yeah.
9 JD: -- they're really starting to look
10 hard at folks, really --
11 DENISE MIRANDA: Yeah, because I just --
12 JD: -- starting to look hard at folks.
13 DENISE MIRANDA: I just started mine for
14 myself, because not a lot of -- You know, when I went to
15 people to do my taxes, they didn't know about my
16 business that I do, so they didn't know -- You know, I
17 was -- they didn't how to file it, but --
18 JD: Uh-huh.
19 DENISE MIRANDA: -- I've done it my own.
20 But there's other parts besides just the Schedule C that
21 I didn't know. I, I may or may not, I don't think I've
22 messed up on that one that much, but.
23 JD: Well, what you need to do is, what
24 you need to do, too, in the future is you need to find
25 yourself a good little local CPA firm to take care of

1 your taxes for you. And something else, too, is, you
2 know, even if you're a sole proprietor, you should think
3 about, you know, incorporating your business. You know,
4 it gets you more, more tax leverage. You know, you --
5 DENISE MIRANDA: Yeah.
6 JD: -- get a little bit, you get tax
7 breaks and everything else, and plus it's, if you do
8 like a limited liability, then it lowers your liability
9 for, you know, if something were to happen to the
10 company or, you know, for instance something like this
11 were to happen. Now, the only difference is is if you
12 were to incorporate your business and you were to bring
13 on, you know, employees, instead of just being a sole
14 proprietor, then instead of paying them, you know, cash
15 and 1099ing them, which I'm not sure if you know what
16 that means, but --
17 DENISE MIRANDA: Yeah, I know.
18 JD: Okay. Instead of 1099, you would W
19 -- you would give them a W-2 and actually have
20 withholdings and you'd pay quarterly taxes, but the
21 amount of taxes that you'd pay out for your business is
22 minimal compared to what you're paying right now.
23 DENISE MIRANDA: Yeah.
24 JD: So that's just something to think
25 about in the future too. But that, you should

1 definitely, you know, for the, for the future and for
2 2009 you should find, you know, somebody local that's,
3 you know, not too -- because there's some, there's some
4 CPAs out there that will rip your head off. You know,
5 they're, they're big corporate CPAs, and they're used to
6 dealing with bigger agencies, and quite honestly, their
7 time is extremely expensive.
8 DENISE MIRANDA: Yeah.
9 JD: So you just find somebody that's
10 local, that's not necessarily small time, but you don't
11 want to them to be big time either, to help prepare your
12 taxes for you. That way you don't find yourself in
13 this --
14 DENISE MIRANDA: Okay.
15 JD: -- position later.
16 DENISE MIRANDA: Okay.
17 JD: Okay?
18 DENISE MIRANDA: All right. Okay. So
19 going through this, do I have to do anything more? Like
20 do I have to contact the IRS and send them --
21 JD: Not at --
22 DENISE MIRANDA: -- any more?
23 JD: Not at all, not at all. We, we want
24 to, we want you to have as little contact with the IRS
25 as possible. In fact, from now on, when they contact

1 you, all you have to tell them is I've hired Taxmasters
2 as my representation, my audit appeal. If you have any
3 questions, please call them. You hang up the phone and
4 close the door. That's it.
5 DENISE MIRANDA: Okay.
6 JD: You don't have to say anything else.
7 Your part in the process, all we'll need from you, when
8 we go into your audit, there's going to, any time
9 there's an audit, we're going to have lots of questions
10 for you.
11 DENISE MIRANDA: Yeah.
12 JD: We're going to kind of give you a
13 mini audit so that we can figure out what needs to
14 happen.
15 DENISE MIRANDA: Okay.
16 JD: You know, just, just some, not
17 necessarily generic questions. Our questions are going
18 to be more specific, because they're obviously prudent
19 to your case.
20 DENISE MIRANDA: Yes.
21 JD: And then if there's any receipts or
22 anything that we're going to need to, you know, validate
23 any of your deductions or any of your claims, then, you
24 know, we'll have you generate those for us. You can
25 either, you know, fax them, e-mail them, mail, you know,

1 whatever, hand deliver them, doesn't matter.
2 DENISE MIRANDA: Okay.
3 JD: Okay? So that we can get this taken
4 care of for you.
5 DENISE MIRANDA: All right.
6 JD: All right? So we, we try to, we try
7 to have as little -- What's a, a what's a good way to
8 explain this? We try to have as, as little
9 responsibility on our clients' hands as possible. You
10 guys are busy with your own businesses and your own
11 lives. This is what we do for a living. So, you know,
12 why not take all the responsibility off your shoulders?
13 Our ultimate goal in the process is to, you know,
14 relieve you of the burden, put it on our shoulders, get
15 everything solved for you so that, you know, everything
16 is back to normal.
17 DENISE MIRANDA: Okay.
18 JD: This is a pretty chaotic time, you
19 know --
20 DENISE MIRANDA: Yeah. It's, you know --
21 JD: (Inaudible)
22 DENISE MIRANDA: It was so much, and I,
23 you know, I couldn't even make that -- Those three years
24 combined, I probably made like a total of 3,000, you
25 know. It's like --

1 JD: Uh-huh.
2 DENISE MIRANDA: -- you know, why are you
3 guys picking on me?
4 JD: Right.
5 DENISE MIRANDA: So, but and then, and
6 then to hear that they can take all of my savings, my
7 life savings, you know, it's kind of --
8 JD: Absolutely. See, what they're doing
9 there is, is it's scare tactics.
10 DENISE MIRANDA: Yeah.
11 JD: They, they, they do have the power
12 to take a lot of stuff from you. You know, they can
13 take up to 90 percent of your income. They can take,
14 you know, bank accounts, you know, 401Ks, IRAs CDs, any
15 kind of investments that you have that's liquid, they
16 can, they can get their hands on it and take it, and
17 with very little to no warning at all. So obviously,
18 they don't want to tell you, we're going to take $10,000
19 from you next month out of your account. They're not
20 going to give you a heads up. Usually what happens is
21 is they send you letters in the mail, the notice of
22 intent to levy, and then about three or four days later
23 you get a notice from your bank the IRS has seized your
24 funds.
25 DENISE MIRANDA: Okay.

JD: So they usually always happen on the same day, so you don't get an opportunity to counteract. It's just from this point on, you're reactive instead of being proactive.

DENISE MIRANDA: Yeah.

JD: So and that's what's important is keeping the -- keeping control, keeping the ball in your court, and keeping everything on your terms, and that's what we, that's what we bring to the table, and that's what we enforce is to make sure everything stays in your power, in your hands.

DENISE MIRANDA: Okay.

JD: Okay?

DENISE MIRANDA: All right.

JD: All right. So let's, let's talk a little bit about the funds. You said you wanted to do $1,500 down, and then we can split up the rest of it over the course of the next two months. Okay. I didn't catch your last name, though.

DENISE MIRANDA: It's Miranda, M-I-R-A-N-D-A.

JD: Okay. All right. And you got a mailing address?

DENISE MIRANDA: I do. It's [redacted]

JD: Okay.

1 DENISE MIRANDA: And that's on [redacted]
2 [redacted]
3 JD: Okay. And what's --
4 DENISE MIRANDA: [redacted]
5 yeah, [redacted]
6 JD: Okay.
7 DENISE MIRANDA: And [redacted]
8 JD: [redacted]
9 DENISE MIRANDA: And that's Long Beach,
10 California.
11 JD: Oooh, LBC.
12 DENISE MIRANDA: Yup.
13 JD: All right.
14 DENISE MIRANDA: And the zip code there
15 is 90803.
16 JD: All right. Let's see here. Okay.
17 Let's see here.
18 DENISE MIRANDA: So then all the bank
19 statements that I just ordered, do I even need to do
20 that still?
21 JD: Yeah. Yeah, because there's a good
22 chance we're probably going to need it too.
23 DENISE MIRANDA: Okay.
24 JD: So absolutely, yeah, go ahead and
25 follow through with that.

1 DENISE MIRANDA: Okay.
2 JD: You know, information, at this
3 point, is, is knowledge -- you know, knowledge is power.
4 DENISE MIRANDA: Got it.
5 JD: So, you know, anything we can have
6 and use, the better.
7 DENISE MIRANDA: Okay.
8 JD: Let's see here. Now, let's do this.
9 I'm filling in some of these fields. What's your date
10 of birth?
11 DENISE MIRANDA: [redacted]
12 JD: Okay. Is your, is your husband
13 involved in any of this at all? Is his name on any of
14 this or is this just solely on you?
15 DENISE MIRANDA: It's solely on me.
16 JD: Okay. Okay. Well, that's, that's
17 good. That's good.
18 DENISE MIRANDA: Yeah. He's only my --
19 We haven't gotten married yet, so --
20 JD: Oh, okay. Okay. Cool. You-all
21 have a debt -- You-all have a date set?
22 DENISE MIRANDA: It was supposed to be
23 this year in July, but with everything going on.
24 JD: Yeah. Actually, believe it or not,
25 my, my fiance and I, we're tying the knot in two weeks,

1 so we're --
2 DENISE MIRANDA: Oh --
3 JD: -- pretty excited about it.
4 DENISE MIRANDA: -- congratulations.
5 That's great news.
6 JD: Yeah, yeah, June 28th, so we're,
7 we're extremely pumped.
8 DENISE MIRANDA: Perfect month, perfect
9 date right there.
10 JD: Oh, yeah.
11 DENISE MIRANDA: Picked a good one.
12 JD: Yeah. And youb know, it's, it's
13 been great because we've, we've been planning this, you
14 know, for years, it seems like, you know.
15 DENISE MIRANDA: Yeah.
16 JD: And we set one date and then that
17 date, you know, it was getting --
18 DENISE MIRANDA: That's --
19 JD: -- closer to that date and we just
20 weren't ready --
21 DENISE MIRANDA: Yeah.
22 JD: -- and then we set it again, and
23 then we just weren't ready. So now it's, you know,
24 everything's planned. All we got to do is show up.
25 DENISE MIRANDA: Yeah. Yeah, that's, I

1 think that's what's going on with us. So hopefully, you
2 know, once we get everything out of the way and cleared
3 up, we, you know, just have a perfect wedding, no, no
4 hassle, no worries, no stress.
5 JD: Absolutely. Well, at least until
6 you start planning. I, my, my, my fiance has been
7 running around like a chicken with her head cut off --
8 DENISE MIRANDA: Yeah.
9 JD: -- about six months now, getting
10 everything planned, and you know, she's, she's got this
11 image in her mind of what she wants it all to be like,
12 and where she wants and what she wants to wear. You
13 know, she's been planning her wedding since she was four
14 so.
15 DENISE MIRANDA: Yeah, see, that's the
16 opposite of me. I'm making my fiance do everything
17 because I, I just don't want to deal with it.
18 JD: Yeah, exactly.
19 DENISE MIRANDA: Yeah.
20 JD: Exactly. All right. Let me get
21 your social, so I make sure we get the right taxpayer.
22 DENISE MIRANDA: Sure. It's [redacted]
23 JD: [redacted]
24 DENISE MIRANDA: [redacted]
25 JD: [redacted]

1 DENISE MIRANDA: [redacted]
2 JD: [redacted]
3 DENISE MIRANDA: [redacted]
4 JD: [redacted] Okay. All righty. How did you
5 want to take care of the 15? Did you want to do credit
6 card, debit cards --
7 DENISE MIRANDA: Um.
8 JD: (Inaudible)
9 DENISE MIRANDA: Yeah. My credit, my
10 Mastercard.
11 JD: Okay. That's fine.
12 DENISE MIRANDA: Okay.
13 JD: All right. Go ahead.
14 DENISE MIRANDA: It's [redacted]
15 JD: [redacted]
16 DENISE MIRANDA: [redacted]
17 JD: [redacted]
18 DENISE MIRANDA: [redacted]
19 JD: [redacted]
20 DENISE MIRANDA: [redacted]
21 JD: Okay. And expiration date?
22 DENISE MIRANDA: [redacted]
23 JD: Okay. Should be a three digit code
24 on the back of the card.
25 DENISE MIRANDA: Yeah, [redacted]

JD: [redacted] All right. Is the billing address the same as your home address?

DENISE MIRANDA: Correct.

JD: Okay. Just a second here.

DENISE MIRANDA: And is there any way I can have like a, a receipt?

JD: Absolutely.

DENISE MIRANDA: Give the details?

JD: Absolutely.

DENISE MIRANDA: Okay.

JD: Absolutely. Actually, believe it or not, in about 45 minutes to an hour you're going to have, oopsy, you're going to have all of this. There's quite a bit of stuff I'm actually going to be sending you.

DENISE MIRANDA: Okay.

JD: So let's see here. One of, there's one of the things I'm going to be sending you is the engagement agreement, which is basically what we've talked about, the services that we're going to do for you.

DENISE MIRANDA: Okay.

JD: And then the other is going to be two of the -- Why does it keep doing that? Ah, shoot. Okay. Hang on just a second. My computer is acting

1 goofy on me here.
2 DENISE MIRANDA: Okay.
3 JD: Okay. There we go. The two power
4 of attorneys that we're going to be sending you, which
5 it gives us the right to represent you, and the other
6 one is the gain -- let's us gain access to your, your
7 master file. And then what comes after that is a, an
8 engagement agreement guide, which is kind of a list of
9 things to, to, you know, expect and, you know, it will
10 answer a lot of, you know, questions that you guys may
11 have, you know, in the next couple months. What do I
12 need to do now? What's next? You know, it also
13 includes some information that we may need from you
14 guys, so it will, it will help you be prepared for the
15 future, too, and it gives you some good pointers,
16 especially if you're a business owner too, so.
17 DENISE MIRANDA: Okay.
18 JD: All right. What I'm going to do now
19 is I'm going to get you on the line with my assistant.
20 My spelling is, is worse than my math, so I want to make
21 sure that I spelled everything right, and then she's
22 also going to talk to you a little bit more about the
23 two forms I'm going to be sending you, and she's also
24 going to tell you what your rights are. So listen up.
25 This is important info, you know, basically kind of

1 stuff like if the IRS contacts you, just tell them
2 you're with us, you don't need to talk to them anymore,
3 you know, you can put them at bay. So let me get her on
4 the line real quick. Too, one, one question before I
5 do. What is your e-mail address, so I can send all that
6 info to you?
7 DENISE MIRANDA: Okay. It's [redacted]
8 that's [redacted]
9 JD: Uh-huh.
10 DENISE MIRANDA: [redacted]
11 JD: Okay.
12 DENISE MIRANDA: And then [redacted]
13 and that's at [redacted]
14 JD: [redacted]
15 DENISE MIRANDA: [redacted]
16 [redacted]
17 JD: Oh, that's what I meant, [redacted]
18 [redacted]
19 DENISE MIRANDA: Yeah. So the [redacted] takes
20 the place of the [redacted]
21 JD: All right. Cool. All right.
22 DENISE MIRANDA: That's at [redacted].
23 JD: All right. Fantastic. All right.
24 Give me just a couple seconds. I want to get her on the
25 line. Okay?

1 DENISE MIRANDA: Okay.
2 JD: Okay. Just a second. Let me track
3 her down.
4 DENISE MIRANDA: Can I have your name
5 again?
6 JD: Yeah. It's JD.
7 DENISE MIRANDA: JD, thank you for all
8 your help.
9 JD: Hey --
10 DENISE MIRANDA: Really appreciate it.
11 JD: Not a problem. That's what I'm here
12 for.
13 DENISE MIRANDA: All right. Thank you.
14 JD: All right. Miranda, are you
15 there --
16 DENISE MIRANDA: Yeah.
17 JD: -- or Ms. Miranda?
18 DENISE MIRANDA: Yeah, yeah.
19 JD: All right. You're in luck.
20 Actually, the -- I actually tracked down my supervisor,
21 so he's going to be taking care of it from here, and if
22 you have any questions, just feel free to shoot away.
23 I'm going to stay on the line, and, and he'll be able to
24 answer all your questions too.
25 DENISE MIRANDA: Okay, perfect.

KEITH: Hi, Denise. This is Keith. I will be doing the third party verification. I've got the spelling of your name as D-E-N-I-S-E, last name M-I-R-A-N-D-A. Is that correct?

DENISE MIRANDA: Correct.

KEITH: That your contact number is a mobile phone.

DENISE MIRANDA: Yes.

KEITH: [redacted]

DENISE MIRANDA: Actually incorrect.

KEITH: Okay.

DENISE MIRANDA: Contact, my mobile phone is area code [redacted]

KEITH: [redacted]

DENISE MIRANDA: Correct.

KEITH: Got you. And the other, [redacted]

DENISE MIRANDA: Correct.

KEITH: And what was the other number?

DENISE MIRANDA: I have another home line. It's [redacted]

KEITH: Okay. And we have a, a mailing address of [redacted] Long Beach, California, 90803.

DENISE MIRANDA: Correct.

1 KEITH: I like Long Beach. I've been out
2 there before a few times.
3 DENISE MIRANDA: Yeah, it's nice.
4 KEITH: And we've got your date of birth
5 as [redacted]
6 DENISE MIRANDA: Yes.
7 KEITH: And your social security number
8 is [redacted]
9 DENISE MIRANDA: Yes.
10 KEITH: Okay. And then total fees for
11 the service is going to be $4,500 for an audit appeal,
12 an audit defense, and we're going to be putting $1,500
13 down today on a Mastercard.
14 DENISE MIRANDA: Yeah.
15 KEITH: It's going to leave a balance of
16 $3,000, and we're going to do $1,500 same time next
17 month and then $1,500, the remaining balance, a month
18 later on August the 18th.
19 DENISE MIRANDA: Is there any way to
20 split that up, or even more, like add one more month, or
21 does it have to be in three months?
22 KEITH: It's, it's best if it is, but if
23 you need three months and you're telling me that up
24 front, then we'll go ahead and do that real quick.
25 DENISE MIRANDA: Yeah. If -- I can pay

it, but if I can split it up one more month, that would work --

KEITH: Okay.

DENISE MIRANDA: -- a little better. So I can still put the 1,500 down today, but if I can add one more month to the rest.

KEITH: Sure, absolutely.

DENISE MIRANDA: Okay.

KEITH: So we could do $1,000 on July the 18th, thousand dollars on August 18th, and $1,000 on September 18th.

DENISE MIRANDA: Yes.

KEITH: Okay. And then the credit card we're going to be using is a [redacted]. It's [redacted]

DENISE MIRANDA: Uh-huh.

KEITH: And that's in your name, Denise?

DENISE MIRANDA: That's Denise, yeah.

KEITH: And the expiration date is, is December -- is [redacted]

DENISE MIRANDA: Yes.

KEITH: And on the back of the card, the last three digits are [redacted]

DENISE MIRANDA: Yes.

KEITH: Now, is the billing address on

1 that credit card the same as your home mailing address?
2 DENISE MIRANDA: Yes.
3 KEITH: Okay.
4 DENISE MIRANDA: I think you got the last
5 four numbers wrong. It's [redacted] You said, I think you
6 said [redacted]
7 KEITH: Oh, I might have said the wrong
8 number.
9 DENISE MIRANDA: Oh.
10 KEITH: But it, it is typed [redacted]
11 Thanks --
12 DENISE MIRANDA: Oh.
13 KEITH: -- for catching that.
14 DENISE MIRANDA: Okay.
15 KEITH: I don't normally do this. My,
16 our assistant does.
17 DENISE MIRANDA: Yeah.
18 KEITH: She might have stepped away for a
19 minute or two. And e-mail, we have your first name
20 [redacted] it looks like no [redacted] it's just [redacted]
21 DENISE MIRANDA: Right.
22 KEITH: Is that a typo?
23 DENISE MIRANDA: No. That's correct.
24 KEITH: The, at [redacted] Okay.
25 DENISE MIRANDA: Yeah.

1 KEITH: And it's, that's interesting.
2 Okay. I wanted to congratulate you. You've taken an
3 important first step in resolving the tax problem,
4 Miranda, Denise.
5 DENISE MIRANDA: Denise.
6 KEITH: The good news is that your
7 initial payment today authorizes us to immediately begin
8 working on your case. Isn't that great news?
9 DENISE MIRANDA: That's perfect news.
10 KEITH: Okay. Now, do you have any
11 questions about the services you purchased today?
12 DENISE MIRANDA: I just, I just want to
13 make sure everything is legit and I'm not just throwing
14 my money on someone who, you know, I don't know.
15 KEITH: I understand.
16 DENISE MIRANDA: I'm still nervous, you
17 know, about the whole situation, because I mean this
18 whole tax audit came out of the blue and just kind of,
19 you know, it took me by surprise and, you know, I've
20 never tried to deal with anything like this before.
21 KEITH: Yeah. It's, it's important that
22 you get great representation on this. Our, our audit
23 defense team is just phenomenal. Mr. Clyde Miller and
24 his team, we've, we've been fighting the IRS for about
25 20 years now. He's won every single case he's ever

1 done. Here at Taxmasters we do about 25 cases every
2 month, which is most -- which is more than most firms do
3 in an entire lifetime, so --
4 DENISE MIRANDA: Yeah, that's what JD was
5 telling me.
6 KEITH: Yeah. We're phenomenal at it.
7 It's our strongest, strongest --
8 DENISE MIRANDA: I'm really worried. I,
9 I don't -- I told JD, it's kind of personal, but I --
10 it's taken me so long to get pregnant, I, you know, I
11 finally am now, and I'm very high risk, and I'm trying
12 my best not to stress out, so I just want to make sure
13 everything is going to be smooth for me, and I, I don't
14 want to lose the baby, you know.
15 KEITH: Oh, congratulations. Yeah,
16 that's right.
17 DENISE MIRANDA: (Inaudible)
18 KEITH: That's awesome. I have three
19 children myself. Yeah, it's --
20 DENISE MIRANDA: Yeah.
21 KEITH: Yeah. It's something that's
22 important to know that, that you can get through to us
23 any time you need us, and contact JD or myself, and we
24 have a direct line to our customer service, as well. We
25 also call outbound every month or so, and, and in audit

1 cases it's a little more often, so I hope you don't
2 think we're too pesty, but --
3 DENISE MIRANDA: Oh, no.
4 KEITH: -- we like to make sure that
5 you're up to date on everything.
6 DENISE MIRANDA: Okay. Perfect.
7 KEITH: And so any idea if it's a boy or
8 girl yet?
9 DENISE MIRANDA: It's a boy.
10 KEITH: Oh.
11 DENISE MIRANDA: Yeah, yeah, it's a
12 little boy. He's throwing it all out and everything,
13 so.
14 KEITH: Oh, wow, fantastic. Do you have
15 a due date yet?
16 DENISE MIRANDA: Halloween.
17 KEITH: Halloween.
18 DENISE MIRANDA: Halloween, yeah.
19 KEITH: That's fantastic.
20 DENISE MIRANDA: Yeah.
21 KEITH: Wow.
22 DENISE MIRANDA: Yeah. So the doctor --
23 because I've already broken out in hives, I've had
24 already two -- about three or four panic attacks, so
25 they're about to put me on disability, and then the tax

1 audit came and I was like, oh, gosh, I, I don't know if
2 I can do it, so, you know, I'm just, I, I think this is
3 the best bet for me --
4 KEITH: Yes --
5 DENISE MIRANDA: -- help me out.
6 KEITH: -- it is, absolutely.
7 DENISE MIRANDA: Because IRS doesn't care
8 what I'm going through right now.
9 KEITH: No. You could be on a terminal
10 death bed and they wouldn't care, unfortunately.
11 DENISE MIRANDA: Yeah, yeah.
12 KEITH: They just -- yeah, they're pretty
13 bad.
14 DENISE MIRANDA: Yeah.
15 KEITH: Well, I want to read this real
16 quickly to you here. Wanted to welcome you aboard
17 again, Denise, and you'll be -- You may continue to
18 receive letters from the IRS. Now, two of the documents
19 we need you to sign are official notices to the IRS that
20 we represent you, so please sign and return those
21 immediately. Okay?
22 DENISE MIRANDA: Okay.
23 KEITH: And now the IRS is not supposed
24 to contact you by phone or by person, they're not
25 supposed to visit you at work or at home after they

1 receive these notices. However, some rogue IRS
2 representatives may choose to ignore the law and contact
3 you anyway. This is unethical, but it does happen. So
4 please make sure you instruct the IRS representative to
5 contact Taxmasters immediately. Terminate all
6 discussions. Don't talk to them. After you tell them
7 that you've retained Taxmasters to represent you, you
8 can hang up the phone or you can close the door. Okay?
9 DENISE MIRANDA: Okay.
10 KEITH: Now, make sure you sends any IRS
11 notices you receive, in case the IRS forgets to send us
12 a copy. This information might be vital in carrying out
13 the services you've purchased. Okay?
14 DENISE MIRANDA: Okay.
15 KEITH: Now, do you have any other
16 questions for me now about your engagement agreement
17 with Taxmasters or anything about the services you
18 purchased today?
19 DENISE MIRANDA: No, no. I think I'm
20 good.
21 KEITH: Okay. Well, we'll be getting
22 these documentations drawn up for you in our department,
23 legal department, and get them out to you via e-mail.
24 Okay?
25 DENISE MIRANDA: Okay. Is there anything

1 more that I need to do on my end?
2 KEITH: No. Just get the documents
3 signed and get them back to us as soon as you can.
4 DENISE MIRANDA: I sure will. Okay.
5 KEITH: All right. Well, let me get you
6 back in contact with JD.
7 DENISE MIRANDA: Okay.
8 KEITH: Here he is.
9 DENISE MIRANDA: Thank you, Keith.
10 KEITH: You're welcome.
11 JD: Denise, you there?
12 DENISE MIRANDA: Yes, I am.
13 JD: Okay. What needs to happen now, I'm
14 just going to get all these documents drawn up. It's
15 going to take me about 30 or 45 minutes. You should
16 have them all to your e-mail within an hour.
17 DENISE MIRANDA: Uh-huh.
18 JD: Okay? If you haven't got them
19 within an hour, give it another hour, and check your
20 spam box, because sometimes with Yahoo, they send them
21 directly to spam, not sure why. And then if you still
22 don't have it, you can give me a call. I'll be here for
23 another couple more hours.
24 DENISE MIRANDA: Okay.
25 JD: So feel free to give me a buzz, and

1 we'll, we'll figure out an alternative way to get you
2 the documents.
3 DENISE MIRANDA: Okay. Is there any
4 documents that I need to send right now?
5 JD: Yeah. I'll tell you what, why don't
6 you, when you send all that back, why don't you send
7 anything the IRS has given you, any of the notices, you
8 know, if you want to scan them and send them back or fax
9 them back. All of my contact information is on the
10 documents. Okay? My, my direct line, my fax number, my
11 e-mail address, you'll have my e-mail address because
12 I'll be sending it to you through e-mail, my assistant's
13 e-mail address, and I'll send my supervisor, his contact
14 number, which is who you just spoke with. So if you
15 need any, any information, you, you all, you can contact
16 any one of us. We'll be able, we'll all be able to help
17 you out.
18 DENISE MIRANDA: Okay. Perfect.
19 JD: Okay?
20 DENISE MIRANDA: Okay. So any documents
21 I need to send back, I can send back via fax or --
22 JD: Yes, ma'am. That's usually, that's
23 usually how we -- That's usually how I recommend it,
24 just simply because electronically things work great,
25 but sometimes, you know, e-mails just don't make it or

1 they don't get through like they're supposed to, but
2 faxes are, faxes work like nobody's business. We always
3 get those --
4 DENISE MIRANDA: Okay.
5 JD: -- so --
6 DENISE MIRANDA: All right. Perfect.
7 JD: All right?
8 DENISE MIRANDA: Okay.
9 JD: All righty.
10 DENISE MIRANDA: So I'll wait another
11 hour. Otherwise I'll call the 800 number again?
12 JD: Yeah, and with my extension, which
13 is --
14 DENISE MIRANDA: Okay.
15 JD: In fact, I'll tell you what, write
16 this down. This is my number and -- my direct number
17 and my extension.
18 DENISE MIRANDA: Okay.
19 JD: It's 1-888 --
20 DENISE MIRANDA: Uh-huh.
21 JD: 497.
22 DENISE MIRANDA: Okay.
23 JD: 5937.
24 DENISE MIRANDA: All right.
25 JD: And my extension is 3420.

1 DENISE MIRANDA: Okay. So that's JD
2 1(888) 497-5937.
3 JD: Uh-huh.
4 DENISE MIRANDA: Extension 3420.
5 JD: Yeah. Whenever you dial that
6 number, there's going to be a lady start shooting.
7 She's going to start talking. It's a automated voice.
8 DENISE MIRANDA: Yeah.
9 JD: Soon as you hear her start talking,
10 you just punch in 3420.
11 DENISE MIRANDA: Okay.
12 JD: It will ring my phone directly.
13 DENISE MIRANDA: Okay. Perfect.
14 JD: Okay?
15 DENISE MIRANDA: Okay. Thank you so
16 much, JD. I appreciate it.
17 JD: You're welcome, Denise.
18 DENISE MIRANDA: Okay. Have a good day.
19 JD: You too.
20 DENISE MIRANDA: Uh-huh. Bye.
21
22
23
24
25

1 I, Jane Demars, Certified Shorthand
2 Reporter for the State of Texas, certify that the
3 foregoing is a correct transcription from the audiotaped
4 recordings in the above-entitled matter.
5 I further certify that I am neither
6 counsel for, related to, nor employed by any of the
7 parties to the action in which this transcript was
8 prepared, and further, that I am not financially or
9 otherwise interested in the outcome of the action.
10 Certified to by me this 16th day of
11 April, 2010.
12 Jane Demars
13 Jane E. Demars, Texas CSR No. 2789
Expiration Date: 12-31-11
14 Sunbelt Reporting & Litigation
Firm Registration No. 87
15 1016 La Posada Drive, Suite 294
Austin, Texas 78752
16 (512) 465-9100
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was electronically signed
Sunbelt Reporting & Litigation Services

EXHIBIT F

TaxMasters

"We Solve Your IRS Problems"

Phone: (281) 497-5937
Fax: (713) 463-2929
www.txmstr.com/

900 Town & Country Lane,
Suite 400
Houston, Texas 77024

November 2, 2009

[redacted]
Anderson, SC 29621

Dear [redacted]

We would like to thank you for choosing TaxMasters to solve your IRS Problems. We want to assure you that everyone in our firm will endeavor to solve your IRS problems.

Please find enclosed an Engagement Agreement, a limited Power of Attorney for IRS purposes and Form 8821. Please sign (and date where noted) the first 5 pages. Please fax the 12 pages to 713-463-2929 and retain the originals for your file.

Please also include a copy of any communications from the IRS. It is important we get complete information, so we can begin work on your case as soon as possible.

If at any time you receive forms or notices from the Internal Revenue Service, please forward them immediately to our office. If you receive a phone call from an IRS agent, please direct them to contact our office. You have the right to insist that they speak with us instead of you – even if the agent should state otherwise.

Please remember that we are here to help you. Both the opportunity and responsibility you have allowed us is greatly appreciated.

Very truly yours,
TaxMasters

Octavio Cedillo
Tax Consultant™

EXHIBIT G

TaxMasters
"We Solve Your Tax Problems."

Phone: (281) 497-5937
Fax: (713) 463-2929
www.txmstr.com

900 Town & Country Lane
Suite 400
Houston, Texas 77024

CLIENT

TAX SERVICES

ENGAGEMENT AGREEMENT

TaxMasters

"We Solve Your Tax Problems."

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Fax: (713) 463-2929
www.txmstr.com

900 Town & Country Lane
Suite 400
Houston, Texas 77024

November 2, 2009

[redacted]
Client Name

[redacted]
Address

Anderson, SC 29621
City, State Zip

[redacted]
Home Phone

[redacted]
Mobile Phone

[redacted]
Email

This agreement, including all attached pages incorporated herein, will spell out the complete agreement and the complete terms of service between TMIRS Enterprises, Ltd. dba TaxMasters (hereinafter "Firm"), and Client Named above (hereinafter "Client"). This agreement states the minimum total fee for the services to be provided by Firm. Installment Arrangements, if any, are outlined in the attached schedule. Client agrees that Firm may correct any addition errors discovered at a later date and adjust any installment agreements pro-rata for such addition errors. If no amount is indicated for a service description below, Client and Firm agree that, based on information available as of the date of this agreement, Client either does not appear to need the service or Client has declined that service.

Settlement Analysis $_____
(See Offer In Compromise information if applicable)

Wage Garnishment Release or Reduction $_____

Collection Hearing (CDP, CAP or OIC Appeal) $_____

Lien Subordination $_____

ACS Collections Case $_____

Revenue Officer or Revenue Agent $_____ (RO / RA / TC)

Income Tax Returns (Form: 1040 Federal and State) $500 Federal, 200 State Years: 2006, 2007
All returns must be filed before work can proceed. Assumes W-2 only, and no compilation of records.

IRS Audit; Audit Appeal; Tax Court Services $_____

Bookkeeping Services $_____

Compliance Package $_____
Includes Corporate Formation, Payroll & Accounting Firm Service Referral

IRS Consultation Fee $ 400 Federal, 100 State (Trans – SP)

Installment Agreement or Uncollectable $ 1500 Uncollectible Federal

Total $ 2700

This engagement agreement including the attached pages fairly represents the agreement between the Client and Firm in all material respects. TaxMasters is Not a CPA Firm and TaxMasters is Not a Law Firm.

TMIRS Enterprises, Ltd., d.b.a. TaxMasters

By: Octavio Cedillo

11/2/2009
Date

Client

SIGN HERE

(1) _____

[redacted]
(Printed Name)

TaxMasters
"We Solve Your Tax Problems."

Phone: (281) 497-5937
Fax: (713) 463-2929
www.txmstr.com

900 Town & Country Lane
Suite 400
Houston, Texas 77024

Purpose of Agreement

This agreement addresses the provision of tax consulting services to Client regarding resolution of Client's Internal Revenue Service (hereinafter referred to as "IRS") problems and any known outstanding federal tax obligations that Client advises Firm exist under terms stated in the attached pages. This agreement is limited strictly to those services which Client requests in the agreement. No other services are implied or may be inferred by this agreement.

Firm will follow such procedures, ethical responsibilities, and processes as rise to the level of tax professionals. Every reasonable effort will be made to represent the best interests of Client and maintain confidentiality of Client information in all dealings with the IRS. In no case will Firm assist Client in any actions that are or may be, in the sole opinion of Firm, a criminal, unethical, or immoral act.

Sub Contracted Services

Client agrees that Firm may, at its sole discretion, contract other companies for any of the services which Client has retained Firm to handle. The sub-contracting company may be or may not be affiliated with Firm in some form or manner including ownership. Client agrees that Client's relationship with such sub-contracting company is limited to that of beneficiary of the relationship. No client relationship other than that of confidentiality is created in this engagement or any amendments to this engagement.

Client expressly waives any and all claims for potential monetary damages against the subcontracting company whether such claim arises from actions taken or from failure to take any action by subcontracting company on Client's behalf. Further, in the event Client shall be deemed by a competent court of law to have a right to collect damages despite this agreement, such damages shall be limited to the figure of twenty percent (20%) of the actual fees paid by Client to Firm for the service or services creating the damages.

Acknowledgements of Client and Firm

- Client acknowledges and agrees to the following:
  - Firm represents Client and is not an agent of and has no authority over the IRS;
  - Final decision on acceptance of any negotiated settlements, tax returns, and other services rests with the IRS;
  - Any and all governmental fees required for submission, review, approval, acceptance, filing, issuance of documents or such other fees as may be imposed by the governmental entities involved in Client's case remain the sole responsibility of the Client. Client's refusal to pay such fees may cause delays or the governmental entity may suspend or terminate all discussions regarding Client's case and result in additional professional fees from such a delay. Client is solely responsible for the events associated with payment or non-payment of the government's fees;
  - Timeliness in Client response to Firm is critical to success of any matters before the IRS and for any negotiated settlements – delay in response, even when such delay is out of Client's control, can result in IRS rejection of all previously accepted negotiating positions causing the process to begin again and increasing Client's cost of this process including additional professional fees for the added services:
    - Important Note: IRS requests frequently allow only 10 or 15 days for response. It is important that you immediately read all IRS documents and contact us to discuss it. We should receive a copy of the documents from the IRS, but it is not a certainty. As a result, it is imperative that you contact us on receipt.
- Client affirms that it enters this agreement willingly.
- Client agrees that all fees under this agreement are due Firm without regard to the success or failure of the service rendered.
- Client agrees Firm is not obligated to begin providing services to Client until all fees are paid in full. Firm may begin providing services earlier than this date at its sole discretion without waiver of this provision or future right to invoke it.
- Client agrees and acknowledges:
  - Client retains sole responsibility for the accuracy of the financial data and other information presented to IRS.
  - Firm will not audit, review, or examine the financial information – nor will Firm express any opinions or other forms of assurances on the financial or other information presented.
- Client indemnifies Firm for any omissions or errors in Client's data provided to Firm to develop the documents described in this agreement whether such omissions or errors were intentional or unintentional.
- Although the IRS will make exceptions, it is the general experience of Firm that the IRS will require that all tax returns be current and filed before the IRS will consider collection alternatives and garnishment relief. Client agrees that, in addition to payment of fees, Firm is not obligated to begin other services until all returns are complete. Should Client request and should Firm agree to begin other services before all required tax returns are complete and filed, Client is solely responsible for the failure of such efforts.

Services to be Rendered by Service Type

All retainer amounts assume the Client responds to all requests for documents in a timely manner. Client agrees to summarize and or compile such required information in a form to be reasonably specified by Firm or to separately compensate Firm for providing such services. No analysis, summary or compilation related services are anticipated in any services other than as specified. Client and Firm agree that the fees were determined assuming that any and all IRS and other governmental authorities will not take any adverse or unreasonable positions in pursuit of Client. All potential services are described below in the event Client should later need additional services not anticipated in the original agreement. This section is not intended to add or remove services client purchased in other sections of this agreement.

All fee amounts assume the Client responds to all requests for documents in a timely manner and that all required tax returns of any kind required of the Client have been filed with the appropriate governmental authorities and that the governmental authorities will not take any adverse or unreasonable positions in pursuit of Client and that the IRS or other governmental entity will perform their duties with all due and reasonable professionalism. Client is solely responsible for any additional fees and costs incurred should the actual time required on Client's behalf exceed the normal budgeted amount for such services due to any of the above or for any other reason beyond Firm's control.

The description below is agreed by Client and Firm to fairly represent the anticipated scope of the services between the two parties.

1. Settlement Analysis
   - Firm will analyze Client financial data submitted in the form requested by Firm;
   - Firm will prepare a draft form of the IRS Form 433-A or 433-B using the Client provided financial data. Additional fees will apply if both Form 433-A and 433-B are required by IRS;
   - Firm will recommend to Client what Firm believes in its professional judgment to be the best alternative for Client of the various IRS programs including but not limited to Offer In Compromise, Partial Pay Installment Agreement, Installment Agreement, Uncollectible status, or such other alternatives as may be now or become in the future available from the IRS.

2. Offer In Compromise (See Disclosure Attached for Costs and Additional Terms)
   - Firm will prepare the IRS Form 656 for submission of an offer in compromise with the IRS of federal tax obligations;
   - Firm will advise Client on the steps, if any, to take in response to IRS communication related to the offer in compromise submission provided Firm receives the IRS communication from either the IRS or Client;

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- Client is required to submit data and all IRS correspondence timely, accurately, and completely to Firm;
- Client will advise Firm when Client receives correspondence from the IRS by submitting a copy to Firm;
- Client agrees to respond promptly to all inquiries from Firm;
- Client acknowledges that any delay in response will result in delays in resolution of Client's IRS problems and may result in additional fees. Resubmission of IRS documents and filings that result from adverse actions by the IRS or due to Client's action or failure to act timely, completely, and accurately will result in additional fees for the additional work required to either resume or restore Client's case.

3. Reinstatement of Negotiated Settlement (See Disclosure Attached for Costs and Additional Terms)
   - Firm will contact the IRS to seek reinstatement of the settlement terms previously held by Client.
   - Client assumes all liability if IRS refuses to grant a reinstatement.
   - Should IRS require a new or updated financial disclosure such as Form 433-A, Firm will advise Client of the cost of Settlement Analysis services.
   - Should Client reject Firm's offer of additional services or not agree and complete payment timely resulting in IRS termination of discussions or resulting expiration of Client's regulatory rights in the matter, Client agrees that all services are satisfactorily completed in this matter.

4. Wage Garnishment Release or Reduction
   - Analyze client submitted financial data; obtain clarification, if needed, of any information submitted; contact the IRS via telephone once to obtain relief for which Client is eligible; negotiate amount of relief due Client with the IRS if appropriate; advise Client of the results; advise Client's employer if requested by Client.
     Important Notes: (1) Client's employer may or may not accept any communication from Firm regarding this matter; (2) Employer's frequently process payroll several days before the pay date – Client assumes all responsibility for timeliness of any required communication; (3) The IRS often fails to send notification of garnishment rescission to employer's. Client is solely responsible for the consequences of the IRS' actions or failure to act.
   - If the IRS refuses to follow IRS regulations or IRS manual rules and Firm is required to make additional phone calls, Client will be invoiced at the Firm's then prevailing rate for second or subsequent phone calls.
   - Client is responsible for notifying Firm if the Client's employer does not receive the garnishment release order from the IRS. We will follow up after being notified by the Client of the IRS failure to submit the release or reduction to the Client's employer. The cost of this follow up service will be invoiced to Client at the Firm's then effective prevailing rate for such services. Payment for this service will be due before other services will commence or payments from other services will be applied to these invoices at Firm's sole discretion.

5. Collection Hearing (CDP, CAP, or OIC Appeal)
   - CDP Hearing: Prepare CDP hearing request form and submit to the IRS; attend the hearing; negotiate with hearing officer on behalf of client for whatever relief may be available to the client; advise client of results of hearing.
   - CAP Hearing: Prepare CAP hearing request and submit to the IRS; attend the hearing; negotiate with hearing officer on behalf of client for whatever relief may be available to the client; advise client of results of hearing.
   - OIC Appeal: Prepare appeal notification and submit to the IRS; attend the hearing; negotiate with hearing officer on behalf of client for whatever relief may be available to the client; advise client of results of hearing.

6. Lien Subordination
   - Using information provided by Client, Firm will attempt to obtain a subordination of lien so that Client may proceed with whatever transaction is anticipated and that requires a lien subordination.
   - Firm makes no representation or warranty as to the acceptable nature of the terms that IRS may impose in agreeing to the lien subordination.
   - Client represents that Client will provide complete disclosure to Firm of all required financial information.
   - If Release of Federal Tax Liens is the most viable option in Firm's judgment at the time, Firm will obtain release of federal tax liens from IRS personnel after resolution of the tax debt causing the lien to be filed.
   - Resolution of the tax debt is excluded from this service.

7. Revenue Officer or ACS Collections
   - Discussions with Client and IRS agent in the case as it progresses
   - Analysis of open items due the IRS in the case (preparation of un-filed returns, CAP or CDP appeal hearings, OIC appeals, and such other services as may be needed are at additional fees)
   - Negotiation on behalf of client with IRS agents to establish payment plans and other alternatives to payment plans. Preparation of tax returns and CAP, OIC, or CDP appeals will require additional fees.

8. Income Tax Returns to File.
   - Assumes W-2 only type return – maximum of 2 form W-2's. Additional charges will apply if number of W-2's is greater than 2 per tax return.
   - Additional required schedules, statements, sub schedules, worksheets, or documents that are necessary to be submitted with the tax return to ensure a complete and accurate return are at an additional fee. Fees vary - begin at $5.00 and increase based on complexity of the schedule or other document. Current fee schedule in force at time of preparation will apply.
   - Firm will advise Client of the fee adjustment, if any, after reviewing the final documents required to prepare the tax return completely and accurately. Firm may, at its sole discretion, begin completion of returns before advising client of any fee adjustments.
   - Assumes no compilation, sorting, or analysis of records.
   - Any re-runs of return due to omitted information, any organizing or gathering and sorting or records for Client, any unusual or required additional follow up contacts necessary to complete the return, and any other services required to prepare and gather documents to enable preparation of a complete and accurate return will be at additional cost.
   - Client agrees to provide full and complete disclosure of all information deemed relevant by Firm in preparation of the tax returns. Firm may suspend completion of tax returns until such full and complete disclosure is provided. Client is solely responsible for the effects of such a suspension should it become necessary.

9. IRS Audit OR IRS Audit Appeal OR Tax Court Services
   (Only one of the three services is purchased unless otherwise indicated)
   - IRS Audit
     1. Audit representation at IRS offices or in Firm offices if a field audit by IRS.
     2. Consult with and advise Client on actions that should be taken to prepare records for audit.
     3. Consultations with Client on results of audit visit with IRS and discussion of any actions needed based on the audit result.
     4. Should IRS take an unreasonable position in Client's case or should informal appeals and research be needed for discussion with IRS audit management, additional fees will apply.
   - IRS Audit Appeal
     1. Appeal of IRS audit findings or resolution at manager level of auditor or audit manager objections.

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2. Preparation of appeal documents for first level appeal.
3. Consultations with Client on results of audit appeal including discussion of any actions recommended based on the appeal results.

- Tax Court Services
  1. Firm to act as your consultant on all tax court matters for which we were retained.
  2. Client grants firm a limited power of attorney to retain or terminate all relationships in this matter for which Firm was retained.
  3. Firm is not your attorney but will retain outside counsel to prepare and file the Tax Court petition on Client's behalf.
  4. Provide assistance to outside counsel with petition preparation as needed.
  5. Attend Tax Court hearings with outside counsel as needed.
- Client agrees that Firm may substitute the above services as needed to pursue the best options on the client's audit. If more than one of the above options will apply, Client will be responsible for any additional fees. Such additional work requiring multiple services will only be done with Client's advance approval.

10. Bookkeeping Services
    - Prepare summarized income and expense information on an income tax basis for Client using Client's original source records.
    - Prepare depreciation schedules, if needed in Firm's opinion.
    - Reconcile bank accounts, if needed in Firm's opinion.
    - Prepare asset and liability schedules, if needed in Firm's opinion
    - Firm is not a CPA firm and will not provide any form of opinion or transmittal letter to go with the above mentioned schedules of financial information.

11. Compliance Package
    - Introduce Client to an accounting company that will provide needed business accounting services
    - Introduce Client to a payroll service company
    - Client to execute separate agreement regarding services and fees with each of the payroll and accounting companies
    - Corporate Formation Services by Firm
      1. Prepare formation documents.
      2. Register corporation with state authorities.
      3. Obtain Federal and State Tax Identification Number from IRS if requested by Client.
      4. File an election to be treated as an S Corporation with the IRS if requested by Client.
      5. File an election to be treated as an S Corporation with the state revenue authorities if available in client's state and if requested by Client.
      6. Prepare corporation book of records for Client including seal if requested by Client.
      7. Provide all filing documents used in formation to Client.

12. IRS Consultation Fee
    - Transcript Consultation: prepare power of attorney form 2848 or equivalent; contact IRS by phone once; obtain IRS income and withholding information from the IRS and obtain tax filing status and tax debt information from IRS; inform client of results of this contact.
    - Report Consultations: obtain data and information from client; contact IRS once if necessary; conduct analysis of case; and prepare recommendation where appropriate of action to be taken by Client.
    - Other services as agreed in writing (SP).

13. Installment Agreement or Uncollectible
    - Using Settlement Analysis information, request uncollectible status with the IRS on behalf of the Client if requested by Client AND if Client qualifies according to regulations in place as of the time of the request.
      1. Client acknowledges that the IRS may annually review the Client's uncollectible status and may return the Client to active collections at the IRS' sole discretion and with little or no warning to Client.
      2. Client agrees that Firm will provide this service once. If unsuccessful or if IRS later terminates the status and returns Client to active collections, Firm has no additional obligation.
      3. Client agrees that if Firm is unable to obtain uncollectible status with the IRS for Client, Firm may agree to an pay plan that is based on Client's financial data as provided by Client during the Collection Alternatives analysis. If Client rejects this pay plan based on the financial data, Firm and Client agree that Firm has met its obligations to Client in this service in all material aspects.
      4. If Client has not purchased a Settlement Analysis, Firm is not obligated to conduct a complete financial analysis and may rely on Client providing complete and accurate information. Firm will then make one attempt at obtaining uncollectible status for Client after Firm makes a simple and cursory initial review of Client financial data provided.
    - Using Settlement Analysis information, if this additional service is purchased, request an installment agreement with the IRS on behalf of Client.
      1. Installment agreement may be either a partial pay agreement or a standard agreement or such other installment agreements as may now exist or, at Firm's sole discretion to include the service, such other installment arrangements as may be created in the future by the IRS
      2. It is anticipated that after conducting the Settlement Analysis, Firm will contact the IRS once to establish the payment plan. Second or additional calls may result in additional fees at Firm's sole discretion.
      3. If Client has not purchased a Settlement Analysis, Firm is not obligated to conduct a complete financial analysis and may rely on Client providing complete and accurate information. Firm will then make one attempt at obtaining uncollectible status for Client after Firm makes a simple and cursory initial review of Client financial data provided.

<u>Minimum Fees, Minimum Retainer, and Additional Fees</u>
The MINIMUM FEE stated herein for professional services is the minimum fee for the service indicated. It is not a flat fee for the service. Client and Firm agree that should a stated service later be found not to be needed, Firm may, at its sole discretion, refund the amount of the stated fee for that service if it has been paid, void the service and not collect the amount if unpaid, apply the fee paid to additional services that Client may need, or hold the amount of the retainer on the unneeded service as a credit against future services Client may need.

All fees quoted are a retainer and a minimum fee to complete that service. Additional fees will apply (1) if Client fails to fully disclose all relevant data and information; (2) if Client requests or demands regular status reports in excess of those anticipated by Firm; (3) if Client requests or requires excessive consultations (as defined by Firm at its sole discretion) either by phone or in person; (4) service requirements on Client's case exceed the norm due either to Client needs or to the requirements of the IRS or other governmental entities pursuing Client's case. The additional professional fees, when applicable, will be based on actual time required over the Firm's standard budgeted amount and the Firm's professional hourly fee rates that range from fifty to nine hundred and fifty dollars per hour depending on the type of service and the staff providing the service. Rates are subject to change without requirement of advance notice. Firm will, at its sole discretion, either submit a supplemental engagement agreement to Client outlining the services and payment terms or submit invoices monthly or more frequently. Invoices are due on presentation. Firm's obligation to continue to provide services is strictly contingent upon Client's payment of invoices on or before the due date on the invoice.

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Client's Early Termination of Agreement

Client may terminate this agreement at Client's discretion by providing notice in writing to Firm. Client may, in its sole discretion, cease to cooperate with Firm in completion of the services purchased in this agreement. Client's termination or decision to cease cooperation will result in calculation of the balance due to or from Firm using the formula outlined in this section. The minimum professional fees due for services rendered upon termination of the agreement or ceasing of cooperation will be the higher figure of: (1) the minimum total fee specified in this agreement and the actual fee for any other services performed - or – (2) the actual time expended by Firm at standard billing rates. If Client has paid more than the minimum fee as determined herein, a refund will be paid. Client agrees to remit any balance in full with its termination notice or to permit any remaining balance to be drafted in full using the payment method established in the installment agreement.

Other Terms: Damages; Arbitration; Jurisdiction

Travel and other expenses, if required, are excluded and subject to prior approval of Client. Travel to local IRS offices nearest Firm offices is included in the fees paid by Client.

Client and Firm agree that there are no prior oral agreements, exclusions, exceptions, or conditions to signing or that all such orally discussed matters are resolved prior to Client executing this agreement. Client and Firm agree that should any part of this contract be deemed unacceptable, illegal, or unenforceable for any reason by a competent court of jurisdiction, the covenant, article or provision of the agreement shall be modified as necessary to conform to the applicable laws so long as the original intent of the agreement can preserved and that, in the event such provision cannot be altered, it shall be rendered a void but that all other terms and conditions of this agreement shall remain in full force and effect.

This agreement contains a complete description all terms of the agreement between Firm and Client. All oral addenda, or provisions and all written addenda or provisions stated via email are waived as of the date and time of the signing of this agreement unless reduced to writing and labeled as an addendum to this agreement signed by both parties. No other terms are agreed by Firm and Client nor may any be imposed by Client as a condition of this agreement. All such reservations or provisions given orally or in writing are withdrawn by Client. All prior written engagement agreements authored by Firm are excluded from this provision.

Any and all references to the term "retainer" are herein agreed to mean fee. No other definition of the word retainer is intended nor shall any other definition apply. It is the intent of both parties that the words shall be synonymous with respect to this agreement when used anywhere in this agreement or its addendums and schedules. (Example: minimum retainer shall mean minimum fee.)

Unless otherwise agreed in writing, Firm may begin providing services in advance of receipt of the above fees and this engagement agreement properly executed by Client. This option shall be exclusively the Firm's option. Firm is not obligated to provide any services described herein until full payment is received and the executed engagement agreement is returned to Firm. The parties agree that the obligation of Firm to render professional services to Client is expressly contingent upon full payment of fees provided under this agreement. No waiver of Firm's right to suspend or refuse services may be construed should Firm elect to begin providing services in advance of receipt of full payment and the executed engagement agreement.

Client agrees that Firm has provided Client with an engagement guide or other similarly titled document containing proprietary information Firm has developed. But for the execution of this agreement, Firm would not provide this information to Client. Client agrees that it may use this information for the purpose of resolving Client's IRS problems, but that the information contained therein may not be sold, given, or conveyed in any manner to any other party without the express written consent of Firm. No monetary damages can be deemed sufficient remedy in the event of breach of this provision. Client agrees that Firm may seek monetary damages and injunctive relief in the event this occurs.

Client and Firm agree that should Client choose not to avail itself of the services contemplated in this agreement within thirty days of the date of the final payment scheduled on the original execution of this agreement, Firm's obligation to providing those services has been met. Firm may, at its sole discretion, elect to accept a request for extension of the time contemplated under this provision from Client, but Firm is under no obligation to waive or extend this expiration date. Client and Firm agree that Client may, using the engagement guide contents and other available information, resolve its IRS problems without further assistance of Firm. Client has elected to seek the advice and consultations of Firm staff in resolving its IRS problems, but the expiration of the right to obtain those services and the obligation of Firm to provide those services expires thirty days from the originally scheduled final payment on the original installment arrangement. This provision cannot be extended by altering the installment arrangement after the original agreement has been executed in writing or verbally. Firm may agree to allow Client to extend its payment schedule, but such extension of later due dates or allowing additional payments, shall not extend this expiration date.

Client agrees that should Client and Firm become involved in a disagreement about services rendered or to be rendered or how the services were rendered that Client agrees to hold Firm harmless for any and all disclosure of Client information required to resolve such disagreement with any third parties Client may request assistance from. Client agrees that Client provides his or her permission to disclose all information in Firm's files about Client to such third party without need of additional agreement to disclose and that Client waives all confidentiality expectations of Firm in such an event.

Client agrees that, should Client seek the assistance of any third party regarding this engagement agreement for any reason, ALL time spent working with Client or anyone contacting Firm on Client's behalf shall be charged against the budgeted time purchased by Client in its retainers for services and shall reduce the time available for providing of services to Client.

Client agrees that, in the event of non-payment by Client, collection costs including reasonable attorney's fees and a monthly late fee of 1.5% or the maximum allowed by law, of the amount due may be added to any invoices unpaid after the due date or in the event Client defaults on payment of the retainers agreed herein. Client agrees that litigation regarding non-payment by Client is excluded from the arbitration provisions of this agreement.

Headings, underlined passages, or bold-lettering in this agreement are provided for ease of reference and emphasis on the passage. Client and Firm agree that no other purpose to these visual aides is intended or may be inferred.

Client agrees to conduct himself/herself in a professional manner while in Firm offices or while communicating with Firm staff, in person, by telephone, or by any electronic means. Should Client's behavior become abusive, in Firm's sole discretion, Firm retains the right to terminate the agreement without refund.

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Client agrees that damages from any suit filed by Client are limited in all causes of action and in all claims by Client that can be reasonably anticipated in this matter should Client and Firm become engaged in litigation over this agreement or the services provided. Damages refer to any damages that may be awarded to Client in the event of litigation. Client agrees that damages sought against Firm, in the event of litigation including attorney's fees, shall be limited to the amount of fees paid by Client pursuant to this agreement and/or any validly executed subsequent/supplemental engagement agreement, for all causes of action brought against Firm, should Client prevail in any and all claims or causes of action. Client agrees that Client's case is unique in all material respects and cannot be litigated as a member of any class. Client and Firm agree that any litigation shall be conducted in Harris County, Texas. Client agrees that Firm, at its sole option, may seek to litigate any claims it may have concerning breech of contract and exclude such claims from the arbitration provisions of this agreement. Client agrees and consents to the jurisdiction of the federal or state courts in Harris County, Texas as the exclusive jurisdiction for all disputes arising out of this Agreement and the relationship between Firm and Client.

Client agrees that should any payment by bank draft be returned Nonsufficient Funds, a.k.a. "NSF" or for any other reason, Client will pay Firm $30 for each occurrence. Client agrees and acknowledges that Firm will redeposit returned checks as rapidly as possible (generally within 24 hours) after the check is returned and that Client will keep sufficient funds in the account to cover the returned check, the returned check fee and the future drafts for services to be rendered by Firm. Client agrees that, should credit card submitted by Client notify Firm of a chargeback or other form of reversal or cancellation of the credit card transaction occur or should drafts authorized be returned by the Client's bank for any reason, Client agrees that Client is in breach of contract and agrees to pay Firm such damages as may be deemed appropriate by a competent court of law in the agreed upon jurisdiction with the minimum damages being one hundred dollars plus collection costs equal to forty percent of the disputed payment and court costs.

Arbitration Agreement:

- Client agrees that any and all claims, demands, disputes, or controversies of any kind or nature that Client has concerning any of the negotiations leading to the purchase of the services, terms and provisions of the sale, engagement agreement, arrangements of payment, purchase of service contracts, the performance of the engagement agreement or services, or any other aspect of the services from Firm shall be settled by binding arbitration conducted pursuant to the provisions of Title 9 of the United States Code Chapter 1-et seq.
- Client agrees, covenants, and contracts that there shall be no class arbitration between the parties and the only parties to any disputes or controversies to be arbitrated as more particularly described herein shall be the Client and Firm.
- Either party may demand arbitration by filing with the American Arbitration Association a written demand for arbitration along with a statement of the matter in controversy. A copy of the demand for arbitration shall simultaneously be served upon the other party. The Client agrees that the arbitration proceedings to resolve all such disputes shall be conducted in Houston, Harris County, Texas. Client agrees to bear all costs of arbitration. Client agrees to keep confidential the results, decisions, and conversations and all communications in connection with the arbitration proceedings and/or Arbitration Agreement. Firm may seek damages and/or injunction against the Client for any violations of the confidentiality requirements set forth herein.
- Client and Firm agree that all prior contracts and agreements between the parties of any kind and executed at any time prior to the date of this agreement shall, as part of this agreement, be deemed to be modified to include and adopt the arbitration terms of this agreement and to remove the litigation provisions as if all of the prior agreements or contracts originally contained these provisions.

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INSTALLMENT ARRANGEMENT

Pre-Authorized Payments by Credit Card

Credit Card Information: Visa MC Discover AMEX

Cardholder Name: [redacted] Card Code: [redacted]
Credit card number: [redacted] Expires: [redacted]
Billing address: [redacted] Anderson, SC 29621

Total of Services: $ 2700

Less: Down Payment $ 500 11/5/2009

Balance Due: $ 2200

Date of Down Payment _____

Client may pre-pay installments without penalty at any time.

	Amount:	Due Date:
1.	$ 550	12/7/2009
2.	$ 550	1/5/2010
3.	$ 550	2/5/2010
4.	$ 550	3/5/2010

Installment Total: $ 2200
(Should equal amount of Balance Due Above)

Cardholder above acknowledges the transaction in the amounts specified above with the merchant whose location is Houston, Texas on the transaction dates specified above and requests his or her bank release these funds to the merchant processing bank in order to credit the merchant for any chargeback dispute on this item. This installment arrangement incorporates by reference the full content of the engagement agreement the below installments pay to purchase. Cardholder agrees that it is the intent of cardholder for merchant to be paid the above amounts. Cardholder authorizes merchant to collect the above installments by submitting any number and amount of transactions such that the total due according to the above schedule is collected by merchant. Authorization to charge the account below for service fees is given irrevocably and all fees are non-refundable.

Cardholder Signature

[redacted]
Cardholder Name

Date 11/2/2009

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Garnishment Disclosure

(Applicable if Garnishment Relief is a selected service)

Except for the tax returns that Firm was engaged to prepare, I/We have filed all required tax returns for tax years ended to the date of engaging Firm at least sixty (60) days prior to the date of the engagement. I/We have noted any exceptions to this statement below. If I/We have left it blank, Firm is advised that the above statement is true and complete.

Not Filed as of 60 days prior: NONE

(Attach separate sheet if needed.)

Offers In Compromise Disclosure

(Applicable if Client desires to submit or reinstate an Offer in Compromise)

Client agrees that the following fee will be paid to Firm at the time of submission to the IRS of the Client's Offer In Compromise IRS Form 656 or its then effective equivalent if substantially equal in service requirements (prepared only on IRS request for reinstatements). This fee is intended to pay only for the submission and management of the submission of the Offer In Compromise or to request a reinstatement of a previously approved offer in compromise. Any required financial analysis of Client financial position or appeals of IRS actions in the event this offer in compromise or reinstatement is rejected for any reason are not included in this service fee.

Fee Amount: $ N/A (Fee is due in Money Order, Check, or Cashiers Check before submission of Offer In Compromise)

SIGN HERE

Client Signature

11/2/2009
Date

[redacted]
Client Name

Spouse Signature

Spouse Name

EXHIBIT H

900 Town & Country Ln
Suite 400
Houston, Texas 77024
www.txmstr.com
Phone: (281) 205-0654
Fax: (713) 465-8034

October 26, 2009

[redacted]
Stanley, NC 28164

Dear [redacted]:

After reviewing your file, it has been determined that you are not eligible for a refund for the following reason(s):

You completed the 3rd party verification on August 28, 2009 which is a legal binding agreement with Tax Masters which states that all fees are non-refundable.

Tax Masters has also divulged proprietary to you as a client in regards to how we plan to handle your specific situation. Furthermore, you are also liable for the remaining fee of $7,150.00 which equals to the amount agreed upon by you and Tax Masters for services.

If you are unable to maintain the current payment schedule, our billing department would be happy to work with you on a different arrangement. Please be aware that if the amount stated above is not paid, you will be subject to collection procedures.

Tax Masters will continue to perform work on your file to the best of our ability, provided we have received adequate information, documentation, permission and compensation.

If you have any more questions, please feel free to contact us at 281-426-4226 ext 7000.

Sincerely,

E. Dewayne Logan
VP of Quality Assurance
EDL/lr

EXHIBIT I

This fax was received by GFI FAXmaker fax server. For more information, visit: http://www.gfi.com

900 Town & Country Ln
Suite 400
Houston, Texas 77024
www.txmstr.com
Tel: 281-497-4226, Ext. 2066
Fax: 713 463-2990

February 12, 2010

[redacted]
Camilla, Georgia 31730

Re: Breach of Contract Claim

Dear [redacted]:

I represent TMIRS Enterprises, Ltd. d/b/a TaxMasters and TaxMasters, Inc. (hereinafter "TaxMasters"). TaxMasters has asked me to collect the sum of $5,540.00 from you. This represents the balance you still owe on the contract you entered into with TaxMasters on or about January 20, 2008.

I have been instructed by TaxMasters to pursue all legal avenues to ensure collection of the amount due to them. To this end, I have prepared and attached the ***Original Petition for Suit on Written Contract with Requests for Disclosure.*** This petition will be filed and litigated in the Small Claims Court, Precinct 5, Place 1 of Harris County, Texas if you fail to timely remedy your obligation to TaxMasaters.

TaxMasters does not want the hassle of going to court over this matter, and neither should you. To avoid this, please send payment in full to TaxMasters within 30 days of your receipt of this letter. The check should be made payable to TaxMasters and should be addressed to:

TaxMasters
Attention: Andrew Sutton, Esq.
900 Town & Country Lane, Suite 400
Houston, Texas 77024

If you need to make the payment via credit card, you should contact our Billing Department within 30 days of your receipt of this letter to make arrangements for payment in full. If you make payment through our Billing Department, please be sure to contact me to let me know. If I do not hear from you, I will assume that you have no intention of voluntarily satisfying your obligation and I will proceed to file this petition.

In addition to the amount of $5,540.00 due to TaxMasters, if you choose to have me go forward with the litigation, I will also be seeking judgment for late fees; judgment reasonable attorneys' fees; judgment for all costs of court; and for all further relief to which TaxMasters may be entitled.

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Fax: 713 463-2990

I urge you to satisfy your obligation to TaxMasters within 30 days of your receipt of this letter. Not only is it the right thing to do, but it may also be your last opportunity to settle this matter for only $5,540.00.

Sincerely

Andrew Sutton, Esq.
Staff Attorney

cc: Sent Via Certified Mail

EXHIBIT J

STATE OF TEXAS §
§
COUNTY OF BEXAR §

AFFIDAVIT

BEFORE ME, the undersigned notary public, on this day personally appeared Crespin Gonzales who proved himself to be the person whose name is subscribed hereon through his Texas Drivers License which contained his photograph and signature, and who after being by me duly sworn, upon his oath deposed and said:

"In February 2008 I found out that I owed money to the Internal Revenue Service. I called TaxMasters and spoke to Chuck Autrey. Mr. Autrey told me that TaxMasters was successful 99% of the time and that TaxMasters could get the matter 'done in six weeks or less.' In addition, Mr. Autrey informed me that TaxMasters could negotiate my debt which was about $5,500.00 down to 10-15 cents on the dollar. I received an email from Mr. Autrey on February 13, 2008, that stated this and it also listed what the fees were going to be. The fee consisted of $550.00 for an IRS consultation and $1050.00 for a negotiated settlement with the IRS. A true and correct copy of the email I received from Mr. Autrey is attached to this affidavit. I signed up on February 13, 2008 and sent in the Power of Attorney on February 15, 2008. Mr. Autrey told me that I could make a down payment of $800 (retainer) and four monthly installments of $200.00. I made a $800 down payment and began making monthly payments. I was never informed that TaxMasters would not begin working on my case until the fee was paid. When I realized that the fee had to be paid in full, I went ahead and paid the last two installments so that Taxmasters would work on my case.

"I continued to call in June 2008, August 2008, September 2008 and October 2008 but TaxMasters could not find my documents. In the fall of 2008, I received a notice from the IRS stating that a lien would be placed on my property if I did not pay. I called TaxMasters again and nothing had been done on my case. When the IRS placed the lien, I took money out of my Individual Retirement Account to pay the taxes.

"I contacted TaxMasters to request a refund and spoke to Lucky Ravin who informed me that TaxMasters can not do a negotiated settlement but it will negotiate an installment plan with the IRS. I sent her a copy of the email I had received from Mr. Autrey and I have not heard from TaxMasters regarding the refund. Later, TaxMasters told me that it can not do a negotiated

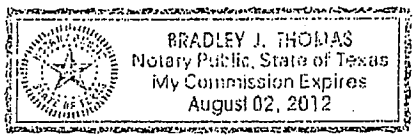
settlement on such a small amount. In addition, I was never told that the monies I paid were non-refundable."

"Further affiant sayeth not."

Crespin Gonzales

Crespin Gonzales

SUBSCRIBED AND SWORN TO before me on the 24 day of April, 2010.



Bradley J. Thomas

Notary Public in and for the State of Texas

EXHIBIT K

STATE OF TEXAS §
§
§
TRAVIS COUNTY §

AFFIDAVIT OF ROSALINDA O. FIERRO

Before me, the undersigned authority, on this day, personally appeared ROSALINDA O. FIERRO, known to me to be the person whose name is subscribed to the following instrument, and having been by me duly sworn upon her oath, deposes and states as follows:

1. My name is Rosalinda O. Fierro. I am over the age of eighteen years, am an adult resident of Austin, Travis County, Texas, and am fully competent and able to testify herein. I have personal knowledge of all of the facts set forth herein, and am able to swear, as I hereby do swear, that all of said facts and statements herein contained are true and correct to the best of my knowledge and recollection. I have never been convicted of a felony.

2. I am and at all times herein mentioned was employed by the Office of the Attorney General of Texas. I have been an employee of the Office of the Attorney General, Consumer Protection and Public Health Division for over 20 years in various capacities and for the last nine years as an Investigator.

3. I am familiar with the complaints filed by consumers against TaxMasters and have reviewed these complaints. These complaints were kept by the Office of the Attorney General, Consumer Protection and Public Health Division in the regular course of its business. Between January 1, 2010 to May 11, 2010, our office has received approximately 97 complaints.

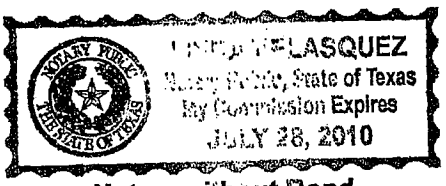
4. Some of consumers state in their complaints that TaxMasters fails to disclose that if the consumer pays in installments, TaxMasters will not begin working on the consumer's case until consumer has paid the entire fee, even though the consumer is told during the initial call that TaxMasters will begin working on the consumer's case immediately.

5. Many of the complaints relate to TaxMasters' failure to disclose to consumers during the initial call or during the "third party verification" that it is TaxMasters' position that the consumer cannot cancel the contract and receive a refund even if the consumer has not signed the contract nor returned the contract to TaxMasters.

Rosalinda O. Fierro

Rosalinda O. Fierro

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned authority, by Rosalinda O. Fierro this 12th day of May, 2010.



Notary without Bond

Notary Public, State of Texas

EXHIBIT L

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

AFFIDAVIT

BEFORE ME, the undersigned notary public on this day personally appeared Arturo F. Fierro, who proved himself to be the person whose name is subscribed hereon through his Texas Drivers License which contained his photograph and signature, and who after being by me duly sworn, upon his oath deposed and said:

"My name is Arturo F. Fierro and I am a resident of Collin County, Texas. I am over 18 years of age, and am competent to make this affidavit. The following facts are based upon my personal knowledge and are true and correct.

In the summer of 2009, I received a notice from the IRS requesting documentation of deductions claimed in a previously filed tax return. I requested an extension and was given until August 29, 2009 to respond. Out of an abundance of caution, my wife and I decided to seek professional advice to be sure we were appropriately responding.

During this same time period I saw several television commercials advertising TaxMasters and offering the services of its qualified tax professionals.

On or about August 4, 2009, I telephoned the toll free number advertised in the TaxMasters TV commercials. The person who answered asked me a series of questions about how I had heard about their services and took my contact information. On that same day, Mr. Alex Rodriguez -whom I believe identified himself as a "senior tax consultant" with TaxMasters- called me back. I explained the situation and impressed upon him that a response to the IRS was required by August 29th and that if I agreed to retain TaxMasters I wanted to be able to communicate directly with the person in charge of my case. In other words, I did not want to end up dealing with a voice mail or telephone answering service system. Mr. Rodriguez assured me that he personally would be representing me in this matter to the IRS. This conversation left me with the impression that my matter was in the hands of attorneys who would be handling this matter and that they would be quickly coordinating with the IRS. During that initial call Mr. Rodriguez quoted me a price of $ 1200 for the service and asked for payment. I understood the price was the total fee required by TaxMasters and provided him with my American Express Card number for billing purposes. I do not recall Mr. Rodriguez or the third person who got on the phone to verify my information saying anything to me about whether my payment was or

was not refundable.

On that same day, June 4, 2009, TaxMasters billed my credit card in the amount of $ 1200 and Mr. Rodriguez sent me an e-mail in which he assigned me a case number, instructed me to sign pages 2, 9 or 10 & 11 of an "Engagement Agreement" and page 2 of a Power of Attorney and Form 8821 and also instructed me to return these documents "...as soon as possible so we can take care of this matter efficiently." This e-mail identified Mr. Rodriguez as a "Sr. Tax Consultant & Analyst."

These signatures and the additional documentation requested by the IRS were all provided to TaxMasters by the following day, August 5, 2009.

Subsequent to that I attempted to contact Mr. Rodriguez on several occasions to determine whether they had responded to the IRS request for information and whether they had reviewed the materials which I sent. Mr. Rodriguez did not return calls or respond to e-mails and when I was ultimately able to speak to him, he informed me that someone else in "operations" was handling my case and that he knew nothing about it. I asked to speak to Mr. Rodriguez's supervisor and he transferred me to an individual who would only identify himself by the first name "Keith" and who said they would contact me when they were ready. He did not care that the IRS response was now due within 10 days and hung up the telephone on me.

On August 17, 2009 I confirmed that the IRS had received nothing from TaxMasters on my behalf other than the Power of Attorney and on that same date I sent TaxMasters an e-mail informing them that their services were no longer required. I handled the matter with the IRS personally, responded before the deadline and my issue was resolved.

On September 2, 2009 I received a letter from TaxMasters informing me that I was not eligible for a refund because they had divulged "proprietary information" to me. In response to my complaint, my credit card company issued a credit to me for the amount paid to TaxMasters.

Further Affiant sayeth not."

ART FIERRO

SUBSCRIBED AND SWORN TO before me on the 12th day of May, 2010.

Martha Lou Williams

Notary Public in and for the

State of Texas

MARTHA LOU WILLIAMS
Notary Public
STATE OF TEXAS
Commission Exp. 05-17-2011
Notary without Bond