

STATE OF TEXAS,
Plaintiff

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IN THE DISTRICT COURT OF

v.
JK HARRIS & COMPANY, LLC d/b/a
JOHN K. HARRIS, LLC;
JKH FINANCIAL
RECOVERY SYSTEMS LLC;
PROFESSIONAL FEE FINANCING
ASSOCIATES;
JOHN K. HARRIS
CHARLES R. HARRIS, JR.
Defendants

HARRIS COUNTY, TEXAS

189th JUDICIAL DISTRICT

**PLAINTIFF'S SECOND AMENDED PETITION AND APPLICATION FOR
TEMPORARY AND PERMANENT INJUNCTION**

TO THE HONORABLE JUDGE OF SAID COURT:

Plaintiff the STATE OF TEXAS, acting by and through Attorney General of Texas Greg Abbott, complains of JK HARRIS & COMPANY, LLC D/B/A JOHN K. HARRIS, LLC; JKH FINANCIAL RECOVERY SYSTEMS LLC; and PROFESSIONAL FEE FINANCING ASSOCIATES, Defendants, and for cause of action would respectfully show as follows:

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. AUTHORITY

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 §17.47 of the Texas Deceptive Trade Practices-Consumer Protection Act, TEX. BUS. & COM. CODE ANN. §17.41 *et seq.* (hereafter the DTPA) upon the grounds that

Defendants have engaged in false, deceptive, and misleading acts and practices in the course of trade and commerce as defined in, and declared unlawful by, §§17.46(a) and 17.46(b) of the DTPA.

III. DEFENDANTS

3.1 **JK HARRIS & COMPANY, LLC** is a Limited Liability Company doing business in Texas whose principal place of business is 4995 LaCross Road, Suite 1115, North Charlestown, South Carolina 29406 and which has been served with process.

3.2 **JKH FINANCIAL RECOVERY SYSTEMS, LLC** is a Limited Liability Company doing business in Texas whose principal place of business is 4995 LaCross Road, Suite 1115, North Charlestown, South Carolina 29406 and which has been served with process.

3.3 **PROFESSIONAL FEE FINANCING ASSOCIATES** is a Company doing business in Texas whose principal place of business is 4995 LaCross Road, Suite 1115, North Charlestown, South Carolina 29406 and which has been served with process by serving the Texas Secretary of State, 1019 Brazos Street, Austin, Texas 78701 as its agent for service because this Defendant engages in business in Texas but does not maintain a place of regular business in Texas and has no registered agent in Texas on whom service of citation may be made, and because this suit arose from this Defendant's business in Texas. (Tex. Civ. Prac. & Rem. Code §§17.044 (b), 17.045).

3.4 **JOHN K. HARRIS, LLC** is the name under which JK Harris & Company, LLC, operates. JK Harris & Company, LLC is a Company doing business in Texas whose principal place of business is 4995 LaCross Road, Suite 1115, North Charlestown, South Carolina 29406 and which has been served with process.

IV. VENUE

4.1 Venue of this suit lies in Harris County, Texas, for the following reasons:

- A. Venue is proper in Harris County, Texas, pursuant to §15.002 (a)(1) of the TEX. CIV. PRAC. & REM. CODE, because Harris County is the county in which all or a substantial part of the events or omissions giving rise to the claims occurred. TEX. CIV. PRAC. & REM. CODE §15.002(a)(1);
- B. Venue is also proper under §17.56 of the DTPA because Defendants do business in Harris County, Texas, and many of the transactions that form the basis of this cause of action occurred in Harris County, Texas.

V. PUBLIC INTEREST

5.1 Plaintiff State of Texas has reason to believe that a Defendants have engaged in, and will continue to engage in, the unlawful practices set forth below. Plaintiff State of Texas has reason to believe Defendants have caused and will cause immediate, irreparable injury, loss and damage to the State of Texas and its citizens, and will also cause adverse effects to legitimate business enterprises which lawfully conduct trade and commerce in this State. Therefore, the Consumer Protection Division of the Office of the Attorney General of the State of Texas believes and is of the opinion that these proceedings are in the public interest.

VI. TRADE AND COMMERCE

6.1 Defendants have, at all times described below, engaged in conduct constituting trade and commerce, as those terms are defined in §17.45(6) of the DTPA.

VII. ACTS OF AGENTS

7.1 Defendants JK Harris & Company, LLC d/b/a John K. Harris, LLC (hereinafter JKHC), JK Financial Recovery Systems LLC, (hereinafter JKFRS) and Professional Fee Financing Associates (hereinafter PFFA) are Limited Liability Corporations with headquarters in South Carolina.

7.2 Whenever in this petition it is alleged that a particular Defendant or group of Defendants did any act, it is meant that:

- A. The Defendant or group of Defendants performed or participated in the act, or
- B. The Defendant's or group of Defendants' officers, agents, trustees or employees performed or participated in the act on behalf of and under the authority of the Defendant or group of Defendants.

VIII. NOTICE

8.1 Pursuant to §17.47(a) of the Deceptive Trade Practices Act, contact has been made with the Defendants herein to inform them of the unlawful conduct alleged herein.

IX. SPECIFIC FACTUAL ALLEGATIONS

9.1 JKHC and JKFRS are in the business of advertising their services and offering to file an "offer in compromise" (OIC) with the Internal Revenue Service (IRS) on behalf of Texas consumers who are behind on paying their taxes. Defendants collect fees from Texas consumers prior to the services being completed. Defendants also perform additional, non-OIC tax services on behalf of Texas consumers.

9.2 PFFA extends credit to consumers in Texas by financing the contracts Texas consumers entered into with JKHC and JKFRS.

9.3 Defendants have for years advertised widely that JKHC and JKFRS could assist consumers who owe money to the IRS and state revenue offices by filing for an OIC with the IRS and state revenue offices. At the initial “sign up” meeting, Defendants complete a “Tax Settlement Analysis and Disclosure” form. To entice consumers to enter into contracts with Defendants for OIC services, without obtaining full documentation, and without fully investigating whether or not a consumer would qualify for an OIC of a substantially-reduced amount, Defendants calculate a “minimum settlement amount” and discuss such figure with consumers. This amount often is a deflated amount and misrepresentative of the potentially reduced amount which the IRS would accept in lieu of full payment for taxes owed. The purpose making oral and written misrepresentations associated with these OIC-related settlement amounts is to entice consumers to sign up for JKHC services. If the consumer can not afford to pay the thousands of dollars for OIC services, the JKHC representative presents the consumer with a PFFA “Retail Installment Credit Agreement” to finance the JKHC contract at 18% interest, late fees and finance charges, and late fee payments.

9.4 Frequently, once an OIC draft is completed with all the pertinent information, consumers are sent a “Does not Qualify” (DNQ) letter telling them that they do not qualify for an OIC and attempting to “switch” them to a payment plan with the IRS of the full amount of taxes owed. Typically, JKHC refuses to return the money the consumers have paid for the promised OIC services. Further, Defendants return any money, the clients only receive part of their money back. JKHC , JKFRS and PFFA retain up to 25% of the contract price for administrative fees and other costs, even JKHC does not perform its contractual obligations. Amounts retained often exceed 25%. Finally, when JKHC calculates the amount of money to be returned, it does not include or

consider financing costs to its sister company in their calculations. Clients are also made to sign a release for the meager portion of their money to be returned.

9.5 JKHC misrepresents its refund policy in its OIC-services contracts and its non-OIC tax services contracts. The contract states that the “refund review process is approximately 30-45 business days.” What JKHC does not tell the consumers is that JKHC typically keeps the refund for months after the 30-45 business days. In fact, many consumers wait over a year for their refund.

9.6 Further, the refund policy is unconscionable. JKHC improperly keeps a substantial portion of the money paid to them even when the failure to achieve the desired contractual result is the fault of the Defendant.

9.7 Defendant PFFA financed consumer contracts for consumers who entered into installment contracts with JKHC and JKFRS for the preparation and filing of an OIC. Defendant PFFA also finances consumer contracts for non-OIC tax services. Even when these various services were not provided as promised, PFFA would not release the consumer from the debt or return the fees and interest payments.

X. DIRECT AND DERIVATIVE LIABILITY

10.1 Defendants are doing business in the State of Texas.

10.2 Defendants are “inextricably intertwined” and/or connected in the transactions and/or acts alleged in this Petition.

10.3 Defendants are each the alter ego of the other.

10.4 Joint enterprise liability makes each party thereto the agent of the other and thereby holds each responsible for the negligent act of the other.

10.5 The corporate fiction should be disregarded as it was used as a means of perpetrating fraud and/or abuse of the corporate structure.

10.6 Defendants are engaged in an implied partnership.

10.7 Each Defendant Corporation is organized and operated as a mere tool or business conduit of another corporation.

10.8 Each Defendant actively participated in the acts or omissions which are the subject of this Petition, sought to benefit from the transactions, and profited from the transactions and/or acts alleged in this Petition.

10.9 Each Defendant is directly liable for the relevant acts and omissions alleged in this Petition.

XI. FALSE, MISLEADING, AND DECEPTIVE ACTS AND PRACTICES

11.1 Defendants, in the course of offering and selling tax services as alleged above, have in the course of trade and commerce engaged in false, misleading, and deceptive acts and practices declared unlawful in §17.46(a) and §§17.46(b)(5), (7), (12) and (24) of the DTPA. See Exhibits “A” through “T” supporting, in part, the claims in this Petition. Such acts include:

- A. Engaging in false, misleading, or deceptive acts in the conduct of any trade or commerce, as alleged more specifically herein, in violation of §17.46(a) of the DTPA;
- B. Representing that goods 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

have, as alleged more specifically herein, in violation of §17.46(b)(5) of the DTPA;

- C. Representing that goods or services are of a particular standard, quality or grade...if they are of another, as alleged more specifically herein, in violation of §17.46(b)(7) of the DTPA;
- D. Representing that an agreement confers or involves rights, remedies, or obligations which it does not have or involve or which are prohibited by law as set forth herein in violation of §17.46(b)(12) of the DTPA;
- E. Failing to disclose information concerning goods or services which was known at the time of the transaction if such 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, in violation of §17.46(b)(24) of the DTPA.

XII. DISGORGEMENT

12.1 All of Defendants assets are subject to the equitable remedy of disgorgement, which is the forced relinquishment of all benefits that would be unjust for Defendants to retain, including all ill-gotten gains and benefits or profits that result from Defendants putting fraudulently converted property to a profitable use. Defendants should be ordered to disgorge all monies fraudulently taken from individuals and businesses together with all of the proceeds, profits, income, interest and accessions thereto. Such disgorgement should be for the benefit of victimized consumers and the State of Texas.

XIII. TRIAL BY JURY

13.1 Plaintiff herein requests a jury trial and tenders the jury fee to the Harris County District Clerks office pursuant to TEX. R. CIV. P. 216 and TEX. GOVT. CODE ANN. §51.604.

XIV. INJURY TO CONSUMERS

14.1 Defendants have, by means of these unlawful acts and practices, obtained money or other property from identifiable persons to whom such money or property should be restored or who, in the alternative, are entitled to an award for damages.

XV. REQUEST FOR DISCLOSURE

15.1 Under Texas Rule of Civil Procedure 194, Plaintiff requested in the Original Petition that Defendants disclose, within 50 days of service of the Original Petition, the information or material described in Rule 194.2(a)(1).

XVI. TEMPORARY INJUNCTION AND PERMANENT INJUNCTION

16.1 Defendants have engaged in the unlawful acts and practices described above, and Plaintiff has no information indicating Defendants will not continue to violate the law as alleged in this Petition. Unless restrained by this Honorable court, Defendants will continue to violate the laws of the STATE OF TEXAS and cause immediate, irreparable injury, loss and damage to the State of Texas and to the general public. Therefore, Plaintiff requests a Temporary Injunction and Permanent Injunction as indicated below.

XVII. PRAYER

17.1 WHEREFORE, Plaintiff prays that Defendants be cited according to law to appear and answer herein; that after due notice and hearing a TEMPORARY INJUNCTION be issued; and upon final hearing a PERMANENT INJUNCTION be issued, restraining and enjoining

Defendants, Defendants' successors, assigns, officers, agents, servants, employees and attorneys and any other person in active concert or participation with Defendants from engaging in the following acts or practices:

- A. Transferring, concealing, destroying, or removing from the jurisdiction of this Court any books, records, documents, invoices or other written or computer generated materials relating to the business of Defendants currently or hereafter in their possession, custody, or control except in response to further orders or subpoenas in this cause;
- B. Transferring, spending, hypothecating, concealing, encumbering, or removing from the jurisdiction of this court any money, stocks, bonds, assets, notes, equipment, funds, accounts receivable, policies of insurance, trust agreements, or other property, real, personal, or mixed, wherever situated, belonging to or owned by, in possession of, or claimed by Defendants, insofar as such property relates to, arises out of, or was derived from the business operation of Defendants without further order of this Court;
- C. Representing, expressly or by implication, that Defendants can settle consumers' tax debt for pennies on the dollar, that they guarantee results, or similar representations, unless such representations are accurate;
- D. Charging or accepting payment from consumers applying for JKHC's or JKFRS's OIC-related services, and/or representing that consumers qualify for or are eligible for the IRS's OIC Program, and/or presenting calculations which misrepresent the probability that the IRS will allow satisfaction of tax liability through payment of

a substantially-reduced amount, unless the consumers actually do qualify or actually are eligible for the IRS's OIC relief as stated;

- E. Billing or charging consumers for services that Defendants do not perform;
- F. Retaining funds paid by consumers that are due to consumers according to applicable law;
- G. Providing refunds to consumers after the time limit specified in Defendants' written contracts with consumers;
- H. Making oral representations that, directly or indirectly, contradict terms or language contained in Defendants' written contracts with consumers.

17.2 In addition, Plaintiff State of Texas respectfully prays that this Court will:

- A. Adjudge against Defendants, jointly and severally, civil penalties in favor of Plaintiff State of Texas in an amount of not more than \$20,000 per violation of the DTPA;
- B. Adjudge against Defendants, jointly and severally, civil penalties in favor of Plaintiff State of Texas in an amount up to \$250,000 allowed by law under the DTPA, specifically, §17.47(c)(2) of the DTPA, due to Defendants committing acts and practices which were calculated to acquire or deprive money or other property from consumers who were 65 years of age or older when the act or practice occurred;
- C. Order Defendants to restore all money or property taken from identifiable persons by means of unlawful acts or practices, or in the alternative, award judgment for damages to compensate for such losses;

- D. Order Defendants to pay Plaintiff State of Texas attorneys fees and costs of court pursuant to TEX. GOVT CODE §402.006(c);
- E. Order Defendants to pay pre-judgment interest on all awards of restitution, damages, civil penalties and attorney fees as provided by law; and
- F. Grant all other relief to which Plaintiff State of Texas may show itself entitled.

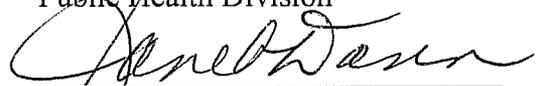
Respectfully submitted,

GREG ABBOTT
Attorney General of Texas

DANIEL T. HODGE
First Assistant Attorney General

BILL COBB
Deputy Attorney General for Civil
Litigation

PAUL D. CARMONA
Chief, Consumer Protection and
Public Health Division



JANET DANN
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Consumer Protection and Public
Health Division
808 Travis, Suite 1520
Houston, Texas 77002
Telephone 713-225-8920
Facsimile 713-223-5821

ATTORNEYS FOR PLAINTIFF

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing *Second Amended Petition* is being served upon counsel for Defendants in the manner via regular mail and/or through e-file in accordance with Texas Rules of Civil Procedure 21 and 21a, on this the 22 day of September, 2010.



Janet Dann

DN Scan Only

To be completed by team leader and attached to cancellation letter and CMS notes

Today's Date 7-8-05
Contract Start Date 1-19-05
Cancellation Date 7

Client Name [REDACTED]
Client ID 526188
Engagement ID 175518
Amount Paid 500.⁰⁰

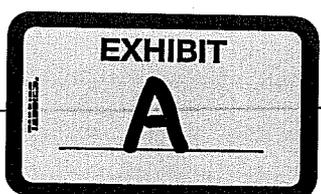
Draft PiF Statement
 Request Has Been Made To Stop Drafts

Refund Requested
 Amount Requested _____
 Refund Granted
 Amount Granted _____
 Approved by Brian Felderstein

X	Code	Reason
	445	Buyers Remorse
	446	Bad Debt
	447	Cancellation
	448	Refund
	449	Bankruptcy
	450	Death
	452	Partial Adjustment
	604	Cancellation - No Fault
	608	Cancellation - Fault CS
	621	Adjustment - Unnecessary Work
	622	Adjustment - Non-Completion of Work
	624	Other
X	667	Tax Consultant Misrepresentation
	668	Cannot Afford Services
X	671	Dissatisfied with Service
	672	Did Not Understand Terms of Agreement
	673	Included in Bankruptcy
	674	Poor Counselor Communication
	675	No Longer Requires Services
	676	EMT Could Not Resolve Issue

BBB Complaint answered
Refund isn't required
7-12-05 placed on Terry's group cancel 1/m

Notes 7/7 client filed a BBB complaint.
All possible actions pursued - no refund - client failed to disclose judgment
APPROVED BY BRIAN FELDERSTEIN



DISCLOSURES CONCERNING OFFERS IN COMPROMISE

The vast majority of the work on your case, including data gathering, form preparation and verification of supporting documents, is performed by trained tax para-professionals called Case Specialists (CS). Case Specialists receive in excess of 40 hours of classroom training in addition to 40 hours of on the job training using training materials similar to those used by the IRS. The CS works with our professional Licensed Taxpayer Representatives ("LTR") who handle the review of your file and the negotiations with the IRS or state taxing authority. LTRs may be attorneys, Certified Public Accountants or Enrolled Agents. All communications regarding your case will come through your CS unless one of our LTRs requires information directly from you.

IRS STATISTICS REGARDING OFFERS IN COMPROMISE:

Offers in Compromise						
	FY 2002		FY 2003		FY 2004*	
Offers Submitted	129,825	100%	128,532	100%	108,654	100%
Returned As Not Processable ¹	33,044	25%	30,440	24%	35,764	34%
Returned After Deemed Processable ²	50,584	39%	48,118	38%	30,035	28%
Reviewed	46,197	100%	48,974	100%	40,855	100%
Accepted	29,166	63%	21,629	44%	17,740	43%
% Of Settlement³	12.2%		14.7%		N/A	

*Through August 2004

¹ Offers In Compromise are returned as not processable when the taxpayer is not in compliance. Compliance is defined as:

1. The taxpayer has filed all required returns.
2. The taxpayer attached the application fee or waiver request.
3. The taxpayer included all appropriate forms.
4. The taxpayer is ~~not~~ not in bankruptcy.
5. The offer is from a business with employees and the business has timely made its required federal tax deposits for the current quarter and the two immediately preceding quarters.
6. The taxpayer has made his or her Estimated Tax Deposits for the current tax year.

² Offers in Compromise are returned after being deemed processable when the taxpayer fails to respond to an IRS request for additional information or documentation within 30 days or as required by the IRS. Failure to provide all the requested information or failure to provide the information within the requested timeframe constitutes failure to respond. In the event that the OIC is returned due to JKH's failure to respond timely, the OIC will be resubmitted at no additional charge. Should the failure to respond be a result of a client's inaction, an additional fee of \$500 will be required to have the OIC resubmitted by JKH.

³ This percentage represents the amount of the total tax debt paid by taxpayers as compared with their total tax liability. All IRS data based on information received from IRS Disclosure Office and the US Treasury Department.

REFUND POLICY FOR OFFERS IN COMPROMISE: JK Harris or the client may cancel the contract at any time by duly executed written instrument.

Refunds will be granted on a pro-rata basis of work completed on the case. If a cancellation request is received within the first three (3) days of the contract, a full refund will be granted. Otherwise, refunds will be determined based on the schedule to the right.

	Retention %*	Refund %*
Processing & Admin Fee	15%	85%
Completion of Initial Draft CIS	35%	65%
Completion of Final Draft CIS	70%	30%
Submission of Offer package to the IRS	100%	0%

*Percentage of Offer in Compromise Fee

Client Signature _____ date 2-8-05

Consultant Signature _____ date 2-8-05



DNS

Refund/Adj Report

Cst # 526188
 Eng # 175518
 EndDate
 FirstName [REDACTED]
 LastName [REDACTED]
 CompanyName
 Total Contract Amt \$500.00
 Total Paid \$500.00
 Total Refund \$0.00
 Total Adjustment \$0.00
 Complaint Type BBB Compla

Service Center
 Consultant
 CaseSpecialist
 Contract type

Explanation agree w/ops ~~full~~ no refund.
 Work was done for all but student loan
 was in judgment and law firm would not
 release it so that cl could get a loan
 to pay balance. File was worked properly
 timely

CLOSE

OR

DO NOT CLOSE

Use Primary CMS Name and Address

OR

Please issue check to:

Address:

City

State

Zip

Telephone

Fax

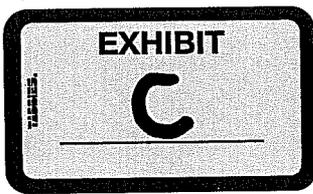
Request check date:

Amount of check: **\$0.00**

Requested by: Joann Y Moore

Authorized by: ABenton

Accounting Approval:



THIS AGREEMENT IS SUBJECT TO BINDING ARBITRATION

JKH HARRIS & COMPANY, LLC ENGAGEMENT AGREEMENT

New Client Corrected Contract Emergency Team Re-Contract Refinance Appointment Date: 3/29/06
 Market: Houston Consultant: Tim Gully Manager: L. Cooper Sr. Tech. Advisor: John Green

CLIENT DATA (Mr, Mrs, Ms) _____ BUSINESS DATA (LLC, S-Corp, C-Corp, Sole Prop., Partner.) _____

Name(s): _____ Address: _____

His Social Security No: _____ Federal Identification No: _____

Her Social Security No: _____ His Work Phone No: _____

Home Phone No: _____ Her Work Phone No: _____

Cell Phone: _____ Fax: _____ Email: _____

Fee	Service	List Year(s)	List State(s)
\$	<input type="checkbox"/> Emergency Request Existing Levy Release <input type="checkbox"/> Pending Notice of Levy		
\$ <u>200</u>	<input checked="" type="checkbox"/> Request Master File		
\$	<input type="checkbox"/> Request Master File, Review & Advise		
\$	<input type="checkbox"/> Request IRP (W-2 and 1099 income report)		
\$	<input type="checkbox"/> Prepare Individual (1040) Fed Tax Return(s) (from organizer) <input type="checkbox"/> Sch C		
\$	<input type="checkbox"/> Prepare Individual State Tax Return(s) (from organizer) <input type="checkbox"/> Bus, Sch		
\$	<input type="checkbox"/> Prepare Business (non-1040) Fed Tax Return(s) (from organizer)		
\$	<input type="checkbox"/> Prepare Business State Income Tax Return(s) (from organizer)		
\$	<input type="checkbox"/> Preparation of Income Tax Returns from Receipts (box job)		
\$	<input type="checkbox"/> Prepare Fed Amended Tax Return(s) <input type="checkbox"/> 1040 <input type="checkbox"/> Sch C <input type="checkbox"/> Business		
\$	<input type="checkbox"/> Prepare State Amended Tax Return(s) <input type="checkbox"/> Indiv. <input type="checkbox"/> Bus Sch <input type="checkbox"/> Business		
\$	<input type="checkbox"/> Prepare Installment Agreement <input type="checkbox"/> Federal <input type="checkbox"/> State		
\$	select one: <input type="checkbox"/> W-2/Sch C <input type="checkbox"/> Business, Non-payroll <input type="checkbox"/> Business Payroll		
\$ <u>3700</u>	<input type="checkbox"/> Prepare Federal Offer In Compromise/PPIA <input type="checkbox"/> 433 A <input type="checkbox"/> 433 B		
\$ <u>150</u>	<input checked="" type="checkbox"/> IRS processing fee for Federal Offer In Compromise		
\$	<input type="checkbox"/> Prepare State Offer In Compromise		
\$	<input type="checkbox"/> Prepare Abatement of Penalty Request <input type="checkbox"/> Federal <input type="checkbox"/> State		
\$	<input type="checkbox"/> Prepare Request for Currently Not Collectable Status		
\$	<input type="checkbox"/> Prepare Request for Innocent Spouse <input type="checkbox"/> Injured Spouse		
\$	<input type="checkbox"/> Prepare LLC Documentation*		
\$	<input type="checkbox"/> Close Existing Entity with Taxing Authorities		
\$	<input type="checkbox"/> Trust Fund Recovery Penalty/Civil Penalty <input type="checkbox"/> Dispute <input type="checkbox"/> Appeal		
\$	<input type="checkbox"/> Earned Income Tax Credit		
\$	<input type="checkbox"/> Prepare Business Valuation		
\$	<input type="checkbox"/> Audit - select one: <input type="checkbox"/> Individual <input type="checkbox"/> with Schedule C <input type="checkbox"/> Business		
\$	<input type="checkbox"/> Audit Appeal - select one: <input type="checkbox"/> Individual <input type="checkbox"/> with Schedule C <input type="checkbox"/> Business		
\$	<input type="checkbox"/> Federal Guaranteed Student Loan Debt Negotiation		
\$	<input type="checkbox"/> Other _____		
\$ <u>4050</u>	TOTAL FEES		

* additional fees to Secretary of State will be required.

I do not want JKH to negotiate my credit card debt: _____ Client Initials _____ Client Initials _____
 (please see reverse side under Credit Card Expense)

THIS ENGAGEMENT AGREEMENT IS SUBJECT TO THE TERMS AND CONDITIONS PRINTED ON THE REVERSE SIDE. PLEASE READ THE TERMS AND CONDITIONS BEFORE SIGNING. BY SIGNING THIS AGREEMENT, YOU ACKNOWLEDGE AND AGREE TO SAID TERMS AND CONDITIONS AND AGREE THAT NO REPRESENTATIONS, VERBAL OR OTHERWISE, HAVE BEEN MADE TO YOU OTHER THAN THOSE OUTLINED IN THIS AGREEMENT. UNDERSTAND THAT I AM NOT OBLIGATED TO CONTRACT WITH ANY OTHER JKH AFFILIATE IN ORDER TO RECEIVE TAX RESOLUTION SERVICES.

Consultant Signature _____ Client Signature _____ Client Signature _____ Date 3-29-06

Method and Type of Payment ** fees will apply to returned payments**

DOWN PAYMENT:
 Ck# _____ Hold Check/Deposit Date _____ ACH/draft date (down payment) _____ Money Order _____ Visa _____ Master Card _____ American Express _____
 # _____ 4/5/06
 # _____

Split Retainers: Company _____ Amount \$ _____ Date _____

CHECK PAYMENTS: JKH reserves the right to convert your physical check into an ACH or EFT draft on the bank account presented for payment. A minimum requirement of 4 days notice is needed to change scheduled payments. There is a \$30 charge for all returned payments.

Contract Information:		Payment in full for services is required in advance. Any combination of cash, check, money order or Promissory Note through Professional Fee Financing Associates, LLC is acceptable. All ACH Retainers will be drafted by JK Harris & Company, LLC based upon the information provided on the Professional Fee Financing Associates, LLC Agreement.
Deposited Down Payment \$	<u>0</u>	
Hold/ACH Down Payment \$	<u>4050</u>	
Total Down Payment \$	<u>4050</u>	
Pay-out on Old Contract \$	<u>0</u>	
Total Installment Amount \$	<u>4050</u>	



TERMS AND CONDITIONS OF ENGAGEMENT AGREEMENT

TIME FOR COMPLETION AND OUTCOME UNCERTAIN: JK Harris & Company, LLC ("JKH") makes no warranties or representations as to the time that it may take to perform the services discussed herein or the ability of JKH to resolve your tax matter with the IRS or the appropriate state taxing authority or both.

WE ARE NOT A LAW FIRM: JK Harris & Company, LLC is not a law firm. We do not give legal advice. We do not represent clients in tax court.

GUARANTEE: JKH does hereby agree to exercise its best efforts to fulfill this Engagement Agreement ("Agreement"). Any fee quoted covers the complete service as discussed in this Agreement and is based upon JKH's reliance on your answers to JKH's questions at the time of the initial interview. You will not be charged a percentage of the reduction in taxes or an hourly rate.

REFUND POLICY: If at any time prior to completion of JKH's work, you request a termination of the Agreement and a refund of fees, JKH will refund the fee paid by you to you on a pro-rata basis of work completed, provided you execute a complete release of all claims against JKH. Refund requests must be sent in writing to 4995 Lacrosse Road, Suite 1800, North Charleston, South Carolina, 29406. The refund review process is approximately 30-45 business days. Administrative and processing fees are considered non-refundable and will comprise 25% of the Total Fee. Client or JKH may terminate this Agreement at any time by providing thirty (30) days written notice.

CREDIT CARD EXPENSE: JKH will attempt to negotiate credit card debt if you have contracted with us to prepare an installment agreement, request for currently not collectable status, state OIC or federal OIC/PPLA. The IRS does not recognize most credit card debt as an allowable expense in evaluating your ability to pay your tax debt. JKH provides this service at no additional cost in an effort to help you obtain funds to resolve your tax problem.

CLIENT ASSISTANCE CRUCIAL: Time is of the essence and JKH requires you to complete your questionnaires and respond to JKH's requests for information and documentary support within a reasonable amount of time. Failure to provide documentation in a timely fashion (timely refers to 10 days from request) may result in the cessation of work on your case. JKH assumes no responsibility for adverse consequences to a client due to his/her failure to provide information. If your case is closed for failure to respond, all fees at that time will be considered earned, and if your account is delinquent, JKH reserves the right to pursue the remainder of the fees due for services rendered.

RIGHT TO CURE: In the event that you believe or claim that JKH has breached the Agreement, you are required to notify JKH in writing of such alleged breach and shall afford JKH a reasonable opportunity to cure the alleged breach. "Reasonable opportunity" is:

1. For those services the completion of which is entirely within the control of JKH, sixty (60) days;
2. For those services involving negotiation with a governmental agency, whether state or federal, the point at which JKH has completed all work necessary to enter into such negotiation, or sixty (60) days, whichever is lesser.

OFFERS IN COMPROMISE: If JKH agrees to prepare, submit, and/or negotiate an Offer in Compromise ("OIC") on your behalf, then JKH has based the determination of your qualifications for the OIC program upon information provided by you at the time of your initial interview with JKH. This information is documented on a form titled, Tax Settlement Analysis, which you and JKH's consultant have both signed. The ultimate decision to accept or reject the OIC rests with the IRS or State tax authority. In the event that the OIC is returned due to JKH's failure to respond timely, the OIC will be resubmitted at no additional charge. In the event that your OIC is withdrawn and resubmitted for any reason, you will be responsible for the additional processing fee charged by the IRS or the State tax authority. **Should the failure to respond be a result of a client's inaction, an additional fee of \$500 will be required to have the OIC resubmitted by JKH.** In the event the OIC is rejected, JKH will prepare and argue your appeal at no additional charge.

METHOD OF RESOLUTION: The method(s) of resolution recommended by JKH at the time of contracting are based solely upon financial information provided by you at the time of the initial interview. In the event that your financial information should change, JKH will amend the recommendation to reflect the most appropriate method(s) of resolution and inform you of your options. If you should request that JKH perform services not stipulated in the existing Agreement, a new Agreement and additional fees may be required.

CONFIDENTIALITY: JKH adheres to a strict policy of confidentiality. JKH requires written authorization from clients to disclose any account information to any/all third parties, including spouses, the IRS and any state taxing authority, unless required to do so by law.

REPRESENTATIONS NULL AND VOID: Any obligations of JKH related to this Agreement shall become null and void if you fail to provide JKH with information or documentation in a timely manner, or if you provide JKH with false and misleading information, or if you default on any installment credit agreement with Professional Fee Financing Associates, LLC.

LIMITATION OF LIABILITY: JKH shall not be liable to you or any third party to the Agreement for special, direct, incidental, punitive, or consequential damages. The liability of JKH with respect to any claim or action arising out of or related to this Agreement, whether in contract, tort, warranty or otherwise, shall not exceed the amount paid to JKH by you under this Agreement.

ENTIRE AGREEMENT/SEVERABILITY: This Agreement contains the entire agreement of the parties hereto with respect to the subject matter hereof and may not be amended except by a written instrument duly executed and delivered by each party. This Agreement supersedes all prior agreements and any understanding between the parties with respect to the subject matter hereof. If any provision of this Agreement is found to be unenforceable or prohibited under applicable law, the remaining provisions shall be enforced to the extent permitted by applicable law, and in lieu of any such unenforceable provisions, there shall be substituted in its place a provision as similar in substance and effect as is capable of being enforced.

BINDING ARBITRATION: You agree that any claim, dispute or controversy between JKH and you or by either party against employees, agents or assigns of the other and any claim arising from or relating to this Agreement or the relationships which result from this Agreement, no matter against whom made, including the applicability of this arbitration clause and the validity of the entire Agreement, and after attempts to resolve the matter between the parties have failed, shall be resolved by neutral binding arbitration by the National Arbitration Forum, under the Code of Procedure in effect at the time the claim is filed. Any arbitration hearing at which you appear will take place at a location near your residence. Rules and forms of the National Arbitration Forum may be obtained and all claims shall be filed at any National Arbitration office, www.arb-forum.com, or P.O. Box 50191, Minneapolis, Minnesota 55405. This arbitration agreement is made pursuant to a transaction involving interstate commerce, and shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16. Judgment upon the award may be entered in any court having jurisdiction.

NOTICE: BY SIGNING THIS ARBITRATION AGREEMENT, THE PARTIES ARE AGREEING TO HAVE ANY DISPUTE ARISING FROM THE AGREEMENT, AS DESCRIBED ABOVE, RESOLVED EXCLUSIVELY BY ARBITRATION, AND ARE HEREBY KNOWINGLY AND VOLUNTARILY WAIVING ANY RIGHT TO LITIGATE ANY SUCH DISPUTES IN COURT, AND THE PARTIES ARE ALSO WAIVING ANY RIGHT TO A TRIAL BY JURY.

All disputes subject to arbitration under this Agreement shall be arbitrated individually, and shall not be subject to being joined or combined with claims of any other person or class of persons. NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH HEREIN, THE PARTIES HERETO SPECIFICALLY AND EXPRESSLY WAIVE ANY RIGHT TO PROCEED AS A PART OF A CLASS, OR SERVE AS A CLASS REPRESENTATIVE, IN AN ARBITRATION UNDERTAKEN PURSUANT TO THIS AGREEMENT OR IN ANY COURT PROCEEDING.

No suit in law or equity based on such dispute or controversy shall be instituted by either party, except to enforce the award of the arbitration. If, prior to submitting a dispute to arbitration, a party to this Agreement commences an action in a court, and one of the other parties successfully invokes this Arbitration Agreement to dismiss or stay the court proceeding, the party who commenced the action in court shall be liable for the other parties' costs and attorneys fees incurred in enforcing these arbitration in the court action.

(reverse side of page 1)

****PAYMENT BY CHECK DRAFT:** (\$3.00 Monthly Account Service Fee)

Name of Bank: _____

Account No: _____

Address: _____

Routing No: _____

1st Retainer Draft Date: 4-5-06

2nd Retainer Draft Date: _____

Date of 1st Monthly Automatic Draft: _____

Authorization Agreement for Direct Debit Payments

I/We hereby authorize the financial institution indicated to charge the Bank Account identified above for payment of an obligation to Professional Fee Financing Associates, LLC, and processed by RAI Credit Corporation. By charging the account listed above, this authorization is to remain in full force and effect until revoked by me in writing. I agree that your treatment of each such charge, and your rights to it, shall be the same as if each was a personal check signed by me. Should any such charge be dishonored (whether with or without cause), you shall be under no liability whatsoever, even though such dishonor results in the forfeiture of contract rights. This agreement will automatically renew unless cancelled. All payments returned by the bank for insufficient funds will be assessed a fee (as allowed by state law) in addition to any fees you may incur at your bank. This fee will be added to your payment on the subsequent direct debit attempt.

You are authorized to draft my account based on 1/10th of the original principal outstanding, or the remaining balance if less, plus the account service fee specified above and any accrued interest or late charges per the attached Retail Installment Credit Agreement.

I/We agree that if at any time my draft is returned, or RAI is unable to draft my account for any reason, I/We agree to automatically allow My/Our payments to default to a Monthly Statement. I/We agree to pay any additional fees associated with the Monthly Statement as stipulated and referenced in this document.

Print Name of Authorizing Party: _____

Signature: _____

Date: 3-29-06

****You MUST attach a voided check to this authorization****

****PAYMENT BY CREDIT CARD DRAFT:** (\$10.00 Monthly Account Service Fee)

Name of Cardholder(s): _____

Account No: _____

Expiration Date: _____

Billing Address of Cardholder: _____

Card Type: _____

(Where you receive statement)

1st Retainer Draft Date: _____

2nd Retainer Draft Date: _____

Date of 1st Monthly Automatic Draft: _____

Authorization Agreement for Direct Charge Payments

I/We hereby authorize the financial institution indicated to charge the Credit Card identified above for payment of an obligation to Professional Fee Financing Associates, LLC, and processed by RAI Credit Corporation. I/We agree that each charge to my account shall be the same as if I/We had signed a credit card voucher to pay my/our bill. This authority will remain in effect until I/We notify Lender in writing. I/We further agree that if any charges are dishonored due to debit of funds, you shall be under no liability whatsoever. I/We also agree that sufficient funds will be maintained in aforementioned account to cover above sum. I/We understand that all payments denied by the bank for insufficient funds will be assessed a fee (as allowed by state law) of which will be added to my/our payment on the subsequent charge attempt.

You are authorized to draft my account based on 1/10th of the original principal outstanding, or the remaining balance if less, plus the account service fee specified above and any accrued interest or late charges per the attached Retail Installment Credit Agreement.

I/We agree that if at any time my draft is returned, or RAI is unable to draft my account for any reason, I/We agree to automatically allow My/Our payments to default to a Monthly Statement. I/We agree to pay any additional fees associated with the Monthly Statement as stipulated and referenced in this document.

Print Name of Authorizing Party: _____

Signature: _____

Date: _____

PAYMENT BY MONTHLY STATEMENT (\$15.00 Monthly Account Service Fee)

Authorization Agreement for Account Service Fees

I/We hereby authorize Professional Fee Financing Associates, LLC to establish a monthly billing statement account under the attached Retail Installment Credit Agreement. I/We agree that Professional Fee Financing Associates, LLC will add to our account on a monthly basis an account service fee of \$15.00.

Print Name of Authorizing Party: _____

Signature: _____

Date: _____

BUSINESS ENTITY RESOLUTION

This resolution hereby authorizes the use of (enter corporate/legal entity name) _____ checking account in fulfilling its obligation to Professional Fee Financing Associates, LLC.

Checking Account # _____

Print Name of Authorizing Party: _____

Signature: _____

Date: _____

RETAIL INSTALLMENT CREDIT AGREEMENT

In this Agreement, the word "you" refers to the LLC Retail Installment Credit Agreement ("Agreement"), the words "you" and "your" refer to the person who signs this Agreement, and the word "seller/creditor" refers to the seller/creditor, Professional Fee Financing Associates, LLC, a South Carolina Limited Liability Company, 4995 Lancers Lane, Columbia, South Carolina 29203, and any person to whom this Agreement and for the indebtedness under this Account may be assigned.

- Personal Use:** In retail installment financing credit to you on this Account from time to time, you agree to pay for all purchases and services you purchase on this Account and all other charges mentioned below, according to the terms of this Agreement.
- When Effective:** When you sign the Application for this Account or this Agreement, or when you or someone authorized by you makes a purchase on this Account, you will be entering into everything written here. Therefore, before you sign the Application or this Agreement you should read the entire Agreement, which includes all special credit disclosures required by federal law. The information you provide on the Application that affects you or particular parts of this Agreement and is incorporated into it by reference.
- Grace Period/Cost of Credit:** A Finance Charge will be imposed in any monthly billing period (a) in which there is no balance at the beginning of the billing period (the "Beginning Balance" shown on your monthly statement) or (b) in which payments received and credits issued, within 25 days after the closing date shown on your monthly statement, equal or exceed the balance at the beginning of the billing period. If we do not receive the full amount due (the "New Balance" shown on your monthly statement) within 25 days after the closing date shown on your statement, a Finance Charge will be imposed, computed on the outstanding Average Daily Balance from month to month, by applying the monthly periodic rate of 1.50% (ANNUAL PERCENTAGE RATE 18.0%), except if you live in ARKANSAS your ANNUAL PERCENTAGE RATE will be equal to 5% OVER THE FEDERAL RESERVE DISCOUNT RATE as reported from time to time. This ADJUSTED FINANCE CHARGE RATE shall not exceed an ANNUAL PERCENTAGE RATE OF 17% and the MONTHLY RATE will be equal to 1/12th of the ADJUSTED FINANCE CHARGE RATE. A minimum FINANCE CHARGE of \$50 will be imposed each month in which a Finance Charge is imposed and the FINANCE CHARGE resulting from application of the above-stated monthly periodic rate would be less than \$50, except there is no minimum FINANCE CHARGE IN AR, DC, HI, MD, NE, AND NC.

Annual percentage rate (APR) for purchase	18% except in AR where the rate is 5% per year above the Federal Discount Rate at the time of the contract, not to exceed 17%.
Grace period for repayment of balances for purchase	25 days on Average
Method of computing the balance for purchases	Average daily balance including new purchases except in MA, ME, MN, NC, NE, MD, MT, NM & MS where new purchases are excluded.
Minimum finance charge	\$50 WHERE PERMITTED BY LAW.
Late payment fee	\$0.00 to 5% of installment as permitted by law varies from state to state.

The information about the cardholder card described in this application is accurate as of 5/03. This information may have changed after that date. To find out what may have changed, call us at 800-864-7644 or write to us at Escada, P.O. Box C/N1003, Totowa, NJ 07011-7003.

- Method of Computing Finance Charge:** We figure the Finance Charge on your Account by applying the above-stated monthly periodic rate(s) to the "Average Daily Balance" of your Account (including current transactions, except in MN and NM.) To get the "Average Daily Balance" we take the beginning balance of your Account each day, add any new purchases (except we do not add in any new purchases in MN and NM), and subtract any payments and credits, and Returned Check Fee, Late Payment Fee, and any unpaid Finance Charge. This gives us the daily balance. Then, we add up all the daily balances for the billing period and divide the total by the number of days in the billing period. This gives us the "Average Daily Balance."
- Minimum Monthly Payment:** You agree to pay at least the minimum monthly payment shown on your monthly statement on or before the due date shown on that statement. The minimum monthly payment will be the greater of: 10% of the Highest New Balance or \$25. The Highest New Balance means that your minimum monthly payment will not decrease as your New Balance decreases until the New Balance is paid in full, but if a purchase is made so that the New Balance increases above the previous Highest New Balance, your minimum monthly payment will increase and be based upon the new Highest New Balance. If the New Balance is \$25 or less, the entire New Balance is due. You agree that any payment made on this Account will be in U.S. currency by money order or check drawn on a U.S. Institution. If we decide to accept any payment that does not conform to this Agreement, your payment will not be credited until it is converted into U.S. funds. You agree to pay any amount remaining after we convert your payment to U.S. funds. The minimum payment will include any past due amount. You may at any time pay your entire balance in full or more than the minimum monthly payment due. If you pay more than the minimum monthly payment, and there is a balance due, the excess amount will not reduce the next month's minimum monthly payment or affect your obligation to make minimum monthly payments in future months.
- Returned Check Fee:** If any check sent to us in payment on your Account is returned to us unpaid by the bank, we may charge you a reasonable processing fee to cover our collection costs in the amount of \$25, subject to the following exceptions:

State	Returned Check Fee
KS, MT	\$30
AR, CO, CT, HI, ID, IN, IA, MN, NJ, NY, SC, TN, UT	\$20
CA, KY, MI, MD, MO, ND, TX, WV	\$15
MS, OK, AZ	\$10
LA	5% of the check, up to \$15
VT	\$5
DE, ME, MA, MI, NE, OH, PA, RI, SD, WV	None

You agree we may add the returned check fee to the balance due on your Account.

- Late Payment Fee:** Except in CT, DE, NM, SD, TN, or VT, where no Late Payment Fee is imposed, if your minimum monthly payment is not received by us within 10 days after it is due (5 days after it is due in AK, HI, IA, MD, NV, NY, OH, OR, UT, VA, WA, and WI; more than 10 days in MI, MN and MT; 15 days in ID, MA, ME and RI; 21 days in TX; 30 days in IA and NC; 34 days in PA), we may impose a Late Payment Fee. The Late Payment Fee will be \$10, except as follows:

State	Late Payment Fee
AZ, KS, NC	\$10 (\$5 if minimum payment is \$25 or less in AZ and KS or if the account balance is less than \$100 NC)
CO, DC, IA	\$15
HI	\$5
AL, ID, KY, WV	Greater of 5% of amount past due or \$10 (AL not to exceed \$100)
IL	\$10 on minimum payments up to \$200, 5% on minimum payments over \$200
IN	\$15.50
LA	Lesser of 5% of amount past due or \$15
MA	Lesser of 10% of account balance or \$10
NE	Greater of 5% of amount past due or \$5
AR, NH, SD, WV	Lesser of 5% of amount past due or \$5 (\$1.00 minimum in WV)
OK	Greater of 5% of amount past due or \$17
PA, RI	\$12
SC	5% of the amount past due (\$5.60 minimum; \$14 maximum)
UT	Greater of 5% of amount past due or \$30
WA	Lesser of 10% of average balance if less than \$100 or \$10
MO	\$5 for an installment less than \$25
VA	5% of late installment

We will add any Late Payment Fee to the balance due in your Account. Indiana residents: the amount of the \$15.50 Late Payment Fee is subject to change as provided in the Indiana Code §24-4.5-1-105

- Default/Collection Costs:** If you fail to pay any minimum monthly payment when due, it will be a default, and, subject to any right you may have under state law to receive notice of and to cure such default, we may declare the entire unpaid balance in the Account due and payable (except in WI you will not be in default until you fail to make a minimum monthly payment on two occasions within a 12-month period). We may also repossess any article of merchandise in which we still retain a security interest, but we will do so only in the manner and to extent permitted by applicable law. Upon default, to the extent permitted by applicable law you agree to continue to pay Finance Charges imposed on the outstanding balance from month to month at the rate set forth in this Agreement until such time as the Account is paid in full or a judgment is obtained. If the Account is referred to an attorney who is not our related employee to collect the amount you owe, in addition to the full amount owed and any court costs, you agree to pay our reasonable attorney's fees of 20% of the total amount due, or such lesser amount as may be permitted by applicable law. No attorney's fees will be imposed in AL (when the unpaid balance is under \$300), IA, KS, ME, NE, OH, PR, and WI, or in any state, or in any amount, where not permitted by law. In the states of CA, CT, DE, NH and PA, and in any other state where required by law, we will pay your reasonable attorney's fees if you prevail in a suit we bring against you or if you prevail in a suit you bring against us under this Agreement. New Hampshire residents: If you successfully assert a partial defense or counterclaim, the court may withhold part or all of any attorney's fees to which we may be entitled.

JK Harris & Company, LLC
Tax Settlement Analysis and Disclosures

Client Name(s) [Redacted] Consultant: T.M. Guillo Today's Date: 3-29-06

Please Circle the Type(s) of taxes owed:
 Income Employment Civil Penalty Sales

Please Circle the Type(s) of entity owing tax:
 Wage earner Sole Prop S-Corp C-Corp LLC

Tax Periods Owed: 02 03

Estimated total tax due for all periods: 32K

List all returns not filed: NA

*** We cannot submit an offer until all returns are filed***

<u>MONTHLY INCOME</u>		<u>EQUITY</u>	
Gross Income #1:	<u>6136</u>	Home	<u>0</u>
Gross Income #2:	<u> </u>	Other real property	<u>0</u>
Interest/Dividends	<u> </u>	Auto #1	<u>250</u>
Net Business Income (not less than zero)	<u> </u>	Auto #2	<u>250</u>
Net Rental Income (not less than zero)	<u> </u>	Boat/Camper/Motorcycle	<u> </u>
Pensions/Retirement	<u>850</u>	Bank Accounts	<u>100</u>
Child Support	<u> </u>	Cash and/or loan value of Life Insurance	<u>0</u>
Alimony	<u> </u>	Stocks/Bonds/401-k, etc	<u> </u>
Other (specify)	<u> </u>	Business Assets (inventory, equipment, etc)	<u> </u>
		Other (specify)	<u> </u>
TOTAL INCOME:	<u>6966</u>	TOTAL EQUITY:	<u>850</u>

Note: Be sure to reduce all real assets by 20% from the Fair Market Value to get the Quick Sale Value. Also, be sure to take out 10% penalty for early withdrawal on 401-k's etc, as well as 30% for taxes.

<u>MONTHLY EXPENSES</u>			
<u>National Standards Expenses</u> (Food, clothing, housekeeping)	<u>1430</u>	<u>Health Care</u>	<u>317</u>
<u>Housing:</u>		Health Insurance	<u> </u>
Rent/Mortgage	<u>1308</u>	Medical Service	<u> </u>
Property Taxes/Home Insurance (not included in Mortgage)	<u> </u>	Prescription Drugs	<u>275</u>
Maintenance/Repairs	<u> </u>	Medical Supplies	<u> </u>
Utilities:		Other (specify)	<u> </u>
Gas	<u>250</u>	<u>Court Ordered Payments</u>	
Water/Sewage/Garbage	<u>150</u>	Alimony	<u> </u>
Electricity	<u>180</u>	Child Support	<u> </u>
Telephone	<u> </u>	Other (specify)	<u> </u>
Total Housing (subtotal above items)	<u>1918</u>	<u>Child/Dependant Care</u>	
Housing Standard (if used)	<u> </u>	Child Care	<u> </u>
Enter the higher of the Actual or Standard Housing:	<u>1918*</u>	Elderly	<u> </u>
<u>Transportation</u>		Handicapped	<u> </u>
Ownership cost for 1 or 2 autos Actual Standard	<u>475</u>	<u>Term Life Insurance</u>	
Operating cost for 0,1, or 2 autos	<u>30*</u>	<u>Secured/Legally Perfected Debts</u>	
Public Transportation	<u> </u>	<u>Other Expenses</u>	
<u>Current Taxes (not to exceed 30% of Gross Income)</u>		Accounting/Legal <u>John Green</u>	<u> </u>
Federal Income	<u>2000</u>	Involuntary Deductions from Pay	<u> </u>
State/Local Income	<u> </u>	Charity (only in certain cases)	<u> </u>
FICA/Medicare	<u> </u>	Other (specify) <u>HURRICANE</u>	<u>208</u>
Personal Property	<u> </u>	<u>R.I.A. - Per John Green</u>	<u> </u>
		<u>Loan for Hurricane Relief</u>	<u> </u>
		TOTAL EXPENSES	<u>6990</u>

*You are required to include an explanation of asterisked items if they are more than 10% in excess of National Standards. Also, you must detail circumstances for ETA Offers, Status 53', any MISC expenses, and Doubt as to Liability OICs. Please see Page 2.

Monthly Disposable Income: Total Income \$ 6966 - Total Expenses \$ 6990 = MDI \$ 0

PROJECTED AMOUNT FOR OIC BASED ON DATA PROVIDED BY THE CLIENT:
 MDI X 48 = \$ 0 + Total Equity \$ 850 = Estimated Minimum Settlement Amount \$ 850

The above estimate is based upon current regulations and the information presented by the client(s), and to the best of the client(s)' ability and knowledge the information is true and correct. Further analysis may result in a different minimum settlement amount.

IMPORTANT: If the 90-day OIC amount is found to be in excess of what you feel you have the ability to pay, JKH will undertake to calculate a deferred payment method prior to the OIC submission. Deferred payments will be discussed with you by your Case Specialist upon a more in-depth analysis of your financial situation and a review of the length of time remaining on the statute of limitations for the liability. The extension of the OIC payments over time will increase OIC projection herein but will allow you to pay the OIC settlement in installments.

Client Initials [Redacted] Date 3-29-06 Client Initials [Redacted] Date 3-29-06 Consultant Initials T.M.G. Date 3-29-06



JK Harris & Company Tax Settlement Analysis

Client Name(s): [REDACTED] Consultant: Wayne Bussan Today's Date: 2.8.05

Type(s) of taxes owed: Income
(Income, Employment, Civil Penalty, Sales, etc)
Type(s) of entity owing tax: [REDACTED]
(Wage earner, Sole Prop, S-Corp, C-Corp, LLC)
Tax Periods Owed: 98 to 01.02
Estimated total tax due for all periods: 7850
List all returns not filed: 01
*** We cannot submit an offer until all returns are filed ***

INCOME	EQUITY
Gross Income #1	Home
Gross Income #2	Other real property
Interest/Dividends	Auto #1
Net Business Income (not less than zero)	Auto #2
Net Rental Income (not less than zero)	Boat/Camper/Motorcycle
Pensions/Retirement	Bank Accounts
Child Support	Cash/Loan value of Life Insurance
Alimony	Stocks/Bonds/401-k, etc
Other (specify)	Business Assets (Inventory, equipment, etc)
	Other (specify)
TOTAL INCOME:	TOTAL EQUITY:
<u>3080</u>	<u>900</u>

Note: Be sure to reduce all real assets by 20% from the Fair Market Value to get the Quick Sale Value. Also, be sure to take out 10% penalty for early withdrawal on 401-k's etc, as well as 30% for taxes.

EXPENSES	
National Standards Expenses (Food, clothing, housekeeping)	<u>732</u>
Housing:	
Rent/Mortgage	
Property Taxes/Home Insurance (not included in Mortgage)	
Maintenance/Repairs	
Utilities:	
Gas	
Water/Sewage/Garbage	
Electricity	
Telephone	
Total Housing (subtotal above items)	
Housing Standard (if used)	
Enter the higher of the Actual or Standard Housing:	<u>801</u>
Transportation	
Ownership cost for 1 or 2 autos	<u>38</u>
Operating cost for 0, 1, or 2 autos	<u>125</u>
Current Taxes	
Federal Income	<u>585</u>
State/Local Income	<u>-</u>
FICA/Medicare	<u>276</u>
Personal Property	<u>-</u>
Past due State/Local Taxes (must be superior to Fed Tax)	<u>-</u>
Other (specify)	<u>-</u>
(continued)	
Health Care Health Insurance Medical Service Prescription Drugs Medical Supplies Other (specify)	<u>145</u>
Court Ordered Payments Alimony Child Support Other (specify)	
Child/Dependant Care Day Care Baby Sitting Nursery Elderly Invalid Handicapped	
Term Life Insurance Secured/Legally Perfected Debts	
Other Expenses Accounting/Legal Involuntary Deductions from Pay Charity (only in certain cases) Other (specify)	
TOTAL EXPENSES	<u>3272</u>

Monthly Disposable Income: Total Income \$ 3080 - Total Expenses \$ 3272 - MDIS <-192>
 Future Income Potential is based on the method of payment for the amount offered.

Cash Offer: (paid within 90 days) MDIS 0 times 48 = \$ 0 (FIP)

Short Term Deferred Offer: (paid within 2 years) MDIS 0 times 60 = \$ 0 (FIP)

Deferred Offer: MDIS 0 multiplied by # of months remaining on statute 0 = \$ 0 (FIP)
Deferred offer is paid in equal monthly payments over the life of the statute. No interest accrues. If the months remaining on the statute is less than 48 or 60, you may substitute the number of remaining months for either 48 or 60 to calculate the FIP for Cash and Short Term Deferred offers.

Offer Amount Calculation: Use the appropriate FIP from above.
 FIPs 0 + Total Equity \$ 900 = Estimated Minimum Settlement Amount \$ 900

The above estimate is based upon current regulations and the information presented by the individual(s) listed on the date given, and to the best of their ability and knowledge the information is true and correct. Further analysis may result in a different minimum settlement amount.

Client Signature: [REDACTED] Date: 2-8-05
 Client Signature: _____ Date: _____
 Tax Consultant Signature: Wayne Bussan Date: 2.8.05



Note Excerpts

2/21/2007

02/21/2007 Management Review Note Felicia A. Fant

The client has a large amount of equity, and does not appear to qualify for the OIC program. Advising CS to make the changes per the TRS audit, and mail the 433a to the client to review. The CS should discuss the 433a income, expenses, and assets in detail and advise the client of the possible DNQ. If the client returns the 433a w/o significant changes, the CS should discuss the file w/ the supervisor before mailing the DNQ letter. Mailed client 433a to review.

02/27/2007 Case History

4/23/2007

04/23/2007 Case History

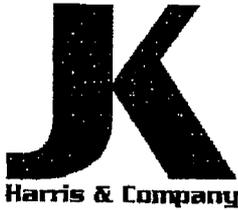
CFC - Called client advised her that because she noted no changes in figures on 433a and because of the MDI and assets she DNQ; Went over entire OIC worksheet and all figures with client, advised that we could get her set up on an IA but that the IRS would want the amount of the MDI, client became very emotional, she stated this isn't her fault she stated that her boss was to blame. Client apologized for the becoming emotional and thanked me for everything, she stated that she really appreciate everything and knows that I have tried my best, she stated she will speak with her husband and get to me and that he may want to call me, advised that would be fine.

4/24/2007

04/24/2007 Case History

CFC - Mr. Client called, he stated he spoke with his wife and she explained everything to him, he stated he understood everything that I explained to her but that he do see why the CT didn't see this because he sat down and figured everything when they met, advised him that CT based his figures on the amounts that client quoted and the docs differed from those figures, client asked about innocent spouse, advised him that he filed innocent spouse and that is why the liability is his wife's only but because they live in a community property state all assets are shared equally, went over list of assets; Client asked what was next, advised that an IA would be the only other option, advised that the offer amount will probably be the amount of the MDI, client stated that is just too high for them, asked what happens if they just say forget it and do nothing, advised that they will be subject to liens and levies, client asked if he would be subject to levy of wages as well, advised him probably not because he did file innocent spouse; Client stated they would have to pay it in the long run so they should just go on and try to get the IA as possible. Client asked if they was anyway they could get the interest and penalties to stop, advised no that will continue to accrue until debt is paid but that once they are on an IA we can explore the possibility of getting penalties abated; Advice him of abatement procedure, client stated that would be something to try. He also asked about arguing the total liability because they feel that it was incorrect from the beginning, advised that is something I will speak with my supervisor about. Client asked that I give him a call as soon as the POA comes up with a figure for the IA and to ask for as low amount as he can negotiate, advised that I will note that request when I forward the file. Advised client to submit updated docs for Jan, Feb and Mar., he stated he will call his wife and have her gather the docs to send to me, advised that's fine.





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January 18, 2008



Thank you for providing the necessary financial statement(s) and documentation to allow us to prepare your Federal Offer in Compromise. The Offer in Compromise program was established to assist those taxpayers that are not financially capable of paying their entire tax liability. For this reason, an Offer to the IRS is based upon a taxpayer's *equity in assets* in addition to a factor based on his or her *monthly disposable income*.

With the information you have provided, we have calculated your monthly gross income at \$6758 per month. Your income was calculated based on the current pay stub that you provided. We have used the monthly expense amounts based on your current financial documents, which gives you a disposable income of \$3350 per month, which equals a future income potential of \$160,800. You have listed \$ 110 in Checking, \$100 in Savings, \$10 Cash on Hand Thus, the minimum Offer in Compromise amount IRS will consider for review is \$161,020. Enclosed you will find a copy of your financial statement detailing these figures. Please review each section carefully, and make any necessary changes to ensure we have not made any errors or omissions.

As you can see, because your liability is approximately \$27,424.03 the Offer in Compromise program may not be the best option for you at this time. Our Senior Advisory Staff has suggested that you obtain an Installment Agreement to resolve your liability unless you can support changes needed on the enclosed financial statement.

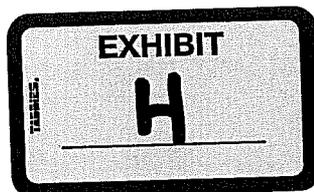
Please contact me personally at the phone number or email address listed below so we can discuss this letter and other options for resolving your tax liability.

We truly appreciate your business, and are going to continue to act in your best interest. I look forward to hearing from you soon.

Kind Regards,

Channon Jackson
Case Specialist
JK Harris & Company
Chjackson@jkharris.com
1-888-279-3116

Enclosure:



JK Harris (Texas) 021066

[REDACTED]

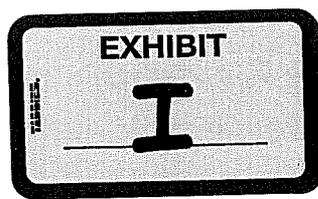
IRS Form 433-A and/or
IRS Form 433-B and/or
<ENTER STATE> Financial Statement

Note Excerpts

05/03/2010 Archiving Unit



FILE TO SHRED PER MANAGEMENT.
POA IS REVOKED AND FAXED TO THE IRS CAF UNIT OR STATE REVENUE DEPT FOR
PROCESSING. THE HARD COPY WAS SENT TO BE SCANNED AND SHREDDED.



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