



**AMI Entertainment, Inc.
4147 Eastern Ave., SE - Suite 200
Grand Rapids, MI 49508**

September 3, 2015

«OPERATOR»

«Address»

«City», «State» «Zip»

Dear Operator:

As you are aware, in late 2014, the Wisconsin Department of Revenue audited AMI for sales and use taxes for the tax years 2008 through 2014. The Department eventually concluded that AMI should have been charging and collecting taxes from you, the Wisconsin operators, on any fee charged in connection with the provision of music and/or music-related services. AMI disagrees with the assessment and has retained Wisconsin Tax Counsel, Joseph A. Pickart of the law firm of Whyte Hirschboeck Dudek, SC, to defend against the assessment. AMI contends that the transactions are not taxable, a point which was validated by the Department's earlier tax audit of TouchTunes in which the Department concluded that that the transactions were exempt resale transactions. Accordingly, under protest, AMI has remitted payment of the additional taxes, penalties and interest assessed for the tax period 2008 through 2014. AMI intends to vigorously contest the assessment and seek refund of the amounts remitted for that period.

While the appeal is pending, counsel has advised AMI to charge and collect taxes on the transactions until a final, non-appealable determination has been made as to the taxability thereof. By remitting the future taxes under protest, AMI will avoid the imposition of additional interest and penalties (as much as 25% of the tax) should the final, non-appealable determination be that the assessment of sales tax on these transactions is appropriate. AMI will timely file refund claims of the taxes paid during this period to preserve the Operator's right to a refund of the taxes paid should AMI prevail on its appeal.

Please be advised that under the terms of AMI's Operator Agreements, you remain responsible for any sales and use taxes ultimately charged by the State, meaning that if AMI does not prevail, the additional tax, interest and penalty charged for the 2008 through 2014 tax period, as well as current taxes remitted, is your responsibility.

We intend to provide updates on this matter as it unfolds.

Please call Matt Longcore at 616-246-0498 if you have any questions

Sincerely,

AMI ENTERTAINMENT INC.