

Publication 4505

Modernized e-File Test Package for Forms 1065/1065-B For Tax Year 2010

U.S. Return of Partnership Income

And

U.S. Return of Income for Electing Large Partnerships

(Revision 6 -9/2010)

Internal Revenue Service Electronic Tax Administration

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Form 1065/1065-B Assurance Testing Tax Year 2010

WHAT'S NEW?

ATS is scheduled to begin on 11/1/2010.

If you are an Online Provider you must provide the SoftwareID. An IP Address has been provided for each scenario to be use when testing. You will not need to provide the preparer information for testing purposes.

WHO MUST TEST?

All software developers and K-1 Aggregators are required to perform the tests in this test package before they can be accepted into the electronic filing program for the Processing Year 2011 (Tax Year 2010) filing season. Software developers supporting Form 1065 will perform tests 1- 5. Software developers supporting both Form 1065 and Form 1065-B will perform tests 1-8. K-1 Aggregators will perform tests 9 and 10.

Anyone who plans to transmit must perform a communications test and be accepted. Prior to testing, all software developers and transmitters must have obtained an Electronic Transmitter Identification Number (ETIN), Electronic Filer Identification Number (EFIN) and password through the application process. Refer to Publication 3112, IRS *e-file* Application Package for Form 8633 procedures. For the On-Line application procedures refer to the [e-services -Online Tools for Tax Professionals](#) website. This ETIN must be included in each message.

For transmitters, the ETIN will be set to "Test" until the transmitter passes the required communication testing with the IRS at which time the ETIN will be moved to "Production" status. The transmitter may also request a Test ETIN, which can be used to continue testing once the original ETIN has been moved to Production status. The transmission status (Test or Production) of the ETIN being used must match the Test/Production Indicator in the Message Header or the return will be rejected.

If the transmitter is participating through A2A, they must also register the system(s) that will be used to conduct business with MeF to obtain a systemID. If a transmitter and system(s) are not registered, the transmitter cannot access MeF for Fed/State processing.

For software developers, the ETIN is in permanent "test" status. When the testing season approaches an e-Help Desk assistor will contact the software developers that have tested in the prior year and provide guidelines and directions in the testing process. If the software developer is ready to start testing, and they have not been contacted by an e-Help Desk assistor they can contact the e-Help Desk to obtain a softwareID. When they pass testing, the software id is moved to passed status. That software id must be included in every return prepared by that package and transmitted to MeF. If the software developer also intends to transmit, he must register as both a software developer and transmitter. See above for information on transmitter ETIN and testing.

Note: If you are a new software developer testing for the first time and are ready to test, please contact the e-Help Desk to be provided with guidelines and process.

WHY TEST?

The purpose of testing prior to live processing is to ensure that:

- filers transmit in the correct format and meet the Internal Revenue Service (IRS) Modernized e-File (MeF) electronic filing specifications;
- returns have few validation or math errors;
- IRS can receive and process the electronic returns;
- filers understand and are familiar with the mechanics of electronic filing;
- Aggregating Schedule K-1's with Form 1065 return data does not alter the information on the return.

NOTE: Software developers are not required to retest when there is schema changes (minor or major). But we strongly recommend that you use the Assurance Testing System (ATS) to retest when ever you update your software with new schema changes.

WHAT IS TESTED?

The test package for the 2010 Assurance Testing System (ATS) consists of:

- Five (5) return scenarios for Form 1065
- Three (3) return scenarios for Form 1065-B
- Two (2) test scenarios for K-1 Aggregators

The test returns include a limited number of forms and schedules that are accepted for electronic filing. Every conceivable condition cannot be represented in the tests; therefore, once you pass the tests, you may want to test any additional conditions you feel are appropriate as long as you use the predefined EINs and Name Controls, Tax Period and Form types.

The test scenarios provide the information needed to prepare the selected forms and schedules. You must correctly prepare and compute these returns before transmitting the tests. The IRS strongly recommends each return be run against a parser prior to being transmitted to the IRS. The IRS will run each return against a parser.

Below are some XML resources regarding XML schemas and software tools and parsers (these resources are provided for information only— the IRS is not endorsing any product).

You may chose any third party parser toolkit or use your own.

- W3C XML Home Page: <http://www.w3.org/XML/>
- W3C XML Schema Home Page: <http://www.w3.org/XML/Schema>
- XML Spy: <http://www.xmlspy.com/>
- Apache Xerces parser toolkit: <http://xml.apache.org/>
- Microsoft Core XML Services: Microsoft Core XML Services:

<http://www.microsoft.com/downloads/details.aspx?FamilyID=3144b72bb4f2-46da-b4b6-c5d7485f2b42&DisplayLang=en>

Note: The Modernized e-File (MeF) Assurance Testing System (ATS) is not configured exactly the same as the MeF Production system. Therefore, a tester should not expect the same response time when testing in the ATS environment versus the Production environment (especially regarding performance or load testing -- this includes testing a single extremely large return in one transmission, a lot of large returns in one transmission, or a large number of concurrent transmissions).

FORMATTING THE ENTITIES

The business entities presented in the test scenarios are shown in common usage with commas and periods. Refer to XML efile Types in Publication 4164 for proper formatting for the business name lines and addresses. No commas or periods are allowed.

Example:

Test Scenario

Help For All, Inc.
31 Any Street
Anytown, MD 20901

XML Format

Help For All Inc (BusinessNameLine1Type)
31 Any St (StreetAddressType)
Anytown (CityType)
MD (StateType)
20901 (ZipCodeType)

PASSWORDS/STRONG AUTHENTICATION

Prior to testing, all software developers and transmitters must have obtained an Electronic Transmitter Identification Number (ETIN), Electronic Filer Identification Number (EFIN)

Internet Filing Application (IFA)

Transmitters who will be sending returns to Modernized e-File (MeF) through IFA will use the password that they selected when they completed their e-Services Registration to access the Internet Filing Application system. The same password will be used whether you are going to send returns to our testing or production systems.

Application to Application (A2A)

In the future, passwords will no longer be used for filing through MeF. Transmitters using A2A will be required to use digital certificates (X.509) which will provide much stronger security for A2A transactions. Transmitters will be notified when passwords are no longer needed.

It's recommended that a new System ID be added for developing and testing your digital certificates for MeF processing, prior to converting your existing System IDs from passwords to certificates.

A Strong Authentication User Guide is available which explains the integration and use of this IRS-provided client code sample to support certificate-based authentication for MeF A2A Web services. In addition to the code itself, it provides necessary information and guidance that developers may use when integrating the new feature into client software that communicates with the IRS A2A Web services. This guidance is relevant both to client code that will be developed in the future and to pre-existing client code not currently using digital signatures to sign SOAP messages. If interested in obtaining the Strong Authentication User Guide, please contact IRS at: **1-866-255-0654**.

Additional information on Strong Authentication can also be found in Publication 4164, Modernized e-File Guide for Software Developers and Transmitters.

WHEN TO TEST

When you are ready to test, and if you have not been contacted by the e-Help Desk about the testing season, please call the e-Help Desk at **1-866-255-0654**. They will assist you in all preparations necessary to begin testing, including assigning you a Software ID to use when submitting your returns.

TESTING GUIDELINES FOR SOFTWARE DEVELOPERS

Software does not have to provide for all forms or schedules, nor for all occurrences of a particular form or schedule. You must advise the e-Help Desk at **1-866-255-0654** of all limitations to your Software package at the time of first contact, before testing begins. You must test the complete form with no field limitations except for the number of occurrences.

FEDERAL/STATE TESTING FOR FORMS 1065/1065-B

Testing for 1065/1065B for TY2010 will be available in ATS on November 1, 2010. Any of the test returns may be used if you will be participating in the Federal/State electronic filing program for 1065/1065-B. Inform the e-Help Desk of which test you will be using. Information on the format for state returns may be found in MeF Submission Composition Guide. Specific instructions are available from the participating states. Fed/State returns may be transmitted through Application to Application or Internet Filing Application (IFA).

ELECTRONIC SIGNATURES

Tax Professionals who file Form 1065/1065-B have two options of filing a totally paperless return for their clients using the Practitioner PIN method or the Scanned Form 8453 method (Form 8453-PE for Form 1065 and Form 8453-B for Form 1065-B). The selected signature option must be identified in the Return Header. MeF validates that a signature is present for each return. If the taxpayer uses a PIN to sign the return, all appropriate PIN information must be present in the return header. If the taxpayer elects to sign a Form 8453x, the scanned 8453x must be attached to the return. If the electronic return does not contain the required signatures, it will be rejected.

Practitioner PIN

The Practitioner PIN option can only be used if the taxpayer uses an ERO. It cannot be used if a taxpayer is filing through an On-Line Provider. If the signature option of "PIN Number" is chosen, the taxpayer and ERO will be required to sign the return with a personal identification number (PIN). The Practitioner PIN option consists of two PINs – one for the taxpayer and one for the Practitioner.

1. Taxpayer PIN – The taxpayer chooses the PIN that they wish to use to sign their return. The Taxpayer’s PIN must be 5 numeric characters and cannot contain all zeros.
2. Practitioner PIN – The ERO selects an eleven position PIN to sign the return. The first 6 positions of the Practitioner PIN will be made up of the EFIN of the ERO and the next 5 positions will be made up of 5 numeric characters that the ERO will select.

The taxpayer must decide whether they want to enter their own PIN or whether they authorize the ERO to enter the PIN they choose as their signature. This authorization is made on Form 8879-PE or 8879-B.

The following fields are required for the Practitioner PIN method or the return will be rejected:

- Practitioner PIN
- PIN Entered By Indicator
- Name of Officer
- Title of Officer
- Taxpayer PIN
- Date Signed

Scanned Form 8453

The scanned Form 8453 method must be used if the taxpayer decides not to use the Practitioner PIN method for signing the return. The Form 8453PE or 8453-B must be completed and signed by all required parties and then scanned as a PDF file. The appropriate signature option of “Binary Attachment 8453 Signature Document” must be identified in the Return Header. If this option is chosen, the taxpayer and ERO (if applicable) must sign the paper 8453. The signed Form 8453-PE/8453-B must then be scanned into a PDF document and inserted into the electronic return as a binary attachment. The binary attachment must be named “8453 Signature Document”.

REVIEWING ACK FILES AND CORRECTING TESTS

You may transmit as many test returns as necessary until you receive no error messages. Any Business Rules violations must be corrected in order to pass ATS testing.

FINAL TRANSMISSION

Once you receive no rejects, you will be required to transmit the returns in two separate, same-day transmissions in order to test the ability of your software to increment the message ID number that appears in the SOAP Header. If you have included the 7004 test scenarios in your testing, include these tests in the second transmission.

COMMUNICATIONS TEST FOR THE *e-file* SYSTEM

IRS allows two means of transmission for MeF, Internet Filing Application (IFA) and Application to Application (A2A) for Form 1065/1065B. The Electronic Management System (EMS) is no longer an option for these forms.

If you will be transmitting through the Internet, you will need to perform the communications test through the Internet.

If you will be transmitting through A2A, you will need to perform the communications test through A2A. If you will be transmitting through both portals, IFA and A2A, communications tests must be performed through both systems.

USING YOUR OWN TEST

After passing ATS testing, Software Developers may test with their own data using the same password and ETIN. Transmitters will need to get a new Test ETIN to continue testing, because IRS will move the original ETIN to “production” status once the Communications Test is passed. You will continue to use the same password. Call the e-Help Desk at **1-866-255-0654** to obtain a new Test ETIN. You must use the same taxpayer entity information (names and EINs) that is provided in the test package for your independent tests. DO NOT use any other EINs. See Exhibit 3 for the list of valid EINs and Name Controls.

**EXHIBIT 1 VALID
ZIP CODES**

STANDARD POSTAL SERVICE STATE ABBREVIATIONS AND ZIP CODES

| State | Abbr. | ZIP Code |
|----------------------|--------------|--|
| Alabama | AL | 350nn-369nn |
| Alaska | AK | 995nn-999nn |
| Arizona | AZ | 850nn-865nn, 85100-85199 |
| Arkansas | AR | 716nn-729nn, 75502 |
| California | CA | 900nn-908nn, 910nn-961nn |
| Colorado | CO | 800nn-816nn |
| Connecticut | CT | 060nn-069nn |
| Delaware | DE | 197nn-199nn |
| District of Columbia | DC | 200nn-205nn |
| Florida | FL | 320nn-339nn, 341nn, 342nn, 344nn, 346nn, 347nn, 349nn |
| Georgia | GA | 300nn-319nn, 39815, 39834, 399nn |
| Hawaii | HI | 967nn, 968nn |
| Idaho | ID | 832nn-838nn |
| Illinois | IL | 600nn-629nn |
| Indiana | IN | 460nn-479nn |
| Iowa | IA | 500nn-528nn |
| Kansas | KS | 660nn-679nn |
| Kentucky | KY | 400nn-427nn, 45275 |
| Louisiana | LA | 700nn-714nn, 71749 |
| Maine | ME | 03801, 039nn-049nn |
| Maryland | MD | 20331, 206nn-219nn |
| Massachusetts | MA | 010nn-027nn, 055nn |
| Michigan | MI | 480nn-499nn |
| Minnesota | MN | 550nn-567nn |
| Mississippi | MS | 386nn-397nn |
| Missouri | MO | 630nn-658nn |
| Montana | MT | 590nn-599nn |
| Nebraska | NE | 680nn-693nn |
| Nevada | NV | 889nn-898nn |
| New Hampshire | NH | 030nn-038nn |
| New Jersey | NJ | 070nn-089nn |
| New Mexico | NM | 870nn-884nn |
| New York | NY | 004nn, 005nn, 06390, 100nn-149nn |
| North Carolina | NC | 270nn-289nn |
| North Dakota | ND | 580nn-588nn |
| Ohio | OH | 430nn-459nn |
| Oklahoma | OK | 730nn-732nn, 734nn-749nn |

EXHIBIT1 -Valid ZIP Codes Continued

State Abbr. ZIP Code

| | | |
|----------------|----|--|
| Oregon | OR | 970nn-979nn |
| Pennsylvania | PA | 150nn-196nn |
| Rhode Island | RI | 028nn, 029nn |
| South Carolina | SC | 290nn-299nn |
| South Dakota | SD | 570nn-577nn |
| Tennessee | TN | 370nn-385nn |
| Texas | TX | 733nn, 73949, 750nn-799nn |
| Utah | UT | 840nn-847nn |
| Vermont | VT | 050nn-054nn, 056nn-059nn |
| Virginia | VA | 20041, 201nn, 20301, 20370, 220nn-246nn |
| Washington | WA | 980nn-986nn, 988nn-994nn |
| West Virginia | WV | 247nn-268nn |
| Wisconsin | WI | 49936, 530nn-549nn |
| Wyoming | WY | 820nn-831nn |

STANDARD POSTAL SERVICE STATE ABBREVIATIONS AND ZIP CODES FOR U.S.POSSESSIONS

U.S. Possession Abbr. ZIP Code

| | | |
|---|----|---------------------|
| American Samoa | AS | 967nn |
| Federated States of Micronesia | FM | 969nn |
| Guam | GU | 9691n, 9692n |
| Marshall Islands | MH | 969nn |
| Commonwealth of the Northern Mariana Islands | MP | 9695n |
| Palau | PW | 969nn |
| Puerto Rico | PR | 006nn, 007nn, 009nn |
| U.S. Virgin Islands | VI | 008nn |

Form 1065 and 1065-B returns with addresses in the American Possessions are considered to have domestic addresses for processing purposes. The partnership return filer address (1065/1065-B) must contain a state abbreviation to be treated as (and processed in Philadelphia) an American Possession.

APO/FPO CITY/STATE/ZIP CODES FOR MILITARY OVERSEAS ADDRESSES

| City | State | ZIP Code |
|------------|-------|-------------|
| APO or FPO | AA | 340nn |
| APO or FPO | AE | 090nn-098nn |
| APO or FPO | AP | 962nn-966nn |

**EXHIBIT 2 FOREIGN
COUNTRY CODES**

| Code | Foreign Country | Code | Foreign Country |
|-------------|--------------------------------|-------------|---|
| AF | Afghanistan | BM | Burma |
| AL | Albania | BY | Burundi |
| AG | Algeria | CB | Cambodia |
| AQ | American Samoa | CM | Cameroon |
| AN | Andorra | CA | Canada |
| AO | Angola | CV | Cape Verde |
| AV | Anguilla | CJ | Cayman Islands |
| AY | Antarctica | CT | Central African Republic |
| AC | Antigua & Barbuda | CD | Chad |
| AR | Argentina | CI | Chile |
| AM | Armenia | CH | China |
| AA | Aruba | KT | Christmas Island |
| AT | Ashmore & Cartier Islands | IP | Clipperton Island |
| AS | Australia | CK | Cocos (Keeling) Islands |
| AU | Austria | CO | Colombia |
| AJ | Azerbaijan | CN | Comoros |
| BF | Bahamas | CF | Congo, Republic of the (Brazzaville) |
| BA | Bahrain | CG | Congo, Democratic Rep of the (Zaire) |
| FQ | Baker Islands | CW | Cook Islands |
| BG | Bangladesh | CR | Coral Sea Islands |
| BB | Barbados | VP | Corsica |
| BS | Bassas da India | CS | Costa Rica |
| BO | Belarus | IV | Cote D'Ivoire (Ivory Coast) |
| BE | Belgium | HR | Croatia |
| BH | Belize | CU | Cuba |
| BN | Benin | CY | Cyprus |
| BD | Bermuda | EZ | Czech Republic |
| BT | Bhutan | DA | Denmark |
| BL | Bolivia | DJ | Djibouti |
| BK | Bosnia-Herzegovina | DO | Dominica |
| BC | Botswana | DR | Dominican Republic |
| BV | Bouvet Island | TT | East Timor |
| BR | Brazil | EC | Ecuador |
| IO | British Indian Ocean Territory | EG | Egypt |
| VI | British Virgin Islands | ES | El Salvador |

| | | | |
|----|-----------------------------------|----|--|
| BX | Brunei | EK | Equatorial Guinea |
| BU | Bulgaria | ER | Eritrea |
| UV | Burkina Faso | EN | Estonia |
| ET | Ethiopia | IR | Iran |
| EU | Europe Island Territory | IZ | Iraq |
| FK | Falkland Islands (Islas Malvinas) | EI | Ireland |
| FO | Faroe Islands | IS | Israel |
| FM | Federated States of Micronesia | IT | Italy |
| FJ | Fiji | JM | Jamaica |
| FI | Finland | JN | JanMayen |
| FR | France | JA | Japan |
| FG | French Guinea | DQ | Jarvis Island |
| FP | French Polynesia | JE | Jersey |
| FS | French Southern & Antarctic Lands | JQ | Johnston Atoll |
| GB | Gabon | JO | Jordan |
| GA | The Gambia | JU | Juan de Nova Island |
| GZ | Gaza Strip | KZ | Kazakhstan |
| GG | Georgia | KE | Kenya |
| GM | Germany | KQ | Kingman Reef |
| GH | Ghana | KR | Kiribati |
| GI | Gibraltar | KN | Korea, Democratic People's Republic of (North) |
| GO | Glorioso Islands | KS | Korea, Republic of (South) |
| GR | Greece | KU | Kuwait |
| GL | Greenland | KG | Kyrgyzstan |
| GJ | Grenada | LA | Laos |
| GP | Guadeloupe | LG | Latvia |
| GQ | Guam | LE | Lebanon |
| GT | Guatemala | LT | Lesotho |
| GK | Guernsey | LI | Liberia |
| GV | Guinea | LY | Libya |
| PU | Guinea-Bissau | LS | Liechtenstein |
| GY | Guyana | LH | Lithuania |
| HA | Haiti | LU | Luxembourg |
| HM | Heard Island & McDonald Islands | MC | Macau |
| HO | Honduras | MK | Macedonia |
| HK | Hong Kong | MA | Madagascar |
| HQ | Howland Island | MI | Malawi |
| HU | Hungary | MY | Malaysia |

| | | | |
|----|--------------------------------|----|--|
| IC | Iceland | MV | Maldives |
| IN | India | ML | Mali |
| ID | Indonesia | MT | Malta |
| IM | Man, Isle of | PP | Papua-New Guinea |
| RM | Marshall Islands | PF | Paracel Islands |
| MB | Martinique | PA | Paraguay |
| MR | Mauritania | PE | Peru |
| MP | Mauritius | RP | Philippines |
| MF | Mayotte | PC | Pitcairn Islands |
| MX | Mexico | PL | Poland |
| MQ | Midway Islands | PO | Portugal |
| MD | Moldova | RQ | Puerto Rico |
| MN | Monaco | QA | Qatar |
| MG | Mongolia | RE | Reunion |
| MH | Montserrat | RO | Romania |
| MO | Morocco | RS | Russia |
| MZ | Mozambique | RW | Rwanda |
| WA | Namibia | WS | Samoa (Western) |
| NR | Nauru | SM | San Marino |
| BQ | Navassa Island | TP | Sao Tome and Principe |
| NP | Nepal | SA | Saudi Arabia |
| NL | Netherlands | SG | Senegal |
| NT | Netherlands Antilles | SE | Seychelles |
| NC | New Caledonia | SL | Sierra Leone |
| NZ | New Zealand | SN | Singapore |
| NU | Nicaragua | LO | Slovakia |
| NG | Niger | SI | Slovenia |
| NI | Nigeria | BP | Solomon Islands |
| NE | Niue | SO | Somalia |
| NF | Norfolk Island | SF | South Africa |
| CQ | Northern Mariana Island | SX | South Georgia & The South Sandwich Islands |
| NO | Norway | SP | Spain |
| MU | Oman | PG | Spratly Islands |
| OC | Other Countries | CE | Sri Lanka |
| PK | Pakistan | SH | St. Helena |
| LQ | Palmyra | SC | St. Kitts & Nevis |
| PS | Palau | ST | St. Lucia Island |
| PM | Panama | SB | St. Pierre & Miquelon |
| VC | St. Vincent and the Grenadines | TV | Tuvalu |
| SU | Sudan | UG | Uganda |
| NS | UP | | Ukraine |

| | | | |
|----|--------------------------|----|---|
| SV | Svalbard | TC | United Arab Emirates |
| WZ | Swaziland | UK | United Kingdom (England, Northern Ireland, Scotland, and Wales) |
| SW | Sweden | UC | Unknown Country |
| SZ | Switzerland | UY | Uruguay |
| SY | Syria | UZ | Uzbekistan |
| TW | Taiwan | NH | Vanuatu |
| TI | Tajikistin | VT | Vatican City |
| TZ | Tanzania | VE | Venezuela |
| TH | Thailand | VM | Vietnam |
| TO | Togo | VQ | Virgin Islands (US) |
| TL | Tokelau | WQ | Wake Island |
| TN | Tonga | WF | Wallis & Futuna |
| TD | Trinidad & Tobago | WE | West Bank |
| TE | Tromelin Island | WI | Western Sahara |
| TS | Tunisia | YM | Yemen (Aden) |
| TU | Turkey | YO | Yugoslavia |
| TX | Turkmenistan | ZA | Zambia |
| TK | Turks and Caicos Islands | ZI | Zimbabwe |

EXHIBIT 3**VALID EINS AND NAME CONTROLS**

| For 1065 | Name Control | Tax Period Ending Month |
|-----------------|---------------------|--------------------------------|
| 69-0000001 | SAMS | 12 |
| 69-0000002 | JENN | 12 |
| 69-0000003 | CARL | 12 |
| 69-0000004 | EAST | 12 |
| 69-0000005 | SHOE | 12 |

| For 1065-B | Name Control | Tax Period Ending Month |
|-------------------|---------------------|--------------------------------|
| 69-0000006 | ABCO | 12 |
| 69-0000007 | ABCC | 12 |
| 69-0000008 | BLAC | 12 |

After you have passed testing using the test scenarios in this Publication, you can use the following EINs and Name Controls for subsequent testing:

Form 1065:

| EIN | Name Control | | EIN | Name Control |
|------------|---------------------|--|------------|---------------------|
| 69-1000009 | BROW | | 69-1000022 | BROW |
| 69-1000010 | BROW | | 69-1000023 | BROW |
| 69-1000011 | BROW | | 69-1000024 | BROW |
| 69-1000012 | BROW | | 69-1000025 | BROW |
| 69-1000013 | BROW | | 69-1000026 | BROW |
| 69-1000014 | BROW | | 69-1000027 | BROW |
| 69-1000015 | BROW | | 69-1000028 | BROW |
| 69-1000016 | BROW | | 69-1000029 | BROW |
| 69-1000017 | BROW | | 69-1000030 | BROW |
| 69-1000018 | BROW | | 69-1000031 | BROW |
| 69-1000019 | BROW | | 69-1000032 | BROW |
| 69-1000020 | BROW | | 69-1000033 | BROW |
| 69-1000021 | BROW | | | |

Form 1065-B:

| EIN | Name Control |
|------------|---------------------|
| 69-1000034 | BROW |
| 69-1000035 | BROW |
| 69-1000036 | BROW |
| 69-1000037 | BROW |
| 69-1000038 | BROW |

**Exhibit 4 Tax Year 2010 1065/1065-B Test
Scenarios**

TAX YEAR 2010 1065/1065-B TEST SCENARIOS

1. 1065, 4562 (2), 4797, 8825, 8844, 8882, 1065 SCH K-1 (27), Form 8453-PE, Schedule M-3, Schedule C

ATTACHMENTS:

Itemized Other Deductions Statement
Other Credits and Credit Recapture Statement
Schedule L Other Assets Statement
Schedule L Other Current Liabilities Statement

BINARY ATTACHMENTS: Scanned Form 8453-PE (8453 Signature Document)

NOTE: Please use the same data for the additional twenty four (24) Schedule K-1s, but increment the entity information as follows:

EIN: 001-06-1001

Name: Taxpayer A1

Address: PO Box 0001

EIN: 001-06-1002

Name: Taxpayer A2

Address: PO Box 0002

EIN: 001-06-1003

Name: Taxpayer A3

Address: PO Box 0003

2. 1065, 4562, 4797, 8824, 8925, 1065 SCH K-1 (2), Form 8453-PE, 1065 SCH B-1

ATTACHMENTS:

Self-Charged Itemized Other
Deductions Statement
Inventoriable Cost Paid Schedule

BINARY ATTACHMENTS: Scanned Form 8453-PE

3. 1065, Schedule M-3 (Form 1065) 4562, 8865, 1065 SCH K-1 (3), 8865, 8865 SCH O, 1065 SCH B-1, 1065 SCH C

ATTACHMENTS:

Ordinary Income (Loss) From Other Partnerships, Estates, and Trusts Statement
Other Income (Loss) Statement
Itemized Other Deductions Statement
Section 754 Election
Income (Loss) From Foreign Partnerships Schedule

BINARY ATTACHMENTS: None

4. 1065, 4562, 4797, 8308, 1065 Sch D, 1065 Sch K-1 (3), 1065 Sch B-1, Form 8453-PE, Schedule M-3, Schedule C

ATTACHMENTS:

Other Income (Loss) Statement
Itemized Other Deductions Statement
Itemized Section 263A Costs Schedule
Inventoriable Costs Paid Schedule
Section 754 Election
Partnership's Charitable Contributions Statement
Schedule L Other Current Assets Statement
Schedule L Other Assets Statement
Schedule L Other Current Liabilities Statement
Other Cost Statement
Other AMT Items Statement

BINARY ATTACHMENTS: Scanned Form 8453-PE (8453 Signature Document)

5. 1065, 4562 (3), 4797, 6252 (2), 8825, 1065 Sch K-1 (4), Sch F (Form 1040), Form 8453-PE, Schedule M-3, Schedule C

ATTACHMENTS:

Ordinary Income (Loss) From Other Partnerships, Estates, and Trusts Statement
Other Income (Loss) Statement
Itemized Other Deductions Statement
Schedule L Other Current Assets Statement
Schedule L Other Current Liabilities Statement

BINARY ATTACHMENTS: Scanned Form 8453-PE (8453 Signature Document)

6. 1065-B, 4797, 1065-B SCH K-1 (2), Form 8453-B

ATTACHMENTS:

Itemized Other Deductions Schedule
Inventoriable Costs Paid Schedule
Schedule L Other Current Assets Statement
Income Expenses Recorded on Books Not on Schedule K Statement
Itemized Deductions Not Charged Against Books Statement

BINARY ATTACHMENTS: Scanned Form 8453-B (8453 Signature Document)

7. 1065-B, 4562 (2), 8825, 1065-B SCH K-1 (2), Form 8453-B, Schedule M-3, Schedule C

ATTACHMENTS:

Itemized Other Deductions Schedule
Qualified Nonrecourse Financing Statement
Miscellaneous Item Statement

BINARY ATTACHMENTS: Scanned Form 8453-B (8453 Signature Document)

8. 1065-B, 8308, 1065-B SCH K-1 (75), Schedule M-3, Schedule C

ATTACHMENTS:

Itemized Other Deductions Schedule

BINARY ATTACHMENTS: None

NOTE: Please use the same data for the additional seventy four (74) Schedule K-1s, but increment the entity information as follows:

EIN: 001-06-2001
Name: Taxpayer B1
Address: PO Box
0001

EIN: 001-06-2002
Name: Taxpayer B2
Address: PO Box
0002

EIN: 001-06-2003
Name: Taxpayer B3
Address: PO Box
0003

9. K-1 Aggregator Testing – same forms and attachments as Test Scenario #1

10. K-1 Aggregator Testing – same forms and attachments as Test Scenario #3

TEST SCENARIO 1

FORMS REQUIRED:

1065, 4562 (2), 4797, 8825, 8844, 8882, 1065 SCH K-1 (27), Form 8453-PE, DEPENDENCIES, Schedule M-3, Schedule C

ATTACHMENTS:

Itemized Other Deductions Statement
Other Credits and Credit Recapture Statement
Schedule L Other Assets Statement
Schedule L Other Current Liabilities Statement

BINARY ATTACHMENTS: Scanned Form 8453-PE (8453 Signature Document)

HEADER INFO:

Tax Period: Calendar Year 2010

Preparer Firm: **Electronic Tax Filers, Inc** **69-0000098**
 1065 Efile Drive
 Anytown, NV 89501

IP Address: 110.110.110

Multiple Software Packages Used: Yes or No

Originator: **EFIN: Self-select**
 Type: ERO
 Practitioner PIN: None

 PIN Entered by – N/A

Signature Option: Binary Attachment 8453 Signature Document

Return Type: 1065

Filer: **EIN: 69-0000001**
 Name: Sam Starling LLP
 Name Control: SAMS
 Address: 631 N McKinley Dr
 Reno, NV 89510

Partner: **Name: Sam Starling**
 Title: President
 Taxpayer PIN:
 Phone: 555-555-5555
 Email Address: Anymail@email.com
 Date Signed: 04/01/2011

Preparer: **Name: Jesse James**
 PTIN: P00000001
 Phone: 555-631-1212
 Email Address: Anymail@email.com
 Date Prepared: 04/01/2011

Self Employed: No

IRS PAYMENT: N/A

Details for attachments to Form

Itemized Other Deductions Statement (Form 1065, Page 1, Line 20)

| | |
|---------------------------------|-------------------|
| Travel and Entertainment | 5,600,000 |
| Other | 28,750,000 |
| Utilities | 10,000,000 |
| Fees | 6,387,848 |

Other Credits and Credit Recapture Statement (Form 1065, Page 4, Schedule K, Line 15f)

| | |
|--------------------|---------------|
| Childcare | 35,600 |
| Empowerment | 40,000 |

Schedule L Other Assets Statement (Form 1065, Page 5, Schedule L, Line 13b and 13d)

| Type | BOY Amount | EOY Amount |
|--------------------------|-------------------|-------------------|
| Client Receivable | 7,148,515 | 10,916,115 |
| Other | 6,030,400 | 4,227,867 |

Schedule L Other Current Liabilities Statement (Form 1065, Page 5, Schedule L, Line 17b and 17d)

| Type | BOY Amount | EOY Amount |
|----------------------------------|-------------------|-------------------|
| Other Current Liabilities | 2,315,178 | 4,138,515 |
| Other Accrued Liabilities | 3,162,974 | 2,045,400 |

69-0000001
U.S. Return of Partnership Income

OMB No. 1545-0099

For calendar year 2010, or tax year beginning _____, 2010, ending _____, 20_____
 ▶ See separate instructions.

2010

| | | | |
|---|---|---|--|
| A Principal business activity Legal Services | Use the IRS label. Otherwise, print or type. | Name of partnership Sam Starling, LLP | D Employer identification number 69-0000001 |
| B Principal product or service Legal Services | | Number, street, and room or suite no. If a P.O. box, see the instructions. 631 N McKinley Street | E Date business started 10/01/1977 |
| C Business code number 541110 | | City or town, state, and ZIP code Reno, NV 89510 | F Total assets (see the instructions) \$ 108,367,919 |

- G** Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return
 (6) Technical termination - also check (1) or (2)
- H** Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶ _____
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ _____ 27
- J** Check if Schedules C and M-3 are attached

Caution. Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

| | | | | | | |
|--|---|------------|-------------|-----------|-------------|-------------|
| Income | 1a Gross receipts or sales | 1a | 323,455,613 | | | |
| | b Less returns and allowances | 1b | | | 1c | 323,455,613 |
| | 2 Cost of goods sold (Schedule A, line 8) | | | | 2 | |
| | 3 Gross profit. Subtract line 2 from line 1c | | | | 3 | 323,455,613 |
| | 4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) | | | | 4 | |
| | 5 Net farm profit (loss) (attach Schedule F (Form 1040)) | | | | 5 | |
| | 6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | | 6 | 10,000 |
| | 7 Other income (loss) (attach statement) | | | | 7 | |
| 8 Total income (loss). Combine lines 3 through 7 | | | | 8 | 323,465,613 | |
| Deductions (see the instructions for limitations) | 9 Salaries and wages (other than to partners) (less employment credits) | | | | 9 | 110,535,025 |
| | 10 Guaranteed payments to partners | | | | 10 | 22,675,031 |
| | 11 Repairs and maintenance | | | | 11 | 2,042,164 |
| | 12 Bad debts | | | | 12 | |
| | 13 Rent | | | | 13 | 25,922,173 |
| | 14 Taxes and licenses | | | | 14 | 12,226,452 |
| | 15 Interest | | | | 15 | 14,622 |
| | 16a Depreciation (if required, attach Form 4562) | 16a | 7,292,891 | | | |
| | b Less depreciation reported on Schedule A and elsewhere on return | 16b | 18,275 | | 16c | 7,274,616 |
| | 17 Depletion (Do not deduct oil and gas depletion.) | | | | 17 | |
| | 18 Retirement plans, etc. | | | | 18 | 4,255,918 |
| | 19 Employee benefit programs | | | | 19 | 7,100,361 |
| | 20 Other deductions (attach statement) | | | | 20 | 50,737,848 |
| | 21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20 | | | | 21 | 242,784,210 |
| 22 Ordinary business income (loss). Subtract line 21 from line 8 | | | | 22 | 80,681,403 | |

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member manager: _____ Date: 04/01/2011

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer's Use Only

Preparer's signature: Jesse James Date: _____
 Check if self-employed PTIN: P00000001
 Firm's name (or yours if self-employed), address, and ZIP code: ELECTRIC TAX FILERS INC
 1065 EFILE DRIVE, ANYTOWN, NV 89501 EIN: 69-0000098
 Phone no. 555-631-1212

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11390Z

Form **1065** (2010)

Schedule A Cost of Goods Sold (see the instructions)

| | | | | |
|----------|--|----------|--|--|
| 1 | Inventory at beginning of year | 1 | | |
| 2 | Purchases less cost of items withdrawn for personal use | 2 | | |
| 3 | Cost of labor | 3 | | |
| 4 | Additional section 263A costs (<i>attach statement</i>) | 4 | | |
| 5 | Other costs (<i>attach statement</i>) | 5 | | |
| 6 | Total. Add lines 1 through 5 | 6 | | |
| 7 | Inventory at end of year | 7 | | |
| 8 | Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2 | 8 | | |

9a Check all methods used for valuing closing inventory:

- (i) Cost as described in Regulations section 1.471-3
- (ii) Lower of cost or market as described in Regulations section 1.471-4
- (iii) Other (specify method used and attach explanation) ▶

- b** Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) . . . ▶
- c** Check this box if the LIFO inventory method was adopted this tax year for any goods (*if checked, attach Form 970*) . . ▶
- d** Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? **Yes** **No**
- e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? . . **Yes** **No**
If "Yes," attach explanation.

Schedule B Other Information

| | | Yes | No |
|----------|---|-----|----|
| 1 | What type of entity is filing this return? Check the applicable box: | | |
| a | <input type="checkbox"/> Domestic general partnership | | |
| b | <input type="checkbox"/> Domestic limited partnership | | |
| c | <input type="checkbox"/> Domestic limited liability company | | |
| d | <input checked="" type="checkbox"/> Domestic limited liability partnership | | |
| e | <input type="checkbox"/> Foreign partnership | | |
| f | <input type="checkbox"/> Other ▶ | | |
| 2 | At any time during the tax year, was any partner in the partnership a disregarded entity, a partnership (including an entity treated as a partnership), a trust, an S corporation, an estate (other than an estate of a deceased partner), or a nominee or similar person? | X | |
| 3 | At the end of the tax year: | | |
| a | Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership | | X |
| b | Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership | | X |
| 4 | At the end of the tax year, did the partnership: | | |
| a | Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below | | X |

| (i) Name of Corporation | (ii) Employer Identification Number (if any) | (iii) Country of Incorporation | (iv) Percentage Owned in Voting Stock |
|-------------------------|--|--------------------------------|---------------------------------------|
| | | | |
| | | | |
| | | | |
| | | | |

- b** Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below **Yes** **No**

| (i) Name of Entity | (ii) Employer Identification Number (if any) | (iii) Type of Entity | (iv) Country of Organization | (v) Maximum Percentage Owned in Profit, Loss, or Capital |
|--------------------|--|----------------------|------------------------------|--|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| | | Yes | No |
|------------|---|-----|----|
| 5 | Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details | | X |
| 6 | Does the partnership satisfy all four of the following conditions? | | |
| a | The partnership's total receipts for the tax year were less than \$250,000. | | |
| b | The partnership's total assets at the end of the tax year were less than \$1 million. | | |
| c | Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. | | |
| d | The partnership is not filing and is not required to file Schedule M-3 If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item L on Schedule K-1. | | X |
| 7 | Is this partnership a publicly traded partnership as defined in section 469(k)(2)? | | X |
| 8 | During the tax year, did the partnership have any debt that was cancelled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt? | | X |
| 9 | Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction? | | X |
| 10 | At any time during calendar year 2010, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If "Yes," enter the name of the foreign country. ► | | X |
| 11 | At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. See instructions | | X |
| 12a | Is the partnership making, or had it previously made (and not revoked), a section 754 election? See instructions for details regarding a section 754 election. | | X |
| b | Did the partnership make for this tax year an optional basis adjustment under section 743(b) or 734(b)? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions | | X |
| c | Is the partnership required to adjust the basis of partnership assets under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions. | | X |
| 13 | Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than entities wholly-owned by the partnership throughout the tax year) <input type="checkbox"/> | | |
| 14 | At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property? | | X |
| 15 | If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, enter the number of Forms 8858 attached. See instructions ► | | |
| 16 | Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership. ► 1 | X | |
| 17 | Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ► | | |

Designation of Tax Matters Partner (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

| | | | |
|---|-----------------------------------|---------------------------|----------------|
| Name of designated TMP | ► Barton Mefiler | Identifying number of TMP | ► 000-01-0001 |
| If the TMP is an entity, name of TMP representative | ► Barton and Jenkins Enterprise | Phone number of TMP | ► 555-555-1212 |
| Address of designated TMP | ► RR 510 W Anchorare, AK 99502 | | |

| Schedule K Partners' Distributive Share Items | | Total amount | |
|---|--|--------------|------------|
| Income (Loss) | 1 Ordinary business income (loss) (page 1, line 22) | 1 | 80,681,403 |
| | 2 Net rental real estate income (loss) (attach Form 8825) | 2 | 203,125 |
| | 3a Other gross rental income (loss) | 3a | |
| | b Expenses from other rental activities (attach statement) | 3b | |
| | c Other net rental income (loss). Subtract line 3b from line 3a | 3c | |
| | 4 Guaranteed payments | 4 | 22,675,031 |
| | 5 Interest income | 5 | 92,650 |
| | 6 Dividends: a Ordinary dividends | 6a | |
| | b Qualified dividends | 6b | |
| | 7 Royalties | 7 | |
| | 8 Net short-term capital gain (loss) (attach Schedule D (Form 1065)) | 8 | |
| 9a Net long-term capital gain (loss) (attach Schedule D (Form 1065)) | 9a | | |
| b Collectibles (28%) gain (loss) | 9b | | |
| c Unrecaptured section 1250 gain (attach statement) | 9c | | |
| 10 Net section 1231 gain (loss) (attach Form 4797) | 10 | | |
| 11 Other income (loss) (see instructions) Type ▶ | 11 | | |
| Deductions | 12 Section 179 deduction (attach Form 4562) | 12 | |
| | 13a Contributions | 13a | |
| | b Investment interest expense | 13b | |
| | c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶ | 13c(2) | |
| d Other deductions (see instructions) Type ▶ | 13d | | |
| Self-Employment | 14a Net earnings (loss) from self-employment | 14a | 55,024,842 |
| | b Gross farming or fishing income | 14b | |
| | c Gross nonfarm income | 14c | 55,024,842 |
| Credits | 15a Low-income housing credit (section 42(j)(5)) | 15a | |
| | b Low-income housing credit (other) | 15b | |
| | c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468) | 15c | |
| | d Other rental real estate credits (see instructions) Type ▶ | 15d | |
| | e Other rental credits (see instructions) Type ▶ | 15e | |
| | f Other credits (see instructions) Type ▶ | 15f | 75,600 |
| Foreign Transactions | 16a Name of country or U.S. possession ▶ | | |
| | b Gross income from all sources | 16b | |
| | c Gross income sourced at partner level | 16c | |
| | Foreign gross income sourced at partnership level | | |
| | d Passive category ▶ e General category ▶ f Other ▶ | 16f | |
| | Deductions allocated and apportioned at partner level | | |
| | g Interest expense ▶ h Other ▶ | 16h | |
| | Deductions allocated and apportioned at partnership level to foreign source income | | |
| | i Passive category ▶ j General category ▶ k Other ▶ | 16k | |
| l Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/> | 16l | | |
| m Reduction in taxes available for credit (attach statement) | 16m | | |
| n Other foreign tax information (attach statement) | | | |
| Alternative Minimum Tax (AMT) Items | 17a Post-1986 depreciation adjustment | 17a | 199,456 |
| | b Adjusted gain or loss | 17b | |
| | c Depletion (other than oil and gas) | 17c | |
| | d Oil, gas, and geothermal properties—gross income | 17d | |
| | e Oil, gas, and geothermal properties—deductions | 17e | |
| | f Other AMT items (attach statement) | 17f | |
| Other Information | 18a Tax-exempt interest income | 18a | |
| | b Other tax-exempt income | 18b | |
| | c Nondeductible expenses | 18c | 775,128 |
| | 19a Distributions of cash and marketable securities | 19a | 75,140,310 |
| | b Distributions of other property | 19b | |
| | 20a Investment income | 20a | 92,650 |
| | b Investment expenses | 20b | |
| c Other items and amounts (attach statement) | | | |

Analysis of Net Income (Loss)

| | | | | | | | |
|---|---|--------------------------|----------------------------|------------------|-------------------------|--------------------|-------------|
| 1 | Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l | | | | | 1 | 103,652,209 |
| 2 | Analysis by partner type: | | | | | | |
| | (i) Corporate | (ii) Individual (active) | (iii) Individual (passive) | (iv) Partnership | (v) Exempt organization | (vi) Nominee/Other | |
| a | General partners | | | 55,065,902 | | | |
| b | Limited partners | | 48,586,307 | | | | |

| Schedule L Balance Sheets per Books | | Beginning of tax year | | End of tax year | |
|-------------------------------------|---|-----------------------|------------|-----------------|-------------|
| | | (a) | (b) | (c) | (d) |
| Assets | | | | | |
| 1 | Cash | | 15,374,582 | | 41,036,739 |
| 2a | Trade notes and accounts receivable | | | | |
| b | Less allowance for bad debts | | | | |
| 3 | Inventories | | | | |
| 4 | U.S. government obligations | | | | |
| 5 | Tax-exempt securities | | | | |
| 6 | Other current assets (attach statement) | | | | |
| 7 | Mortgage and real estate loans | | | | |
| 8 | Other investments (attach statement) | | | | |
| 9a | Buildings and other depreciable assets | 64,937,028 | | 79,134,516 | |
| b | Less accumulated depreciation | 32,123,456 | 32,813,572 | 26,947,318 | 52,187,198 |
| 10a | Depletable assets | | | | |
| b | Less accumulated depletion | | | | |
| 11 | Land (net of any amortization) | | | | |
| 12a | Intangible assets (amortizable only) | | | | |
| b | Less accumulated amortization | | | | |
| 13 | Other assets (attach statement) | | 13,178,915 | | 15,143,982 |
| 14 | Total assets | | 61,367,069 | | 108,367,919 |
| Liabilities and Capital | | | | | |
| 15 | Accounts payable | | | | |
| 16 | Mortgages, notes, bonds payable in less than 1 year | | | | |
| 17 | Other current liabilities (attach statement) | | 5,478,152 | | 6,183,915 |
| 18 | All nonrecourse loans | | 11,000,000 | | 11,000,000 |
| 19 | Mortgages, notes, bonds payable in 1 year or more | | | | |
| 20 | Other liabilities (attach statement) | | | | |
| 21 | Partners' capital accounts | | 44,888,917 | | 91,184,004 |
| 22 | Total liabilities and capital | | 61,367,069 | | 108,367,919 |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

| | | | | | |
|---|--|--|---|---|--|
| 1 | Net income (loss) per books | | 6 | Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize): | |
| 2 | Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize): | | a | Tax-exempt interest \$ | |
| 3 | Guaranteed payments (other than health insurance) | | 7 | Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize): | |
| 4 | Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize): | | a | Depreciation \$ | |
| a | Depreciation \$ | | | | |
| b | Travel and entertainment \$ | | 8 | Add lines 6 and 7 | |
| 5 | Add lines 1 through 4 | | 9 | Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5 | |

Schedule M-2 Analysis of Partners' Capital Accounts

| | | | | | |
|---|------------------------------|-------------|---|---|------------|
| 1 | Balance at beginning of year | 44,888,917 | 6 | Distributions: a Cash | 75,140,310 |
| 2 | Capital contributed: a Cash | | b | Property | |
| | b Property | | 7 | Other decreases (itemize): | |
| 3 | Net income (loss) per books | 121,435,397 | | | |
| 4 | Other increases (itemize): | | 8 | Add lines 6 and 7 | 75,140,310 |
| 5 | Add lines 1 through 4 | 166,324,314 | 9 | Balance at end of year. Subtract line 8 from line 5 | 91,184,004 |

Form **4562**

Depreciation and Amortization (Including Information on Listed Property)

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

2010
Attachment
Sequence No. **67**

Name(s) shown on return
Sam Starling, LLP

Business or activity to which this form relates
Legal Services

Identifying number
69-0000001

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

| | | | |
|----|---|------------------------------|------------------|
| 1 | Maximum amount. See the instructions for a higher limit for certain businesses | 1 | \$250,000 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 | |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 | \$800,000 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 | |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 | |
| 6 | (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
| 7 | Listed property. Enter the amount from line 29 | 7 | |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 | |
| 9 | Tentative deduction. Enter the smaller of line 5 or line 8 | 9 | |
| 10 | Carryover of disallowed deduction from line 13 of your 2009 Form 4562 | 10 | |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions) | 11 | |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 | 12 | |
| 13 | Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12 ▶ | 13 | |

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

| | | | |
|----|---|----|-----------|
| 14 | Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) | 14 | 3,258,175 |
| 15 | Property subject to section 168(f)(1) election | 15 | |
| 16 | Other depreciation (including ACRS) | 16 | 6,25,392 |

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

| | | | |
|----|--|----|-----------|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2010 | 17 | 2,745,142 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ <input type="checkbox"/> | | |

Section B – Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

| (a) Classification of property | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only—see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|--------------------------------|--------------------------------------|--|---------------------|----------------|------------|----------------------------|
| 19a | 3-year property | | | | | |
| b | 5-year property | 1,428,700 | 5 | HY | DB | 285,740 |
| c | 7-year property | 2,275,000 | 7 | HY | DB | 325,098 |
| d | 10-year property | | | | | |
| e | 15-year property | | | | | |
| f | 20-year property | | | | | |
| g | 25-year property | | 25 yrs. | | S/L | |
| h | Residential rental property | | 27.5 yrs. | MM | S/L | |
| i | Nonresidential real property | 1,425,000 | 39 | MM | S/L | 35,069 |

Section C – Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

| | | | | | | |
|-----|------------|--|---------|----|-----|--|
| 20a | Class life | | | | S/L | |
| b | 12-year | | 12 yrs. | | S/L | |
| c | 40-year | | 40 yrs. | MM | S/L | |

Part IV Summary (See instructions.)

| | | | |
|----|---|----|-----------|
| 21 | Listed property. Enter amount from line 28 | 21 | |
| 22 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions | 22 | 7,274,616 |
| 23 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs | 23 | |

Form 4562 (2010)

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No 24b If "Yes," is the evidence written? Yes No

Table with 10 columns: (a) Type of property, (b) Date placed in service, (c) Business/investment use percentage, (d) Cost or other basis, (e) Basis for depreciation, (f) Recovery period, (g) Method/Convention, (h) Depreciation deduction, (i) Elected section 179 cost. Includes rows 25-29.

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

Table with 6 columns: (a) Vehicle 1, (b) Vehicle 2, (c) Vehicle 3, (d) Vehicle 4, (e) Vehicle 5, (f) Vehicle 6. Includes rows 30-36.

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

Table with 2 columns: Yes, No. Includes rows 37-41.

Part VI Amortization

Table with 6 columns: (a) Description of costs, (b) Date amortization begins, (c) Amortizable amount, (d) Code section, (e) Amortization period or percentage, (f) Amortization for this year. Includes rows 42-44.

Form **4562**

Depreciation and Amortization (Including Information on Listed Property)

2010
Attachment
Sequence No. **67**

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

Name(s) shown on return
Sam Starling, LLP

Business or activity to which this form relates
Rental

Identifying number
69-0000001

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

| | | | |
|----|---|------------------------------|------------------|
| 1 | Maximum amount. See the instructions for a higher limit for certain businesses | 1 | \$250,000 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 | |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 | \$800,000 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 | |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 | |
| 6 | (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
| 7 | Listed property. Enter the amount from line 29 | 7 | |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 | |
| 9 | Tentative deduction. Enter the smaller of line 5 or line 8 | 9 | |
| 10 | Carryover of disallowed deduction from line 13 of your 2009 Form 4562 | 10 | |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions) | 11 | |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 | 12 | |
| 13 | Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12 ▶ | 13 | |

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

| | | | |
|----|---|----|--|
| 14 | Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) | 14 | |
| 15 | Property subject to section 168(f)(1) election | 15 | |
| 16 | Other depreciation (including ACRS) | 16 | |

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

| | | | |
|----|--|----|--------|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2010 | 17 | 18,275 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ <input type="checkbox"/> | | |

Section B—Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

| (a) Classification of property | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only—see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|--------------------------------|--------------------------------------|--|---------------------|----------------|------------|----------------------------|
| 19a | 3-year property | | | | | |
| b | 5-year property | | | | | |
| c | 7-year property | | | | | |
| d | 10-year property | | | | | |
| e | 15-year property | | | | | |
| f | 20-year property | | | | | |
| g | 25-year property | | 25 yrs. | | S/L | |
| h | Residential rental property | | 27.5 yrs. | MM | S/L | |
| | | | 27.5 yrs. | MM | S/L | |
| i | Nonresidential real property | | 39 yrs. | MM | S/L | |
| | | | | MM | S/L | |

Section C—Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

| | | | | | | |
|-----|------------|--|---------|----|-----|--|
| 20a | Class life | | | | S/L | |
| b | 12-year | | 12 yrs. | | S/L | |
| c | 40-year | | 40 yrs. | MM | S/L | |

Part IV Summary (See instructions.)

| | | | |
|----|---|----|--------|
| 21 | Listed property. Enter amount from line 28 | 21 | |
| 22 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions | 22 | 18,275 |
| 23 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs | 23 | |

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No 24b If "Yes," is the evidence written? Yes No

Table with 10 columns: (a) Type of property, (b) Date placed in service, (c) Business/investment use percentage, (d) Cost or other basis, (e) Basis for depreciation, (f) Recovery period, (g) Method/Convention, (h) Depreciation deduction, (i) Elected section 179 cost. Includes rows 25-29.

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

Table with 6 columns: (a) Vehicle 1, (b) Vehicle 2, (c) Vehicle 3, (d) Vehicle 4, (e) Vehicle 5, (f) Vehicle 6. Includes rows 30-36.

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

Table with 2 columns: Yes, No. Includes rows 37-41.

Part VI Amortization

Table with 6 columns: (a) Description of costs, (b) Date amortization begins, (c) Amortizable amount, (d) Code section, (e) Amortization period or percentage, (f) Amortization for this year. Includes rows 42-44.

69-0000001
Sales of Business Property
(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))
 ▶ Attach to your tax return. ▶ See separate instructions.

Name(s) shown on return: **Sam Starling, LLP** Identifying number: **69-0000001**

1 Enter the gross proceeds from sales or exchanges reported to you for 2010 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) **1**

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)

| 2 | (a) Description of property | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) | (d) Gross sales price | (e) Depreciation allowed or allowable since acquisition | (f) Cost or other basis, plus improvements and expense of sale | (g) Gain or (loss) Subtract (f) from the sum of (d) and (e) |
|---|-----------------------------|-----------------------------------|-------------------------------|-----------------------|---|--|---|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

3 Gain, if any, from Form 4684, line 42 **3**
4 Section 1231 gain from installment sales from Form 6252, line 26 or 37 **4**
5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824 **5**
6 Gain, if any, from line 32, from other than casualty or theft. **6**
7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: **7**

Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.
Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.

8 Nonrecaptured net section 1231 losses from prior years (see instructions) **8**
9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions) **9**

Part II Ordinary Gains and Losses (see instructions)

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | | | | |
| | | | | | | |
| | | | | | | |

11 Loss, if any, from line 7 **11** ()
12 Gain, if any, from line 7 or amount from line 8, if applicable **12**
13 Gain, if any, from line 31 **13** 10,000
14 Net gain or (loss) from Form 4684, lines 34 and 41a **14**
15 Ordinary gain from installment sales from Form 6252, line 25 or 36 **15**
16 Ordinary gain or (loss) from like-kind exchanges from Form 8824. **16**
17 Combine lines 10 through 16 **17** 10,000

18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:
a If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions **18a**
b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14 **18b**

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255
(see instructions)

| 19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property: | | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) | | |
|---|---|--------------------------------------|----------------------------------|------------|------------|
| A Furniture and Fixtures | | 10/01/2009 | 01/19/2010 | | |
| B | | | | | |
| C | | | | | |
| D | | | | | |
| These columns relate to the properties on lines 19A through 19D. ▶ | | Property A | Property B | Property C | Property D |
| 20 | Gross sales price (Note: See line 1 before completing.) | 20 | 10,000 | | |
| 21 | Cost or other basis plus expense of sale | 21 | 10,000 | | |
| 22 | Depreciation (or depletion) allowed or allowable. | 22 | 10,000 | | |
| 23 | Adjusted basis. Subtract line 22 from line 21. | 23 | | | |
| 24 | Total gain. Subtract line 23 from line 20 | 24 | 10,000 | | |
| 25 If section 1245 property: | | | | | |
| a | Depreciation allowed or allowable from line 22 | 25a | 10,000 | | |
| b | Enter the smaller of line 24 or 25a | 25b | 10,000 | | |
| 26 If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291. | | | | | |
| a | Additional depreciation after 1975 (see instructions) | 26a | | | |
| b | Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions) | 26b | | | |
| c | Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e | 26c | | | |
| d | Additional depreciation after 1969 and before 1976. | 26d | | | |
| e | Enter the smaller of line 26c or 26d | 26e | | | |
| f | Section 291 amount (corporations only) | 26f | | | |
| g | Add lines 26b, 26e, and 26f. | 26g | | | |
| 27 If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership). | | | | | |
| a | Soil, water, and land clearing expenses | 27a | | | |
| b | Line 27a multiplied by applicable percentage (see instructions) | 27b | | | |
| c | Enter the smaller of line 24 or 27b | 27c | | | |
| 28 If section 1254 property: | | | | | |
| a | Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion (see instructions) | 28a | | | |
| b | Enter the smaller of line 24 or 28a | 28b | | | |
| 29 If section 1255 property: | | | | | |
| a | Applicable percentage of payments excluded from income under section 126 (see instructions) | 29a | | | |
| b | Enter the smaller of line 24 or 29a (see instructions) | 29b | | | |

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

| | | | |
|----|---|----|--------|
| 30 | Total gains for all properties. Add property columns A through D, line 24 | 30 | 10,000 |
| 31 | Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13 | 31 | 10,000 |
| 32 | Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 36. Enter the portion from other than casualty or theft on Form 4797, line 6 | 32 | |

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(see instructions)

| | | (a) Section 179 | (b) Section 280F(b)(2) |
|----|---|-----------------|------------------------|
| 33 | Section 179 expense deduction or depreciation allowable in prior years. | 33 | |
| 34 | Recomputed depreciation (see instructions) | 34 | |
| 35 | Recapture amount. Subtract line 34 from line 33. See the instructions for where to report | 35 | |

Rental Real Estate Income and Expenses of a Partnership or an S Corporation

▶ See instructions on back.

▶ Attach to Form 1065, Form 1065-B, or Form 1120S.

Name

Sam Starling, LLP

Employer identification number

69 | 0000001

1 Show the kind and location of each property. See page 2 to list additional properties.

- A** Rental
- B** _____
- C** _____
- D** _____

| | | Properties | | | |
|--|-----------|------------------|---|---|---|
| | | A | B | C | D |
| Rental Real Estate Income | | | | | |
| 2 Gross rents | 2 | 1,234,900 | | | |
| Rental Real Estate Expenses | | | | | |
| 3 Advertising | 3 | | | | |
| 4 Auto and travel | 4 | | | | |
| 5 Cleaning and maintenance | 5 | | | | |
| 6 Commissions | 6 | | | | |
| 7 Insurance | 7 | | | | |
| 8 Legal and other professional fees | 8 | | | | |
| 9 Interest | 9 | | | | |
| 10 Repairs | 10 | | | | |
| 11 Taxes | 11 | | | | |
| 12 Utilities | 12 | | | | |
| 13 Wages and salaries | 13 | | | | |
| 14 Depreciation (see instructions) | 14 | 18,275 | | | |
| 15 Other (list) ▶ | 15 | 1,013,500 | | | |
| _____ | | | | | |
| _____ | | | | | |
| 16 Total expenses for each property. Add lines 3 through 15 | 16 | 1,031,775 | | | |

| | | | |
|---|---|----------------------|--|
| 17 Total gross rents. Add gross rents from line 2, columns A through H | 17 | 1,234,900 | |
| 18 Total expenses. Add total expenses from line 16, columns A through H | 18 | (1,031,775) | |
| 19 Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities | 19 | | |
| 20a Net income (loss) from rental real estate activities from partnerships, estates, and trusts in which this partnership or S corporation is a partner or beneficiary (from Schedule K-1) | 20a | | |
| b Identify below the partnerships, estates, or trusts from which net income (loss) is shown on line 20a. Attach a schedule if more space is needed: | | | |
| (1) Name | (2) Employer identification number | | |
| _____ | _____ | | |
| _____ | _____ | | |
| _____ | _____ | | |
| 21 Net rental real estate income (loss). Combine lines 17 through 20a. Enter the result here and on: ● Form 1065 or 1120S: Schedule K, line 2, or ● Form 1065-B: Part I, line 4 | 21 | 203,125 | |

1 Show the kind and location of each property.

E -----

F -----

G -----

H -----

| | | Properties | | | | | | | |
|-----------|---|------------|--|---|--|---|--|---|--|
| | | E | | F | | G | | H | |
| 2 | Rental Real Estate Income | | | | | | | | |
| | Gross rents | 2 | | | | | | | |
| 3 | Rental Real Estate Expenses | | | | | | | | |
| | Advertising | 3 | | | | | | | |
| | Auto and travel | 4 | | | | | | | |
| | Cleaning and maintenance | 5 | | | | | | | |
| | Commissions | 6 | | | | | | | |
| | Insurance | 7 | | | | | | | |
| | Legal and other professional fees | 8 | | | | | | | |
| | Interest | 9 | | | | | | | |
| | Repairs | 10 | | | | | | | |
| | Taxes | 11 | | | | | | | |
| | Utilities | 12 | | | | | | | |
| | Wages and salaries | 13 | | | | | | | |
| | Depreciation (see instructions) | 14 | | | | | | | |
| | Other (list) ▶ ----- | 15 | | | | | | | |
| | ----- | | | | | | | | |
| | ----- | | | | | | | | |
| 16 | Total expenses for each property. Add lines 3 through 15 | 16 | | | | | | | |

Instructions

Section references are to the Internal Revenue Code.

What's New

The IRS will revise this December 2006 version of Form 8825 only when necessary. Continue to use this version of the form for tax years beginning after 2006 until a new revision is issued.

Purpose of form. Partnerships and S corporations use Form 8825 to report income and deductible expenses from rental real estate activities, including net income (loss) from rental real estate activities that flow through from partnerships, estates, or trusts.

Before completing this form, be sure to read:

- *Passive Activity Limitations* in the instructions for Form 1065 or Form 1120S, or *Passive Loss Limitation Activities* in the instructions for Form 1065-B, especially for the definition of "rental activity."
- *Extraterritorial Income Exclusion* in the instructions for Form 1065, 1065-B, or 1120S.

Specific Instructions. Form 8825 provides space for up to eight properties. If there are more than eight properties, attach additional Forms 8825.

The number of columns to be used for reporting income and expenses on this form may differ from the number of rental real estate activities the partnership or S corporation has for purposes of the passive activity limitations. For example, a partnership owns two apartment buildings, each located in a different city. For purposes of the passive activity limitations, the partnership grouped both buildings into a single activity. Although the partnership has only one rental real estate activity for purposes of the

passive activity limitations, it must report the income and deductions for each building in separate columns.

However, if the partnership or S corporation has more than one rental real estate activity for purposes of the passive activity limitations, attach a statement to Schedule K that reports the net income (loss) for each separate activity. Also, attach a statement to each Schedule K-1 that reports each partner's or shareholder's share of the net income (loss) by separate activity (except for limited partners in an electing large partnership). See *Passive Activity Reporting Requirements* in the instructions for Form 1065, Form 1065-B, or Form 1120S for additional information that must be provided for each activity.

Complete lines 1 through 16 for each property. But complete lines 17 through 21 on only one Form 8825. The figures on lines 17 and 18 should be the combined totals for all forms.

Do not report on Form 8825 any:

- Income or deductions from a trade or business activity or a rental activity other than rental real estate. These items are reported elsewhere.
- Portfolio income or deductions.
- Section 179 expense deduction.
- Other items that must be reported separately to the partners or shareholders.
- Commercial revitalization deductions.

Line 1. Show the kind of property rented out (for example, "apartment building"). Give the street address, city or town, and state.

Line 14. The partnership or S corporation may claim a depreciation deduction each year for

rental property (except for land, which is not depreciable). If the partnership or S corporation placed property in service during the current tax year or claimed depreciation on any vehicle or other listed property, complete and attach Form 4562, Depreciation and Amortization. See Form 4562 and its instructions to figure the depreciation deduction.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: Recordkeeping, 6 hr., 27 min.; Learning about the law or the form, 34 min.; Preparing the form, 1 hr., 37 min.; Copying, assembling, and sending the form to the IRS, 16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

69-0000001
**Empowerment Zone and Renewal
 Community Employment Credit**

▶ **Attach to your tax return.**

| Name(s) shown on return | | Identifying number |
|--------------------------|---|--------------------|
| Sam Starling, LLP | | 69-0000001 |
| 1 | Enter the total qualified wages paid or incurred during calendar year 2009 only (see instructions) | |
| a | Qualified empowerment zone wages \$ <u>200,000</u> X 20% (.20) | 1a 40,000 |
| b | Qualified renewal community wages \$ _____ X 15% (.15) | 1b |
| 2 | Add lines 1a and 1b. See instructions for the adjustment you must make to salaries and wages | 2 40,000 |
| 3 | Empowerment zone and renewal community employment credit from partnerships, S corporations, cooperatives, estates, and trusts | 3 |
| 4 | Add lines 2 and 3. Partnerships and S corporations, report this amount on Schedule K; all others, go to line 5 | 4 40,000 |
| 5 | Empowerment zone and renewal community employment credit included on line 4 from passive activities (see instructions) | 5 |
| 6 | Subtract line 5 from line 4 | 6 |
| 7 | Passive activity credit allowed for 2009 (see instructions) | 7 |
| 8 | Carryforward of empowerment zone and renewal community employment credit to 2009 | 8 |
| 9 | Carryback of empowerment zone and renewal community employment credit from 2010 (see instructions) | 9 |
| 10 | Add lines 6 through 9. Cooperatives, estates, and trusts, go to line 11. All others, report this amount on Form 3800, line 24 | 10 |
| 11 | Amount allocated to the patrons of the cooperative or the beneficiaries of the estate or trust (see instructions) | 11 |
| 12 | Cooperatives, estates, and trusts. Subtract line 11 from line 10. Report this amount on Form 3800, line 24 | 12 |

**Credit for Employer-Provided Childcare
 Facilities and Services**

▶ Attach to your tax return.

| Name(s) shown on return | | Identifying number | |
|-------------------------|--|--------------------|--------|
| Sam Starling, LLP | | 69-0000001 | |
| 1 | Qualified childcare facility expenditures paid or incurred | 1 | |
| 2 | Enter 25% (.25) of line 1 | 2 | |
| 3 | Qualified childcare resource and referral expenditures paid or incurred | 3 | |
| 4 | Enter 10% (.10) of line 3 | 4 | |
| 5 | Credit for employer-provided childcare facilities and services from partnerships, S corporations, estates, and trusts | 5 | 35,000 |
| 6 | Add lines 2, 4, and 5 | 6 | 35,000 |
| 7 | Enter the smaller of line 6 or \$150,000 . Estates and trusts, go to line 8. All others report this amount as follows: partnerships and S corporations, report this amount on Schedule K; all others, report the credit on the applicable line of Form 3800, (e.g., line 1n of the 2006 Form 3800) | 7 | 35,000 |
| 8 | Amount allocated to beneficiaries of the estate or trust (see instructions) | 8 | |
| 9 | Estates and trusts. Subtract line 8 from line 7. Report the credit on the applicable line of Form 3800 (e.g., line 1n of the 2006 Form 3800) | 9 | |

General Instructions

Section references are to the Internal Revenue Code.

What's New

- The tax liability limit is no longer figured on this form. Instead, it must be figured on Form 3800, General Business Credit.
- Taxpayers that are not partnerships, S corporations, estates, or trusts, and whose only source of this credit is from those pass-through entities, are not required to complete or file this form. Instead, they can report this credit directly on line 1n of Form 3800.
- The IRS will revise this December 2006 version of the form only when necessary. Continue to use this version for tax years beginning after 2005 until a new revision is issued.

Purpose of Form

Employers use Form 8882 to claim the credit for qualified childcare facility and resource and referral expenditures. The credit is part of the general business credit. You may claim the credit any time within 3 years from the due date of your return on either an original or amended return.

For details, see section 45F.

How To Figure the Credit

The credit is 25% of the qualified childcare facility expenditures plus 10% of the qualified childcare resource and referral expenditures paid or incurred during the tax year. The credit is limited to \$150,000 per tax year.

Qualified childcare expenditures are amounts paid or incurred:

- To acquire, construct, rehabilitate, or expand property that:
 1. Is to be used as part of a qualified childcare facility of the taxpayer,
 2. Is depreciable (or amortizable) property, and
 3. Is not part of the principal residence of the taxpayer or any employee of the taxpayer;
- For the operating expenses of a qualified childcare facility of the taxpayer, including expenses for training of employees, scholarship programs, and providing increased compensation to employees with higher levels of childcare training; or
- Under a contract with a qualified childcare facility to provide childcare services to employees of the taxpayer.

Note. Any expenses for childcare included in qualified childcare facility expenditures may not exceed the fair market value of such care.

A *qualified childcare facility* is a facility that meets the requirements of all applicable laws and regulations of the state or local government in which it is located, including the licensing of the facility as a childcare facility. The following conditions must also be met.

- The principal use of the facility must be to provide childcare (unless the facility is also the personal residence of the person operating the facility).
- Enrollment in the facility must be open to employees of the taxpayer during the tax year.

Department of the Treasury
 Internal Revenue Service

▶ **Attach to Form 1065. See separate instructions.**

Name of partnership

Sam Starling, LLP

Employer identification number

69-0000001

| | | Yes | No |
|---|---|-----|----|
| 1 | At any time during the tax year, were there any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8? | | X |
| 2 | Do the amounts reported on Schedule M-3, Part II, lines 7 or 8, column (d), reflect allocations to this partnership from another partnership of income, gain, loss, deduction, or credit that are disproportionate to this partnership's share of capital in such partnership or its ratio for sharing other items of such partnership? | | X |
| 3 | At any time during the tax year, did the partnership sell, exchange, or transfer any interest in an intangible asset to a related person as defined in sections 267(b) and 707(b)(1)? | | X |
| 4 | At any time during the tax year, did the partnership acquire any interest in an intangible asset from a related person as defined in sections 267(b) and 707(b)(1)? | | X |
| 5 | At any time during the tax year, did the partnership make any change in accounting principle for financial accounting purposes? See instructions for a definition of change in accounting principle | | X |
| 6 | At any time during the tax year, did the partnership make any change in a method of accounting for U.S. income tax purposes? | | X |

For Paperwork Reduction Act Notice, see the Instructions for Form 1065.

Cat. No. 49945S

Schedule C (Form 1065) 2010

Sam Starling, LLP

Employer identification number
 69-0000001

This Schedule M-3 is being filed because (check all that apply):

- A** The amount of the partnership's total assets at the end of the tax year is equal to \$10 million or more.
- B** The amount of the partnership's adjusted total assets for the year is equal to \$10 million or more. If box B is checked, enter the amount of adjusted total assets for the tax year 183,508,229.
- C** The amount of total receipts for the tax year is equal to \$35 million or more. If box C is checked, enter the total receipts for the tax year 323,558,283.
- D** An entity that is a reportable entity partner with respect to the partnership owns or is deemed to own an interest of 50 percent or more in the partnership's capital, profit, or loss, on any day during the tax year of the partnership.

| Name of Reportable Entity Partner | Identifying Number | Maximum Percentage Owned or Deemed Owned |
|-----------------------------------|--------------------|--|
| | | |
| | | |

E Voluntary Filer

Part I Financial Information and Net Income (Loss) Reconciliation

- 1a** Did the partnership file SEC Form 10-K for its income statement period ending with or within this tax year?
 Yes. Skip lines 1b and 1c and complete lines 2 through 11 with respect to that SEC Form 10-K.
 No. Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.
- b** Did the partnership prepare a certified audited non-tax-basis income statement for that period?
 Yes. Skip line 1c and complete lines 2 through 11 with respect to that income statement.
 No. Go to line 1c.
- c** Did the partnership prepare a non-tax-basis income statement for that period?
 Yes. Complete lines 2 through 11 with respect to that income statement.
 No. Skip lines 2 through 3b and enter the partnership's net income (loss) per its books and records on line 4a.
- 2** Enter the income statement period: Beginning 01 / 01 / 2010 Ending 12 / 31 / 2010
- 3a** Has the partnership's income statement been restated for the income statement period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.
- b** Has the partnership's income statement been restated for any of the five income statement periods preceding the period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.

| | | |
|---|-----------|-------------|
| 4a Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1 | 4a | 121,435,397 |
| b Indicate accounting standard used for line 4a (see instructions): 1 <input checked="" type="checkbox"/> GAAP 2 <input type="checkbox"/> IFRS 3 <input type="checkbox"/> 704(b) 4 <input type="checkbox"/> Tax-basis 5 <input type="checkbox"/> Other: (Specify) ▶ _____ | | |
| 5a Net income from nonincludible foreign entities (attach schedule) | 5a | () |
| b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) | 5b | |
| 6a Net income from nonincludible U.S. entities (attach schedule) | 6a | () |
| b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount) | 6b | |
| 7a Net income (loss) of other foreign disregarded entities (attach schedule) | 7a | |
| b Net income (loss) of other U.S. disregarded entities (attach schedule) | 7b | |
| 8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule) | 8 | |
| 9 Adjustment to reconcile income statement period to tax year (attach schedule) | 9 | |
| 10 Other adjustments to reconcile to amount on line 11 (attach schedule) | 10 | |
| 11 Net income (loss) per income statement of the partnership. Combine lines 4 through 10 Note. Part I, line 11, must equal the amount on Part II, line 26, column (a). | 11 | 121,435,397 |

12 Enter the total amount (not just the partnership's share) of the assets and liabilities of all entities included or removed on the following lines:

| | Total Assets | Total Liabilities |
|-------------------------------------|--------------|-------------------|
| a Included on Part I, line 4 | 108,367,919 | 17,183,000 |
| b Removed on Part I, line 5 | | |
| c Removed on Part I, line 6 | | |
| d Included on Part I, line 7 | | |

| | |
|---|---|
| Name of partnership Sam Starling, LLP | Employer identification number 69-0000001 |
|---|---|

Part II Reconciliation of Net Income (Loss) per Income Statement of Partnership with Income (Loss) per Return

| Income (Loss) Items | (a) Income (Loss) per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Income (Loss) per Tax Return |
|--|---|--------------------------------|--------------------------------|--|
| (Attach schedules for lines 1 through 9) | | | | |
| 1 | Income (loss) from equity method foreign corporations | | | |
| 2 | Gross foreign dividends not previously taxed | | | |
| 3 | Subpart F, QEF, and similar income inclusions | | | |
| 4 | Gross foreign distributions previously taxed | | | |
| 5 | Income (loss) from equity method U.S. corporations | | | |
| 6 | U.S. dividends | | | |
| 7 | Income (loss) from U.S. partnerships | | | |
| 8 | Income (loss) from foreign partnerships | | | |
| 9 | Income (loss) from other pass-through entities | | | |
| 10 | Items relating to reportable transactions (attach details) | | | |
| 11 | Interest income (attach Form 8916-A) | | | |
| 12 | Total accrual to cash adjustment | | | |
| 13 | Hedging transactions | | | |
| 14 | Mark-to-market income (loss) | | | |
| 15 | Cost of goods sold (attach Form 8916-A) | () | | () |
| 16 | Sale versus lease (for sellers and/or lessors) | | | |
| 17 | Section 481(a) adjustments | | | |
| 18 | Unearned/deferred revenue | | | |
| 19 | Income recognition from long-term contracts | | | |
| 20 | Original issue discount and other imputed interest | | | |
| 21a | Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities | 10,000 | | |
| b | Gross capital gains from Schedule D, excluding amounts from pass-through entities | | | |
| c | Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses | | | |
| d | Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses | | | 10,000 |
| e | Abandonment losses | | | |
| f | Worthless stock losses (attach details) | | | |
| g | Other gain/loss on disposition of assets other than inventory | | | |
| 22 | Other income (loss) items with differences (attach schedule) | | | |
| 23 | Total income (loss) items. Combine lines 1 through 22 | 10,000 | | 10,000 |
| 24 | Total expense/deduction items. (from Part III, line 31) (see instructions) | (12,959,362) | 4,116,715 | (21,899,903) |
| 25 | Other items with no differences | 134,835,397 | | 134,385,259 |
| 26 | Reconciliation totals. Combine lines 23 through 25 | 121,435,397 | 4,116,715 | (21,899,903) |

Note. Line 26, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1065, page 5, Analysis of Net Income (Loss), line 1.

| | |
|---|---|
| Name of partnership Sam Starling, LLP | Employer identification number 69-0000001 |
|---|---|

Part III Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return—Expense/Deduction Items

| | (a) Expense per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Deduction per Tax Return |
|---|--|--------------------------------|--------------------------------|------------------------------------|
| 1 State and local current income tax expense | | | | |
| 2 State and local deferred income tax expense | | | | |
| 3 Foreign current income tax expense (other than foreign withholding taxes) | | | | |
| 4 Foreign deferred income tax expense | | | | |
| 5 Equity-based compensation | | | | |
| 6 Meals and entertainment | 1,550,256 | | (775,128) | 775,128 |
| 7 Fines and penalties | | | | |
| 8 Judgments, damages, awards, and similar costs | | | | |
| 9 Guaranteed payments | | | 22,675,031 | 22,675,031 |
| 10 Pension and profit-sharing | | | | |
| 11 Other post-retirement benefits | | | | |
| 12 Deferred compensation | | | | |
| 13 Charitable contribution of cash and tangible property | | | | |
| 14 Charitable contribution of intangible property | | | | |
| 15 Organizational expenses as per Regulations section 1.709-2(a) | | | | |
| 16 Syndication expenses as per Regulations section 1.709-2(b) | | | | |
| 17 Current year acquisition/reorganization investment banking fees | | | | |
| 18 Current year acquisition/reorganization legal and accounting fees | | | | |
| 19 Amortization/impairment of goodwill | | | | |
| 20 Amortization of acquisition, reorganization, and start-up costs | | | | |
| 21 Other amortization or impairment write-offs | | | | |
| 22 Section 198 environmental remediation costs | | | | |
| 23a Depletion—Oil & Gas | | | | |
| b Depletion—Other than Oil & Gas | | | | |
| 24 Intangible drilling & development costs | | | | |
| 25 Depreciation | 11,409,606 | (4,116,715) | | 7,292,891 |
| 26 Bad debt expense | | | | |
| 27 Interest expense (attach Form 8916-A) | | | | |
| 28 Purchase versus lease (for purchasers and/ or lessees) | | | | |
| 29 Research and development costs (attach schedule) | | | | |
| 30 Other expense/deduction items with differences (attach schedule) | | | | |
| 31 Total expense/deduction items. Combine lines 1 through 30. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive | 12,959,862 | (4,116,715) | 21,899,903 | 30,743,050 |

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc. See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000001
B Partnership's name, address, city, state, and ZIP code Sam Starling, LLP 631 N McKinley Drive Reno, NV 89510
C IRS Center where partnership filed return Ogden
D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 69-1000001
F Partner's name, address, city, state, and ZIP code Barton and Jenkins Enterprise RR 510 W Anchorage, AK 99502
G General partner or LLC member-manager Limited partner or other LLC member
H Domestic partner Foreign partner
I What type of entity is this partner? Partnership
J Partner's share of profit, loss, and capital (see instructions):
Beginning Ending
Profit 40 % 40 %
Loss 40 % 40 %
Capital 40 % 40 %
K Partner's share of liabilities at year end:
Nonrecourse \$ 4,400,000
Qualified nonrecourse financing \$
Recourse \$

L Partner's capital account analysis:
Beginning capital account \$ 17,955,568
Capital contributed during the year \$
Current year increase (decrease) \$ 48,574,160
Withdrawals & distributions \$ (30,056,124)
Ending capital account \$ 36,473,604
Tax basis GAAP Section 704(b) book
Other (explain)
M Did the partner contribute property with a built-in gain or loss?
Yes No
If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Code. Rows include: 1 Ordinary business income (loss) 32,272,562 L 16,000; 2 Net rental real estate income (loss) 81,250 P 14,240; 3 Other net rental income (loss) 16 Foreign transactions; 4 Guaranteed payments 22,675,031; 5 Interest income 37,060; 6a Ordinary dividends; 6b Qualified dividends; 7 Royalties; 8 Net short-term capital gain (loss); 9a Net long-term capital gain (loss) 17 Alternative minimum tax (AMT) items; 9b Collectibles (28%) gain (loss) A 79,782; 9c Unrecaptured section 1250 gain; 10 Net section 1231 gain (loss) 18 Tax-exempt income and nondeductible expenses; 11 Other income (loss) C 310,052; 12 Section 179 deduction; 13 Other deductions A 30,056,124; 14 Self-employment earnings (loss) A 55,024,842 C 55,024.842; 19 Distributions; 20 Other information A 37,060

*See attached statement for additional information.
For IRS Use Only

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000001

B Partnership's name, address, city, state, and ZIP code

Sam Starling, LLP 631 N McKinley Drive Reno, NV 89510

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 000-00-0022

F Partner's name, address, city, state, and ZIP code

Sam Starling P.O. Box 99 7 Birch Branch St. Johns, NFLD Canada, A1C5N5

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Individual

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. Values: 10%, 10%, 10%.

K Partner's share of liabilities at year end:

Table with columns: Nonrecourse, Qualified nonrecourse financing, Recourse. Values: \$1,100,000.

L Partner's capital account analysis:

Table with columns: Beginning capital account, Capital contributed during the year, Current year increase (decrease), Withdrawals & distributions, Ending capital account. Values: \$4,488,892, \$12,143,540, \$(7,514,031), \$9,118,401.

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss?

Yes No If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Main table with 4 columns: Line number, Description, Amount, and Code. Rows include Ordinary business income (loss), Net rental real estate income (loss), Other net rental income (loss), Guaranteed payments, Interest income, Ordinary dividends, Qualified dividends, Royalties, Net short-term capital gain (loss), Net long-term capital gain (loss), Collectibles (28%) gain (loss), Unrecaptured section 1250 gain, Net section 1231 gain (loss), Other income (loss), Section 179 deduction, Other deductions, Self-employment earnings (loss).

*See attached statement for additional information.

For IRS Use Only

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000001

B Partnership's name, address, city, state, and ZIP code

Sam Starling, LLP 631 N McKinley Drive Reno, NV 89510

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 990-00-0001

F Partner's name, address, city, state, and ZIP code

Taxpayer 1 P.O. Box 0001 Reno, NV 89510

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Individual

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. Values: 2%, 2%, 2%, 2%

K Partner's share of liabilities at year end:

Table with columns: Nonrecourse, Qualified nonrecourse financing, Recourse. Values: \$ 55,000

L Partner's capital account analysis:

Table with columns: Beginning capital account, Capital contributed during the year, Current year increase (decrease), Withdrawals & distributions, Ending capital account. Values: \$ 224,445, \$ 6907,177, \$ (375,702), \$ 455,920

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss?

Yes No If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Main table with 4 columns: Line number, Description, Amount, and Code. Rows include Ordinary business income (loss), Net rental real estate income (loss), Other net rental income (loss), Guaranteed payments, Interest income, Ordinary dividends, Qualified dividends, Royalties, Net short-term capital gain (loss), Net long-term capital gain (loss), Collectibles (28%) gain (loss), Unrecaptured section 1250 gain, Net section 1231 gain (loss), Other income (loss), Section 179 deduction, Other deductions, Self-employment earnings (loss).

*See attached statement for additional information.

For IRS Use Only

TEST SCENARIO 2**FORMS REQUIRED:**

1065, 4562, 4797, 8824, 8925, 1065 SCH K-1 (2), 1065 SCH B-1, Form 8453-PE

ATTACHMENTS:Self-Charged Interest Election
Itemized Other Deductions Statement
Inventoriable Costs Paid Schedule**BINARY ATTACHMENTS:** Scanned Form 8453-PE**HEADER INFO:****Tax Period:** Calendar Year 2010**Preparer Firm** **Electronic Tax Filers, Inc** **69-0000098**
1065 Efile Drive
Anytown, NV 89501**IP Address:** 220.220.220**Multiple Software Packages Used:** Yes or No**Originator:** **EFIN: Self-select**
Type: ERO
Practitioner PIN: None
PIN Entered by – N/A**Signature Option:** Binary Attachment 8453-PE Signature Document**Return Type:** Form 1065**Filer:** **EIN: 69-0000002**
Name: Jennings Boats LLC
Name Control: JENN
Address: Rt 1 Box 843
Bar Harbor, ME 04609**Partner:** **Name: Horace Jennings**
Title: Chief Executive Officer
Taxpayer PIN:
Phone: 555-555-5555
Email Address: Anymail@email.com
Date Signed: 04/15/2011**Preparer:** **Name: Paul Jennings**
PTIN: P00000002
Phone: 555-631-1212
Email Address: Anymail@email.com
Date Prepared: 04/15/2011
Self Employed: No

IRS PAYMENT: N/A

Details for attachments to Form

Self-Charged Interest Election (Form 1065)

| Name of Partnership | Address | EIN | Regulation Section 1.469-7(g) Declaration |
|---------------------|--------------------------------------|------------|---|
| Jennings Boats | Rt 1 Box 843 Bar Harbor, ME 04609 | 69-0000002 | Yes |

Itemized Other Deductions Statement (Form 1065, Page 1, Line 20)

| | |
|--------------------------|----------------|
| Amortization | 500 |
| Professional Fees | 225,000 |
| Insurance | 84,722 |

Inventoriable Costs Paid Schedule (Cost of Good Sold, Form 1065, Page 2 Schedule A, Line 5)

| | |
|-------------------|----------------|
| Other Cost | 131,245 |
|-------------------|----------------|

Note: Guaranteed payments are for medical insurance

Form **1065**
Department of the Treasury
Internal Revenue Service

U.S. Return of Partnership Income

For calendar year 2010, or tax year beginning _____, 2010, ending _____, 20_____

▶ See separate instructions.

2010

| | | | |
|---|---|--|--|
| A Principal business activity Boat Sales | Use the IRS label. Otherwise, print or type. | Name of partnership Jennings Boat, LLC | D Employer identification number 69-0000002 |
| B Principal product or service Sales & Services | | Number, street, and room or suite no. If a P.O. box, see the instructions. Rt 1 Box 843 | E Date business started 01/01/2009 |
| C Business code number 441222 | | City or town, state, and ZIP code Bar Harbor, ME 04609 | F Total assets (see the instructions) \$ 2,749,483 |

- G** Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return
(6) Technical termination - also check (1) or (2)
- H** Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ 2
- J** Check if Schedules C and M-3 are attached

Caution. Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

| | | | | | |
|--|--|------------|-----------|---------------------|---------------------|
| Income | 1a Gross receipts or sales | 1a | 4,212,980 | | |
| | b Less returns and allowances | 1b | 350,000 | | 1c 3,862,980 |
| | 2 Cost of goods sold (Schedule A, line 8) | | | | 2 3,508,023 |
| | 3 Gross profit. Subtract line 2 from line 1c | | | | 3 354,957 |
| | 4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) | | | | 4 |
| | 5 Net farm profit (loss) (attach Schedule F (Form 1040)) | | | | 5 |
| | 6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | | 6 9,000 |
| | 7 Other income (loss) (attach statement) | | | | 7 |
| 8 Total income (loss). Combine lines 3 through 7 | | | | 8 363,957 | |
| Deductions <small>(see the instructions for limitations)</small> | 9 Salaries and wages (other than to partners) (less employment credits) | | | | 9 150,000 |
| | 10 Guaranteed payments to partners | | | | 10 110,000 |
| | 11 Repairs and maintenance | | | | 11 5,562 |
| | 12 Bad debts | | | | 12 |
| | 13 Rent | | | | 13 265,740 |
| | 14 Taxes and licenses | | | | 14 33,450 |
| | 15 Interest | | | | 15 95,362 |
| | 16a Depreciation (if required, attach Form 4562) | 16a | 100,976 | | |
| | b Less depreciation reported on Schedule A and elsewhere on return | 16b | | | 16c 100,976 |
| | 17 Depletion (Do not deduct oil and gas depletion.) | | | | 17 |
| | 18 Retirement plans, etc. | | | | 18 |
| | 19 Employee benefit programs | | | | 19 1,250 |
| | 20 Other deductions (attach statement) | | | | 20 310,222 |
| | 21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20. | | | | 21 1,072,605 |
| 22 Ordinary business income (loss). Subtract line 21 from line 8 | | | | 22 (708,605) | |

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

▶ _____ ▶
Signature of general partner or limited liability company member manager Date

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer's Use Only

| | | | |
|--|------------------|---|-------------------|
| Preparer's signature Paul Jennings | Date | Check if self-employed <input type="checkbox"/> | PTIN P00000002 |
| Firm's name (or yours if self-employed), address, and ZIP code ELECTRIC TAX FILERS INC 1065 EFILE DRIVE, ANYTOWN, NV 89501 | EIN ▶ 69-0000098 | Phone no. 555-631-1212 | |

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11390Z

Form **1065** (2010)

Schedule A Cost of Goods Sold (see the instructions)

| | | | |
|----------|--|----------|-----------|
| 1 | Inventory at beginning of year | 1 | |
| 2 | Purchases less cost of items withdrawn for personal use | 2 | 5,602,453 |
| 3 | Cost of labor | 3 | |
| 4 | Additional section 263A costs (attach statement) | 4 | |
| 5 | Other costs (attach statement) | 5 | 131,245 |
| 6 | Total. Add lines 1 through 5 | 6 | 5,733,698 |
| 7 | Inventory at end of year | 7 | 2,225,675 |
| 8 | Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2 | 8 | 3,508,023 |

- 9a** Check all methods used for valuing closing inventory:
- (i) Cost as described in Regulations section 1.471-3
 - (ii) Lower of cost or market as described in Regulations section 1.471-4
 - (iii) Other (specify method used and attach explanation) ▶
- b** Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) . . . ▶
- c** Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) . . ▶
- d** Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? Yes No
- e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? . . Yes No
If "Yes," attach explanation.

Schedule B Other Information

| | Yes | No |
|--|-----|----|
| 1 What type of entity is filing this return? Check the applicable box: | | |
| a <input type="checkbox"/> Domestic general partnership | | |
| b <input type="checkbox"/> Domestic limited partnership | | |
| c <input checked="" type="checkbox"/> Domestic limited liability company | | |
| d <input type="checkbox"/> Domestic limited liability partnership | | |
| e <input type="checkbox"/> Foreign partnership | | |
| f <input type="checkbox"/> Other ▶ | | |
| 2 At any time during the tax year, was any partner in the partnership a disregarded entity, a partnership (including an entity treated as a partnership), a trust, an S corporation, an estate (other than an estate of a deceased partner), or a nominee or similar person? | | X |
| 3 At the end of the tax year: | | |
| a Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership | | X |
| b Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership | X | |
| 4 At the end of the tax year, did the partnership: | | |
| a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below | | X |

| (i) Name of Corporation | (ii) Employer Identification Number (if any) | (iii) Country of Incorporation | (iv) Percentage Owned in Voting Stock |
|-------------------------|--|--------------------------------|---------------------------------------|
| | | | |
| | | | |
| | | | |
| | | | |

| | | |
|--|--|---|
| b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below | | X |
|--|--|---|

| (i) Name of Entity | (ii) Employer Identification Number (if any) | (iii) Type of Entity | (iv) Country of Organization | (v) Maximum Percentage Owned in Profit, Loss, or Capital |
|--------------------|--|----------------------|------------------------------|--|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| | | Yes | No |
|------------|---|-----|----|
| 5 | Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details | | X |
| 6 | Does the partnership satisfy all four of the following conditions? | | |
| a | The partnership's total receipts for the tax year were less than \$250,000. | | |
| b | The partnership's total assets at the end of the tax year were less than \$1 million. | | |
| c | Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. | | |
| d | The partnership is not filing and is not required to file Schedule M-3 If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item L on Schedule K-1. | | X |
| 7 | Is this partnership a publicly traded partnership as defined in section 469(k)(2)? | | X |
| 8 | During the tax year, did the partnership have any debt that was cancelled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt? | | X |
| 9 | Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction? | | X |
| 10 | At any time during calendar year 2010, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If "Yes," enter the name of the foreign country. ► | | X |
| 11 | At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. See instructions | | X |
| 12a | Is the partnership making, or had it previously made (and not revoked), a section 754 election? See instructions for details regarding a section 754 election. | | X |
| b | Did the partnership make for this tax year an optional basis adjustment under section 743(b) or 734(b)? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions | | X |
| c | Is the partnership required to adjust the basis of partnership assets under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions. | | X |
| 13 | Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than entities wholly-owned by the partnership throughout the tax year) <input type="checkbox"/> | | |
| 14 | At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property? | | X |
| 15 | If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, enter the number of Forms 8858 attached. See instructions ► | | |
| 16 | Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership. ► | | X |
| 17 | Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ► | | |

Designation of Tax Matters Partner (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

| | |
|---|-----------------------------|
| Name of designated TMP ► | Identifying number of TMP ► |
| If the TMP is an entity, name of TMP representative ► | Phone number of TMP ► |
| Address of designated TMP ► | |

| Schedule K Partners' Distributive Share Items | | Total amount | |
|---|--|---------------------|-----------|
| Income (Loss) | 1 Ordinary business income (loss) (page 1, line 22) | 1 | (708,605) |
| | 2 Net rental real estate income (loss) (<i>attach Form 8825</i>) | 2 | |
| | 3a Other gross rental income (loss) 3a | | |
| | b Expenses from other rental activities (<i>attach statement</i>) 3b | | |
| | c Other net rental income (loss). Subtract line 3b from line 3a 3c | | |
| | 4 Guaranteed payments 4 | | 110,000 |
| | 5 Interest income 5 | | 200 |
| | 6 Dividends: a Ordinary dividends 6a | | |
| | b Qualified dividends 6b | | |
| | 7 Royalties 7 | | |
| | 8 Net short-term capital gain (loss) (<i>attach Schedule D (Form 1065)</i>) 8 | | |
| 9a Net long-term capital gain (loss) (<i>attach Schedule D (Form 1065)</i>) 9a | | | |
| b Collectibles (28%) gain (loss) 9b | | | |
| c Unrecaptured section 1250 gain (<i>attach statement</i>) 9c | | | |
| 10 Net section 1231 gain (loss) (<i>attach Form 4797</i>) 10 | | | |
| 11 Other income (loss) (<i>see instructions</i>) Type ▶ 11 | | | |
| Deductions | 12 Section 179 deduction (<i>attach Form 4562</i>) 12 | | |
| | 13a Contributions 13a | | |
| | b Investment interest expense 13b | | |
| | c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶ 13c(2) | | |
| d Other deductions (<i>see instructions</i>) Type ▶ 13d | | | |
| Self-Employment | 14a Net earnings (loss) from self-employment 14a | | (248,803) |
| | b Gross farming or fishing income 14b | | |
| | c Gross nonfarm income 14c | | (248,803) |
| Credits | 15a Low-income housing credit (section 42(j)(5)) 15a | | |
| | b Low-income housing credit (other) 15b | | |
| | c Qualified rehabilitation expenditures (rental real estate) (<i>attach Form 3468</i>) 15c | | |
| | d Other rental real estate credits (<i>see instructions</i>) Type ▶ 15d | | |
| | e Other rental credits (<i>see instructions</i>) Type ▶ 15e | | |
| | f Other credits (<i>see instructions</i>) Type ▶ 15f | | |
| Foreign Transactions | 16a Name of country or U.S. possession ▶ 16a | | |
| | b Gross income from all sources 16b | | |
| | c Gross income sourced at partner level 16c | | |
| | <i>Foreign gross income sourced at partnership level</i> | | |
| | d Passive category ▶ e General category ▶ f Other ▶ 16f | | |
| | <i>Deductions allocated and apportioned at partner level</i> | | |
| | g Interest expense ▶ h Other ▶ 16h | | |
| | <i>Deductions allocated and apportioned at partnership level to foreign source income</i> | | |
| | i Passive category ▶ j General category ▶ k Other ▶ 16k | | |
| l Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/> 16l | | | |
| m Reduction in taxes available for credit (<i>attach statement</i>) 16m | | | |
| n Other foreign tax information (<i>attach statement</i>) 16n | | | |
| Alternative Minimum Tax (AMT) Items | 17a Post-1986 depreciation adjustment 17a | | |
| | b Adjusted gain or loss 17b | | |
| | c Depletion (other than oil and gas) 17c | | |
| | d Oil, gas, and geothermal properties—gross income 17d | | |
| | e Oil, gas, and geothermal properties—deductions 17e | | |
| | f Other AMT items (<i>attach statement</i>) 17f | | |
| Other Information | 18a Tax-exempt interest income 18a | | |
| | b Other tax-exempt income 18b | | |
| | c Nondeductible expenses 18c | | 600 |
| | 19a Distributions of cash and marketable securities 19a | | |
| | b Distributions of other property 19b | | |
| | 20a Investment income 20a | | 250 |
| b Investment expenses 20b | | | |
| c Other items and amounts (<i>attach statement</i>) | | | |

Analysis of Net Income (Loss)

| | | | | | | | |
|----------|---|---------------------------------|-----------------------------------|-------------------------|--------------------------------|---------------------------|-----------|
| 1 | Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l | | | | | 1 | (598,355) |
| 2 | Analysis by partner type: | | | | | | |
| | (i) Corporate | (ii) Individual (active) | (iii) Individual (passive) | (iv) Partnership | (v) Exempt organization | (vi) Nominee/Other | |
| a | General partners | (244,178) | | | | | |
| b | Limited partners | (354,177) | | | | | |

| Schedule L Balance Sheets per Books | | Beginning of tax year | | End of tax year | |
|--|---|-----------------------|------------|-----------------|------------|
| | | (a) | (b) | (c) | (d) |
| Assets | | | | | |
| 1 | Cash | | | | 75,500 |
| 2a | Trade notes and accounts receivable | | | 42,555 | |
| b | Less allowance for bad debts | | | | 42,555 |
| 3 | Inventories | | | | 2,225,675 |
| 4 | U.S. government obligations | | | | |
| 5 | Tax-exempt securities | | | | |
| 6 | Other current assets (attach statement) | | | | |
| 7 | Mortgage and real estate loans | | | | |
| 8 | Other investments (attach statement) | | | | |
| 9a | Buildings and other depreciable assets | | | 501,229 | |
| b | Less accumulated depreciation | | | 100,976 | 400,253 |
| 10a | Depletable assets | | | | |
| b | Less accumulated depletion | | | | |
| 11 | Land (net of any amortization) | | | | |
| 12a | Intangible assets (amortizable only) | | | 6,000 | |
| b | Less accumulated amortization | | | 500 | 5,500 |
| 13 | Other assets (attach statement) | | | | |
| 14 | Total assets | | | | 2,749,483 |
| Liabilities and Capital | | | | | |
| 15 | Accounts payable | | | | 496,442 |
| 16 | Mortgages, notes, bonds payable in less than 1 year | | | | |
| 17 | Other current liabilities (attach statement) | | | | 345,622 |
| 18 | All nonrecourse loans | | | | |
| 19 | Mortgages, notes, bonds payable in 1 year or more | | | | |
| 20 | Other liabilities (attach statement) | | | | 2,375,869 |
| 21 | Partners' capital accounts | | | | (468,450) |
| 22 | Total liabilities and capital | | | | 2,749,483 |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

| | | | | | |
|----------|--|-----------|----------|---|-----------|
| 1 | Net income (loss) per books | (518,450) | 6 | Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize): | |
| 2 | Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize): | | a | Tax-exempt interest \$ | |
| 3 | Guaranteed payments (other than health insurance) | | 7 | Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize): | |
| 4 | Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize): | | a | Depreciation \$ | 80,505 |
| a | Depreciation \$ | | | | 80,505 |
| b | Travel and entertainment \$ 600 | 600 | 8 | Add lines 6 and 7 | 80,505 |
| 5 | Add lines 1 through 4 | (517,850) | 9 | Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5 | (598,355) |

Schedule M-2 Analysis of Partners' Capital Accounts

| | | | | | |
|----------|------------------------------------|-----------|----------|---|-----------|
| 1 | Balance at beginning of year | | 6 | Distributions: a Cash | |
| 2 | Capital contributed: a Cash | 50,000 | | b Property | |
| | b Property | | 7 | Other decreases (itemize): | |
| 3 | Net income (loss) per books | (518,450) | | | |
| 4 | Other increases (itemize): | | 8 | Add lines 6 and 7 | |
| 5 | Add lines 1 through 4 | (468,450) | 9 | Balance at end of year. Subtract line 8 from line 5 | (468,450) |

Form **4562**

Depreciation and Amortization
(Including Information on Listed Property)

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

2010
Attachment
Sequence No. **67**

Name(s) shown on return
Jennings Boat, LLC

Business or activity to which this form relates
Boat Sales

Identifying number
69-0000002

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

| | | | |
|----|---|------------------------------|------------------|
| 1 | Maximum amount. See the instructions for a higher limit for certain businesses | 1 | \$250,000 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 | |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 | \$800,000 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 | |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 | |
| 6 | (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
| 7 | Listed property. Enter the amount from line 29 | 7 | |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 | |
| 9 | Tentative deduction. Enter the smaller of line 5 or line 8 | 9 | |
| 10 | Carryover of disallowed deduction from line 13 of your 2009 Form 4562 | 10 | |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions) | 11 | |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 | 12 | |
| 13 | Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12 ▶ | 13 | |

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

| | | | |
|----|---|----|--------|
| 14 | Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) | 14 | 73,490 |
| 15 | Property subject to section 168(f)(1) election | 15 | |
| 16 | Other depreciation (including ACRS) | 16 | |

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

| | | | |
|----|--|----|--|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2010 | 17 | |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ <input type="checkbox"/> | | |

Section B – Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

| (a) Classification of property | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only – see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|--------------------------------|--------------------------------------|--|---------------------|----------------|------------|----------------------------|
| 19a | 3-year property | 22,444 | 3 | HY | 200 DB | 7,481 |
| b | 5-year property | 1,500 | 5 | HY | 200 DB | 300 |
| c | 7-year property | 26,555 | 7 | HY | 200 DB | 3,792 |
| d | 10-year property | | | | | |
| e | 15-year property | | | | | |
| f | 20-year property | | | | | |
| g | 25-year property | | 25 yrs. | | S/L | |
| h | Residential rental property | | 27.5 yrs. | MM | S/L | |
| | | | 27.5 yrs. | MM | S/L | |
| i | Nonresidential real property | 425,740 | 39 yrs. | MM | S/L | 10,913 |

Section C – Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

| | | | | | | |
|-----|------------|--|---------|----|-----|--|
| 20a | Class life | | | | S/L | |
| b | 12-year | | 12 yrs. | | S/L | |
| c | 40-year | | 40 yrs. | MM | S/L | |

Part IV Summary (See instructions.)

| | | | |
|----|---|----|---------|
| 21 | Listed property. Enter amount from line 28 | 21 | 5,000 |
| 22 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations – see instructions | 22 | 100,976 |
| 23 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs | 23 | |

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No **24b** If "Yes," is the evidence written? Yes No

| (a) Type of property (list vehicles first) | (b) Date placed in service | (c) Business/investment use percentage | (d) Cost or other basis | (e) Basis for depreciation (business/investment use only) | (f) Recovery period | (g) Method/Convention | (h) Depreciation deduction | (i) Elected section 179 cost |
|--|-------------------------------|---|----------------------------|--|------------------------|--------------------------|-------------------------------|---------------------------------|
| 25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) . | | | | | | 25 | | |
| 26 Property used more than 50% in a qualified business use: | | | | | | | | |
| 2009 Pilot | 07/22/2010 | 100 % | 25,000 | 25,000 | 5 | 200 DB-HY | 5,000 | |
| | | % | | | | | | |
| | | % | | | | | | |
| 27 Property used 50% or less in a qualified business use: | | | | | | | | |
| | | % | | | | S/L - | | |
| | | % | | | | S/L - | | |
| | | % | | | | S/L - | | |
| 28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 . | | | | | | 28 | 5,000 | |
| 29 Add amounts in column (i), line 26. Enter here and on line 7, page 1 | | | | | | | 29 | |

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

| | (a) Vehicle 1 | | (b) Vehicle 2 | | (c) Vehicle 3 | | (d) Vehicle 4 | | (e) Vehicle 5 | | (f) Vehicle 6 | |
|---|------------------|----|------------------|----|------------------|----|------------------|----|------------------|----|------------------|----|
| | Yes | No |
| 30 Total business/investment miles driven during the year (do not include commuting miles) . | | | | | | | | | | | | |
| 31 Total commuting miles driven during the year | | | | | | | | | | | | |
| 32 Total other personal (noncommuting) miles driven | | | | | | | | | | | | |
| 33 Total miles driven during the year. Add lines 30 through 32 | | | | | | | | | | | | |
| 34 Was the vehicle available for personal use during off-duty hours? | | | | | | | | | | | | |
| 35 Was the vehicle used primarily by a more than 5% owner or related person? | | | | | | | | | | | | |
| 36 Is another vehicle available for personal use? | | | | | | | | | | | | |

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

| | Yes | No |
|--|-----|----|
| 37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? | | |
| 38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners | | |
| 39 Do you treat all use of vehicles by employees as personal use? | | |
| 40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received? | | |
| 41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.) | | |

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

| (a) Description of costs | (b) Date amortization begins | (c) Amortizable amount | (d) Code section | (e) Amortization period or percentage | (f) Amortization for this year |
|--|---------------------------------|---------------------------|---------------------|--|-----------------------------------|
| 42 Amortization of costs that begins during your 2010 tax year (see instructions): | | | | | |
| Start Up | 01/01/2010 | 6,000 | 195 | 5 | 500 |
| 43 Amortization of costs that began before your 2010 tax year | | | | | 43 |
| 44 Total. Add amounts in column (f). See the instructions for where to report | | | | | 44 500 |

Sales of Business Property
(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

Department of the Treasury
 Internal Revenue Service (99)

▶ **Attach to your tax return.** ▶ **See separate instructions.**

| | |
|---|---|
| Name(s) shown on return Jennings Boats, LLC | Identifying number 69-0000002 |
|---|---|

| | |
|--|---|
| 1 Enter the gross proceeds from sales or exchanges reported to you for 2010 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) | 1 |
|--|---|

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)

| 2 | (a) Description of property | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) | (d) Gross sales price | (e) Depreciation allowed or allowable since acquisition | (f) Cost or other basis, plus improvements and expense of sale | (g) Gain or (loss) Subtract (f) from the sum of (d) and (e) |
|---|-----------------------------|-----------------------------------|-------------------------------|-----------------------|---|--|--|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

| | |
|--|---|
| 3 Gain, if any, from Form 4684, line 42 | 3 |
| 4 Section 1231 gain from installment sales from Form 6252, line 26 or 37 | 4 |
| 5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824 | 5 |
| 6 Gain, if any, from line 32, from other than casualty or theft | 6 |
| 7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: | 7 |

Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.

Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.

| | |
|--|---|
| 8 Nonrecaptured net section 1231 losses from prior years (see instructions) | 8 |
| 9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions) | 9 |

Part II Ordinary Gains and Losses (see instructions)

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

| | | | | | | | |
|--|--|--|--|--|--|--|--|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

| | |
|---|-----------------|
| 11 Loss, if any, from line 7 | 11 () |
| 12 Gain, if any, from line 7 or amount from line 8, if applicable | 12 |
| 13 Gain, if any, from line 31 | 13 |
| 14 Net gain or (loss) from Form 4684, lines 34 and 41a | 14 |
| 15 Ordinary gain from installment sales from Form 6252, line 25 or 36 | 15 |
| 16 Ordinary gain or (loss) from like-kind exchanges from Form 8824 | 16 9,000 |
| 17 Combine lines 10 through 16 | 17 9,000 |

18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:

| | |
|---|-----|
| a If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions | 18a |
| b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14 | 18b |

For Paperwork Reduction Act Notice, see separate instructions.

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255
(see instructions)

| 19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property: | | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) |
|--|------------|--------------------------------------|----------------------------------|
| A | | | |
| B | | | |
| C | | | |
| D | | | |
| These columns relate to the properties on lines 19A through 19D. ▶ | | Property A | Property B |
| 20 Gross sales price (Note: See line 1 before completing.) | 20 | | |
| 21 Cost or other basis plus expense of sale | 21 | | |
| 22 Depreciation (or depletion) allowed or allowable. | 22 | | |
| 23 Adjusted basis. Subtract line 22 from line 21. | 23 | | |
| 24 Total gain. Subtract line 23 from line 20 | 24 | | |
| 25 If section 1245 property: | | | |
| a Depreciation allowed or allowable from line 22 | 25a | | |
| b Enter the smaller of line 24 or 25a | 25b | | |
| 26 If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291. | | | |
| a Additional depreciation after 1975 (see instructions) | 26a | | |
| b Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions) | 26b | | |
| c Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e | 26c | | |
| d Additional depreciation after 1969 and before 1976. | 26d | | |
| e Enter the smaller of line 26c or 26d | 26e | | |
| f Section 291 amount (corporations only) | 26f | | |
| g Add lines 26b, 26e, and 26f. | 26g | | |
| 27 If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership). | | | |
| a Soil, water, and land clearing expenses | 27a | | |
| b Line 27a multiplied by applicable percentage (see instructions) | 27b | | |
| c Enter the smaller of line 24 or 27b | 27c | | |
| 28 If section 1254 property: | | | |
| a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion (see instructions) | 28a | | |
| b Enter the smaller of line 24 or 28a | 28b | | |
| 29 If section 1255 property: | | | |
| a Applicable percentage of payments excluded from income under section 126 (see instructions) | 29a | | |
| b Enter the smaller of line 24 or 29a (see instructions) | 29b | | |

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

| | | |
|---|-----------|--|
| 30 Total gains for all properties. Add property columns A through D, line 24 | 30 | |
| 31 Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13 | 31 | |
| 32 Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 36. Enter the portion from other than casualty or theft on Form 4797, line 6 | 32 | |

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(see instructions)

| | (a) Section 179 | (b) Section 280F(b)(2) |
|---|--------------------|---------------------------|
| 33 Section 179 expense deduction or depreciation allowable in prior years. | 33 | |
| 34 Recomputed depreciation (see instructions) | 34 | |
| 35 Recapture amount. Subtract line 34 from line 33. See the instructions for where to report | 35 | |

Name(s) shown on tax return

Jennings Boats, LLC

Identifying number

69-0000002

Part I Information on the Like-Kind Exchange

Note: If the property described on line 1 or line 2 is real or personal property located outside the United States, indicate the country.

1 Description of like-kind property given up:

2 Description of like-kind property received:

| | | | |
|---|---|---|------------|
| 3 | Date like-kind property given up was originally acquired (month, day, year) | 3 | 01/21/2010 |
| 4 | Date you actually transferred your property to other party (month, day, year) | 4 | 07/22/2010 |
| 5 | Date like-kind property you received was identified by written notice to another party (month, day, year). See instructions for 45-day written identification requirement | 5 | 07/22/2010 |
| 6 | Date you actually received the like-kind property from other party (month, day, year). See instructions | 6 | 07/22/2010 |

7 Was the exchange of the property given up or received made with a related party, either directly or indirectly (such as through an intermediary)? See instructions. If "Yes," complete Part II. If "No," go to Part III . . . Yes No

Part II Related Party Exchange Information

| | | | |
|---|-----------------------|---------------------|------------------------------------|
| 8 | Name of related party | Relationship to you | Related party's identifying number |
|---|-----------------------|---------------------|------------------------------------|

Address (no., street, and apt., room, or suite no., city or town, state, and ZIP code)

9 During this tax year (and before the date that is 2 years after the last transfer of property that was part of the exchange), did the related party sell or dispose of any part of the like-kind property received from you (or an intermediary) in the exchange or transfer property into the exchange, directly or indirectly (such as through an intermediary), that became your replacement property? Yes No

10 During this tax year (and before the date that is 2 years after the last transfer of property that was part of the exchange), did you sell or dispose of any part of the like-kind property you received? Yes No

*If both lines 9 and 10 are "No" and this is the year of the exchange, go to Part III. If both lines 9 and 10 are "No" and this is **not** the year of the exchange, stop here. If either line 9 or line 10 is "Yes," complete Part III and report on this year's tax return the deferred gain or (loss) from line 24 **unless** one of the exceptions on line 11 applies.*

11 If one of the exceptions below applies to the disposition, check the applicable box:

- a The disposition was after the death of either of the related parties.
- b The disposition was an involuntary conversion, and the threat of conversion occurred after the exchange.
- c You can establish to the satisfaction of the IRS that neither the exchange nor the disposition had tax avoidance as one of its principal purposes. If this box is checked, attach an explanation (see instructions).

Name(s) shown on tax return. Do not enter name and social security number if shown on other side.

Your social security number
69-0000002

Part III Realized Gain or (Loss), Recognized Gain, and Basis of Like-Kind Property Received

Caution: If you transferred **and** received (a) more than one group of like-kind properties or (b) cash or other (not like-kind) property, see **Reporting of multi-asset exchanges** in the instructions.

Note: Complete lines 12 through 14 **only** if you gave up property that was not like-kind. Otherwise, go to line 15.

| | | | | | |
|---|---|-----------|--|--|---------------|
| 12 | Fair market value (FMV) of other property given up | 12 | | | |
| 13 | Adjusted basis of other property given up | 13 | | | |
| 14 | Gain or (loss) recognized on other property given up. Subtract line 13 from line 12. Report the gain or (loss) in the same manner as if the exchange had been a sale | 14 | | | |
| Caution: If the property given up was used previously or partly as a home, see Property used as home in the instructions. | | | | | |
| 15 | Cash received, FMV of other property received, plus net liabilities assumed by other party, reduced (but not below zero) by any exchange expenses you incurred (see instructions) | 15 | | | 9,000 |
| 16 | FMV of like-kind property you received | 16 | | | 30,000 |
| 17 | Add lines 15 and 16 | 17 | | | 39,000 |
| 18 | Adjusted basis of like-kind property you gave up, net amounts paid to other party, plus any exchange expenses not used on line 15 (see instructions) | 18 | | | 25,000 |
| 19 | Realized gain or (loss). Subtract line 18 from line 17 | 19 | | | 14,000 |
| 20 | Enter the smaller of line 15 or line 19, but not less than zero | 20 | | | 9,000 |
| 21 | Ordinary income under recapture rules. Enter here and on Form 4797, line 16 (see instructions) | 21 | | | 9,000 |
| 22 | Subtract line 21 from line 20. If zero or less, enter -0-. If more than zero, enter here and on Schedule D or Form 4797, unless the installment method applies (see instructions) | 22 | | | |
| 23 | Recognized gain. Add lines 21 and 22 | 23 | | | 9,000 |
| 24 | Deferred gain or (loss). Subtract line 23 from line 19. If a related party exchange, see instructions | 24 | | | 5,000 |
| 25 | Basis of like-kind property received. Subtract line 15 from the sum of lines 18 and 23 | 25 | | | 25,000 |

Part IV Deferral of Gain From Section 1043 Conflict-of-Interest Sales

Note: This part is to be used **only** by officers or employees of the executive branch of the Federal Government or judicial officers of the Federal Government (including certain spouses, minor or dependent children, and trustees as described in section 1043) for reporting nonrecognition of gain under section 1043 on the sale of property to comply with the conflict-of-interest requirements. This part can be used **only** if the cost of the replacement property is more than the basis of the divested property.

| | | | | | |
|-----------|--|-----------|--|--|--|
| 26 | Enter the number from the upper right corner of your certificate of divestiture. (Do not attach a copy of your certificate. Keep the certificate with your records.) | | | | |
| 27 | Description of divested property ► _____ | | | | |
| 28 | Description of replacement property ► _____ | | | | |
| 29 | Date divested property was sold (month, day, year) | 29 | | | |
| 30 | Sales price of divested property (see instructions) | 30 | | | |
| 31 | Basis of divested property | 31 | | | |
| 32 | Realized gain. Subtract line 31 from line 30 | 32 | | | |
| 33 | Cost of replacement property purchased within 60 days after date of sale | 33 | | | |
| 34 | Subtract line 33 from line 30. If zero or less, enter -0- | 34 | | | |
| 35 | Ordinary income under recapture rules. Enter here and on Form 4797, line 10 (see instructions) | 35 | | | |
| 36 | Subtract line 35 from line 34. If zero or less, enter -0-. If more than zero, enter here and on Schedule D or Form 4797 (see instructions) | 36 | | | |
| 37 | Deferred gain. Subtract the sum of lines 35 and 36 from line 32 | 37 | | | |
| 38 | Basis of replacement property. Subtract line 37 from line 33 | 38 | | | |

Report of Employer-Owned Life Insurance Contracts

▶ **Attach to the policyholder's tax return—See instructions.**

| | |
|---|---|
| Name(s) shown on return Jennings Boats, LLC | Identifying number 69-0000002 |
| Name of policyholder, if different from above | Identifying number, if different from above |

Type of business

111100

| | | |
|---|-----------|---------------|
| 1 Enter the number of employees the policyholder had at the end of the tax year | 1 | 3 |
| 2 Enter the number of employees included on line 1 who were insured at the end of the tax year under the policyholder's employer-owned life insurance contract(s) issued after August 17, 2006. See <i>Section 1035 exchanges</i> on page 2 for an exception | 2 | 1 |
| 3 Enter the total amount of employer-owned life insurance in force at the end of the tax year for employees who were insured under the contract(s) specified on line 2 | 3 | 50,000 |
| 4a Does the policyholder have a valid consent (see instructions) for each employee included on line 2? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | | |
| b If "No," enter the number of employees included on line 2 for whom the policyholder does not have a valid consent | 4b | |

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

Use Form 8925 to report the number of employees covered by employer-owned life insurance contracts issued after August 17, 2006, and the total amount of employer-owned life insurance in force on those employees at the end of the tax year. Policyholders must also indicate whether a valid consent has been received from each covered employee, and the number of covered employees for which a valid consent has not been received.

See sections 101(j) and 6039I, and Notice 2009-48, 2009-24 I.R.B. 1085, for more information.

Definitions

Employer-owned life insurance contract.

For purposes of Form 8925, an insurance contract is an employer-owned life insurance contract if it is owned by a policyholder as defined below, and covers the life of the policyholder's employee(s) on the date the life insurance contract is issued. If you have master contracts, see section 101(j)(3) for additional information.

Policyholder. For purposes of Form 8925 and these instructions, a policyholder is an "applicable policyholder" as defined in section 101(j)(3)(B). Generally, a policyholder is the person who owns the employer-owned life insurance contract, and who is (a) engaged in a trade or business

that employs the person insured under the employer-owned life insurance contract and (b) the direct or indirect beneficiary of the employer-owned life insurance contract.

Related person. A related person is considered a policyholder if that person is (a) related to the policyholder (defined earlier) under sections 267(b) or 707(b) (1), or (b) engaged in a trade or business under common control with the policyholder. See sections 52(a) and (b).

Employee. Employee includes an officer, director, or highly compensated employee under section 414(q).

Insured. An individual must be a U.S. citizen or resident to be considered insured under an employer-owned life insurance contract. Both individuals covered by a contract covering the joint lives of two individuals are considered insured.

Notice and consent requirements. To qualify as an employer-owned life insurance contract, the policyholder must meet the notice and consent requirements listed below before the issuance of the contract.

1. Provide written notification to the employee stating the policyholder intends to insure the employee's life and the maximum face amount for which the employee could be insured at the time the contract was issued.

The written notification must include a disclosure of the face amount of life insurance, either in dollars or as a multiple of salary, that the policyholder

reasonably expects to purchase with regard to the employee during the course of the employee's tenure. Additional notice and consent are required if the aggregate face amount of the employer-owned life insurance contracts with regard to an employee exceeds the amount of which the employee was given notice and to which the employee consented. See Q&A-9 and Q&A-12 in Notice 2009-48.

2. Provide written notification to the employee that the policyholder will be a beneficiary of any proceeds payable upon the death of the employee.

3. Receive written consent from the employee. See *Valid consent* under the instructions for line 4a.

Electronic notification and consent.

The written notification and consent requirement can be met electronically only if the system for electronic notification and consent meets requirements 1 through 3, above. See Q&A-11 in Notice 2009-48 for more information.

Issue date of contract. Generally, the issue date of a life insurance contract is the date on the policy assigned by the insurance company on or after the date of application. For purposes of meeting the notice and consent requirements, the issue date of the employer-owned life insurance contract is the later of (1) the date of application of coverage, (2) the effective date of coverage, or (3) the formal issuance of the contract. See Q&A-4 in Notice 2009-48 for more information.

**SCHEDULE B-1
(Form 1065)**

(December 2009)
Department of the Treasury
Internal Revenue Service

Information on Partners Owning 50% or More of the Partnership

OMB No. 1545-0099

▶ Attach to Form 1065. See instructions on back.

| | |
|---|--|
| Name of partnership Jennings Boats, LLC | Employer identification number (EIN) 69 000002 |
|---|--|

Part I Entities Owning 50% or More of the Partnership (Form 1065, Schedule B, Question 3a)

Complete columns (i) through (v) below for any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization that owns, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership (see instructions).

| (i) Name of Entity | (ii) Employer Identification Number (if any) | (iii) Type of Entity | (iv) Country of Organization | (v) Maximum Percentage Owned in Profit, Loss, or Capital |
|--------------------|--|----------------------|------------------------------|--|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Part II Individuals or Estates Owning 50% or More of the Partnership (Form 1065, Schedule B, Question 3b)

Complete columns (i) through (iv) below for any individual or estate that owns, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership (see instructions).

| (i) Name of Individual or Estate | (ii) Identifying Number (if any) | (iii) Country of Citizenship (see instructions) | (iv) Maximum Percentage Owned in Profit, Loss, or Capital |
|----------------------------------|----------------------------------|---|---|
| James Stephens | 000-10-0002 | US | 50% |
| Daniel Jennings | 000-10-0001 | US | 50% |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning ending 2010

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000002

B Partnership's name, address, city, state, and ZIP code

Jennings Boats, LLC Rt Box 843 Bar Harbor, ME 04609

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 000-10-0001

F Partner's name, address, city, state, and ZIP code

Daniel Jennings P.O. Box 1589 Bar Harbor, ME 04609

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Individual

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. Values: 50%, 50%, 50%

K Partner's share of liabilities at year end:

Table with columns: Nonrecourse, Qualified nonrecourse financing, Recourse. Values: \$, \$, \$ 2,375,869

L Partner's capital account analysis:

Table with columns: Beginning capital account, Capital contributed during the year, Current year increase (decrease), Withdrawals & distributions, Ending capital account. Values: \$, \$ 25,000, \$ (259,225), \$, \$ (234,225)

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss?

Yes No If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Main table with 4 columns: Line number, Description, Amount, and Code. Rows include Ordinary business income (loss), Net rental real estate income (loss), Other net rental income (loss), Guaranteed payments, Interest income, Ordinary dividends, Qualified dividends, Royalties, Net short-term capital gain (loss), Net long-term capital gain (loss), Collectibles (28%) gain (loss), Unrecaptured section 1250 gain, Net section 1231 gain (loss), Other income (loss), Section 179 deduction, Other deductions, Self-employment earnings (loss).

*See attached statement for additional information.

For IRS Use Only

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000002
B Partnership's name, address, city, state, and ZIP code Jennings Boats, LLC Rt 1 Box 843 Bar Harbor, ME 04609
C IRS Center where partnership filed return Ogden
D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 000-10-0002
F Partner's name, address, city, state, and ZIP code James Stephens 4640 Madison Lane Boston, MA 02109
G General partner or LLC member-manager Limited partner or other LLC member
H Domestic partner Foreign partner
I What type of entity is this partner? Individual
J Partner's share of profit, loss, and capital (see instructions):
Beginning Ending
Profit % 50 %
Loss % 50 %
Capital % 50 %
K Partner's share of liabilities at year end:
Nonrecourse \$
Qualified nonrecourse financing \$
Recourse \$

L Partner's capital account analysis:
Beginning capital account \$
Capital contributed during the year \$ 25,000
Current year increase (decrease) \$ (259,225)
Withdrawals & distributions \$ ()
Ending capital account \$ (234,225)
Tax basis GAAP Section 704(b) book Other (explain)
M Did the partner contribute property with a built-in gain or loss? Yes No
If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Code. Rows include: 1 Ordinary business income (loss) (354,303) 15 Credits; 2 Net rental real estate income (loss); 3 Other net rental income (loss) 16 Foreign transactions; 4 Guaranteed payments; 5 Interest income 125; 6a Ordinary dividends; 6b Qualified dividends; 7 Royalties; 8 Net short-term capital gain (loss); 9a Net long-term capital gain (loss) 17 Alternative minimum tax (AMT) items; 9b Collectibles (28%) gain (loss); 9c Unrecaptured section 1250 gain; 10 Net section 1231 gain (loss) 18 Tax-exempt income and nondeductible expenses; 11 Other income (loss); 12 Section 179 deduction; 13 Other deductions; 14 Self-employment earnings (loss); 19 Distributions; 20 Other information.

*See attached statement for additional information.
For IRS Use Only

TEST SCENARIO 3

FORMS REQUIRED:

1065, Schedule M-3 (Form 1065), 1065 SCH C, 4562, 8865, 1065 SCH K-1 (3), 1065 SCH B-1, 8865 SCH O

ATTACHMENTS:

Ordinary Income (Loss) From Other Partnerships, Estates, and Trusts Statement (Page 1 Line 4)
Other Income (Loss) Statement (Form 1065, Line 7)
Itemized Other Deductions Statement (Page 1, Line 20)
Income (loss) From Foreign Partnerships Schedule (Sch M-3, Part II, Line 8)
Section 754 Election

BINARY ATTACHMENTS: None

HEADER INFO:

Tax Period: Calendar Year 2010

Preparer Firm: Electronic Tax Filers, Inc 69-0000098
123 Any Street
Anytown, NY 11717

IP Address: 330.330.330

Multiple Software Packages Used: Yes or No

Originator: **EFIN: Self-select**
Type: ERO
Practitioner PIN:
EFIN: Self-select
PIN: Self-select
PIN Entered by – ERO

Signature Option: PIN Number

Return Type: 1065

Filer: **EIN: 69-0000003**
Name: Carlton Asset Management L P
Name Control: CARL
Address: 1678 South Hoover Blvd
San Francisco, CA 94101

Partner: **Name: Tony Carlton**
Title: President
Taxpayer PIN: 0200-
Phone: 555-555-5555
Email Address: Anymail@email.com
Date Signed: 03/15/2011

Preparer: **Name: John Smith**
PTIN: P00000003
Phone: 555-631-1212
Email Address: Anymail@email.com
Date Prepared: 03/14/2011
Self Employed: No

Details for attachments to Form
Attachment 1, Form 1065, Page 1, Line 4 (Ordinary Income (Loss) From Other Partnerships, Estates, and Trusts Statement)

| Partnership, Estate or Trusts Name | Address | EIN | Trade or Business Activity | Amount |
|------------------------------------|--|------------|----------------------------|--------------|
| Mai Tai Investments | 1-2-3 Ginsu Chuo-Ku Tokyo, 190-2182 | 69-0000099 | Security Dealing | \$10,229,525 |

Attachment 2, Form 1065, Page 1, Line 7 (Other Income (Loss) Statement)

| | |
|----------------------|---------------|
| Cancellation of Debt | \$540,000 |
| Services Fees | \$399,880,252 |

Attachment 3, Form 1065, Page 1, Line 20 (Itemized Other Deductions Statement)

| | |
|--------------------------|-----------|
| Legal and Accounting | \$216,572 |
| Bank Fees | \$142,080 |
| Travel and Entertainment | \$40,000 |

Attachment 5, Form 1065, Page 3, Schedule B, Line 12a (Section 754 Election)

| | |
|-------------------------|---|
| Name of Partnership | Carlton Asset Management L P |
| Partnership Address | 1678 South Hoover Blvd San Francisco, CA 94101 |
| Section 754 Declaration | Made a section 754 declaration |

Attachment 6, Form 1065, Schedule M-3, Part II, Line 8 (Income (loss) From Foreign Partnerships Schedule)

| Name | EIN | EOY Profit Sharing Percentage | EOY Loss Sharing Percentage | Income per Income Statement | Amount |
|---------------------|------------|-------------------------------|-----------------------------|-----------------------------|--------------|
| Mai Tai Investments | 69-0000099 | 25% | 25% | \$10,229,525 | \$10,229,525 |

Form 1065 (Publicly Traded Partnership) Line 22 (ThreeAndOneHalfPercent)

| |
|--------------------------------------|
| 3.5% Publicly Traded Partnership Tax |
| \$14,372,742 |

Form **1065**
Department of the Treasury
Internal Revenue Service

U.S. Return of Partnership Income

For calendar year 2010, or tax year beginning _____, 2010, ending _____, 20_____

▶ See separate instructions.

2010

| | | | |
|--|---|---|---|
| A Principal business activity Management | Use the IRS label. Otherwise, print or type. | Name of partnership Carlton Assets Management, LP | D Employer identification number 69-0000003 |
| B Principal product or service Financial Invest | | Number, street, and room or suite no. If a P.O. box, see the instructions. 1678 South Hoover Blvd | E Date business started 10/23/1998 |
| C Business code number 523900 | | City or town, state, and ZIP code San Francisco, CA 94101 | F Total assets (see the instructions) \$ 6,275,256 |

- G** Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return
(6) Technical termination - also check (1) or (2)
- H** Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶ _____
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ _____ **3**
- J** Check if Schedules C and M-3 are attached

Caution. Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

| | | | | | |
|--|--|------------|--------|-----------------------|----------------------|
| Income | 1a Gross receipts or sales | 1a | | | |
| | b Less returns and allowances | 1b | | | 1c |
| | 2 Cost of goods sold (Schedule A, line 8) | | | | 2 |
| | 3 Gross profit. Subtract line 2 from line 1c | | | | 3 |
| | 4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) | | | | 4 10,229,525 |
| | 5 Net farm profit (loss) (attach Schedule F (Form 1040)) | | | | 5 |
| | 6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | | 6 |
| | 7 Other income (loss) (attach statement) | | | | 7 400,420,252 |
| 8 Total income (loss). Combine lines 3 through 7 | | | | 8 410,649,777 | |
| Deductions <small>(see the instructions for limitations)</small> | 9 Salaries and wages (other than to partners) (less employment credits) | | | | 9 1,179,658 |
| | 10 Guaranteed payments to partners | | | | 10 561,900 |
| | 11 Repairs and maintenance | | | | 11 8,610 |
| | 12 Bad debts | | | | 12 |
| | 13 Rent | | | | 13 729,654 |
| | 14 Taxes and licenses | | | | 14 871,972 |
| | 15 Interest | | | | 15 |
| | 16a Depreciation (if required, attach Form 4562) | 16a | 62,765 | | |
| | b Less depreciation reported on Schedule A and elsewhere on return | 16b | | | 16c 62,765 |
| | 17 Depletion (Do not deduct oil and gas depletion.) | | | | 17 |
| | 18 Retirement plans, etc. | | | | 18 345,678 |
| | 19 Employee benefit programs | | | | 19 |
| | 20 Other deductions (attach statement) | | | | 20 398,652 |
| | 21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20. | | | | 21 4,158,889 |
| 22 Ordinary business income (loss). Subtract line 21 from line 8 | | | | 22 406,490,888 | |

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

▶ _____ ▶
Signature of general partner or limited liability company member manager Date

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer's Use Only

| | | | |
|--|--|---|--|
| Preparer's signature John Smith | Date 03/14/2011 | Check if self-employed <input type="checkbox"/> | PTIN P00000003 |
| Firm's name (or yours if self-employed), address, and ZIP code | ELECTRIC TAX FILERS INC 1065 EFILE DRIVE, ANYTOWN, NV 89501 | | EIN ▶ 69-0000098 Phone no. 555-631-1212 |

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11390Z

Form **1065** (2010)

Schedule A Cost of Goods Sold (see the instructions)

| | | | | |
|----------|--|----------|--|--|
| 1 | Inventory at beginning of year | 1 | | |
| 2 | Purchases less cost of items withdrawn for personal use | 2 | | |
| 3 | Cost of labor | 3 | | |
| 4 | Additional section 263A costs (<i>attach statement</i>) | 4 | | |
| 5 | Other costs (<i>attach statement</i>) | 5 | | |
| 6 | Total. Add lines 1 through 5 | 6 | | |
| 7 | Inventory at end of year | 7 | | |
| 8 | Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2 | 8 | | |

9a Check all methods used for valuing closing inventory:

- (i) Cost as described in Regulations section 1.471-3
- (ii) Lower of cost or market as described in Regulations section 1.471-4
- (iii) Other (specify method used and attach explanation) ▶

- b** Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) . . . ▶
- c** Check this box if the LIFO inventory method was adopted this tax year for any goods (*if checked, attach Form 970*) . . ▶
- d** Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? **Yes** **No**
- e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? . . **Yes** **No**
If "Yes," attach explanation.

Schedule B Other Information

| | | Yes | No |
|----------|---|-----|----|
| 1 | What type of entity is filing this return? Check the applicable box: | | |
| a | <input type="checkbox"/> Domestic general partnership | | |
| b | <input checked="" type="checkbox"/> Domestic limited partnership | | |
| c | <input type="checkbox"/> Domestic limited liability company | | |
| d | <input type="checkbox"/> Domestic limited liability partnership | | |
| e | <input type="checkbox"/> Foreign partnership | | |
| f | <input type="checkbox"/> Other ▶ | | |
| 2 | At any time during the tax year, was any partner in the partnership a disregarded entity, a partnership (including an entity treated as a partnership), a trust, an S corporation, an estate (other than an estate of a deceased partner), or a nominee or similar person? | X | |
| 3 | At the end of the tax year: | | |
| a | Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership | X | |
| b | Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership | | X |
| 4 | At the end of the tax year, did the partnership: | | |
| a | Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below | | X |

| (i) Name of Corporation | (ii) Employer Identification Number (if any) | (iii) Country of Incorporation | (iv) Percentage Owned in Voting Stock |
|-------------------------|--|--------------------------------|---------------------------------------|
| | | | |
| | | | |
| | | | |
| | | | |

| | | |
|--|---|--|
| b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below | X | |
|--|---|--|

| (i) Name of Entity | (ii) Employer Identification Number (if any) | (iii) Type of Entity | (iv) Country of Organization | (v) Maximum Percentage Owned in Profit, Loss, or Capital |
|--------------------|--|----------------------|------------------------------|--|
| Mai Tai Investment | 69-0000099 | Partnership | Japan | 25% |
| | | | | |
| | | | | |
| | | | | |

| | | Yes | No |
|------------|---|-----|----|
| 5 | Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details | | X |
| 6 | Does the partnership satisfy all four of the following conditions? | | |
| a | The partnership's total receipts for the tax year were less than \$250,000. | | |
| b | The partnership's total assets at the end of the tax year were less than \$1 million. | | |
| c | Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. | | |
| d | The partnership is not filing and is not required to file Schedule M-3 If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item L on Schedule K-1. | | X |
| 7 | Is this partnership a publicly traded partnership as defined in section 469(k)(2)? | | X |
| 8 | During the tax year, did the partnership have any debt that was cancelled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt? | | X |
| 9 | Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction? | | X |
| 10 | At any time during calendar year 2010, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If "Yes," enter the name of the foreign country. ► | | X |
| 11 | At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. See instructions | | X |
| 12a | Is the partnership making, or had it previously made (and not revoked), a section 754 election? See instructions for details regarding a section 754 election. | X | |
| b | Did the partnership make for this tax year an optional basis adjustment under section 743(b) or 734(b)? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions | | X |
| c | Is the partnership required to adjust the basis of partnership assets under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions. | | X |
| 13 | Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than entities wholly-owned by the partnership throughout the tax year) <input type="checkbox"/> | | |
| 14 | At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property? | | X |
| 15 | If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, enter the number of Forms 8858 attached. See instructions ► | | |
| 16 | Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership. ► | | X |
| 17 | Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ► 1 | | |

Designation of Tax Matters Partner (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

| | | | |
|---|--|---------------------------|----------------|
| Name of designated TMP | ► XYZ Management | Identifying number of TMP | ► 69-30000001 |
| If the TMP is an entity, name of TMP representative | ► Juan Mefilers | Phone number of TMP | ► 555-555-5555 |
| Address of designated TMP | ► 7272 W. Truman Ave Sacramento, CA 95813 | | |

| Schedule K Partners' Distributive Share Items | | Total amount | |
|---|---|---------------------|-------------|
| Income (Loss) | 1 Ordinary business income (loss) (page 1, line 22) | 1 | 406,490,888 |
| | 2 Net rental real estate income (loss) (attach Form 8825) | 2 | |
| | 3a Other gross rental income (loss) | 3a | |
| | b Expenses from other rental activities (attach statement) | 3b | |
| | c Other net rental income (loss). Subtract line 3b from line 3a | 3c | |
| | 4 Guaranteed payments | 4 | 561,900 |
| | 5 Interest income | 5 | 36,525 |
| | 6 Dividends: a Ordinary dividends | 6a | |
| | b Qualified dividends | 6b | |
| | 7 Royalties | 7 | |
| | 8 Net short-term capital gain (loss) (attach Schedule D (Form 1065)) | 8 | |
| 9a Net long-term capital gain (loss) (attach Schedule D (Form 1065)) | 9a | | |
| b Collectibles (28%) gain (loss) | 9b | | |
| c Unrecaptured section 1250 gain (attach statement) | 9c | | |
| 10 Net section 1231 gain (loss) (attach Form 4797) | 10 | | |
| 11 Other income (loss) (see instructions) Type ▶ | 11 | | |
| Deductions | 12 Section 179 deduction (attach Form 4562) | 12 | 43,332 |
| | 13a Contributions | 13a | |
| | b Investment interest expense | 13b | |
| | c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶ | 13c(2) | |
| d Other deductions (see instructions) Type ▶ | 13d | | |
| Self-Employment | 14a Net earnings (loss) from self-employment | 14a | 41,210,989 |
| | b Gross farming or fishing income | 14b | |
| | c Gross nonfarm income | 14c | 41,210,989 |
| Credits | 15a Low-income housing credit (section 42(j)(5)) | 15a | |
| | b Low-income housing credit (other) | 15b | |
| | c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468) | 15c | |
| | d Other rental real estate credits (see instructions) Type ▶ | 15d | |
| | e Other rental credits (see instructions) Type ▶ | 15e | |
| | f Other credits (see instructions) Type ▶ | 15f | |
| Foreign Transactions | 16a Name of country or U.S. possession ▶ JA | | |
| | b Gross income from all sources | 16b | 10,229,530 |
| | c Gross income sourced at partner level | 16c | |
| | <i>Foreign gross income sourced at partnership level</i> | | |
| | d Passive category ▶ 10,229,530 e General category ▶ f Other ▶ | 16f | |
| | <i>Deductions allocated and apportioned at partner level</i> | | |
| | g Interest expense ▶ h Other ▶ | 16h | |
| | <i>Deductions allocated and apportioned at partnership level to foreign source income</i> | | |
| | i Passive category ▶ j General category ▶ k Other ▶ | 16k | |
| l Total foreign taxes (check one): ▶ Paid <input checked="" type="checkbox"/> Accrued <input type="checkbox"/> | 16l | 632,510 | |
| m Reduction in taxes available for credit (attach statement) | 16m | | |
| n Other foreign tax information (attach statement) | | | |
| Alternative Minimum Tax (AMT) Items | 17a Post-1986 depreciation adjustment | 17a | |
| | b Adjusted gain or loss | 17b | |
| | c Depletion (other than oil and gas) | 17c | |
| | d Oil, gas, and geothermal properties—gross income | 17d | |
| | e Oil, gas, and geothermal properties—deductions | 17e | |
| | f Other AMT items (attach statement) | 17f | |
| Other Information | 18a Tax-exempt interest income | 18a | |
| | b Other tax-exempt income | 18b | |
| | c Nondeductible expenses | 18c | 1,111 |
| | 19a Distributions of cash and marketable securities | 19a | 408,202,737 |
| | b Distributions of other property | 19b | |
| | 20a Investment income | 20a | 36,525 |
| b Investment expenses | 20b | | |
| c Other items and amounts (attach statement) | | | |

Analysis of Net Income (Loss)

| | | | | | | | |
|----------|---|---------------------------------|-----------------------------------|-------------------------|--------------------------------|---------------------------|-------------|
| 1 | Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l | | | | | 1 | 406,413,471 |
| 2 | Analysis by partner type: | | | | | | |
| | (i) Corporate | (ii) Individual (active) | (iii) Individual (passive) | (iv) Partnership | (v) Exempt organization | (vi) Nominee/Other | |
| a | General partners | | | 41,147,057 | | | |
| b | Limited partners | | 4,058,516 | 361,207,898 | | | |

| Schedule L Balance Sheets per Books | | Beginning of tax year | | End of tax year | |
|--|---|-----------------------|------------|-----------------|------------|
| | | (a) | (b) | (c) | (d) |
| Assets | | | | | |
| 1 | Cash | | 5,232,390 | | 6,027,450 |
| 2a | Trade notes and accounts receivable | | | | |
| b | Less allowance for bad debts | | | | |
| 3 | Inventories | | | | |
| 4 | U.S. government obligations | | | | |
| 5 | Tax-exempt securities | | | | |
| 6 | Other current assets (attach statement) | | | | |
| 7 | Mortgage and real estate loans | | | | |
| 8 | Other investments (attach statement) | | | | |
| 9a | Buildings and other depreciable assets | 1,621,740 | | 1,682,950 | |
| b | Less accumulated depreciation | 1,372,379 | 249,361 | 1,435,144 | 247,806 |
| 10a | Depletable assets | | | | |
| b | Less accumulated depletion | | | | |
| 11 | Land (net of any amortization) | | | | |
| 12a | Intangible assets (amortizable only) | | | | |
| b | Less accumulated amortization | | | | |
| 13 | Other assets (attach statement) | | | | |
| 14 | Total assets | | 5,481,751 | | 6,275,256 |
| Liabilities and Capital | | | | | |
| 15 | Accounts payable | | 1,567,623 | | 3,049,605 |
| 16 | Mortgages, notes, bonds payable in less than 1 year | | | | |
| 17 | Other current liabilities (attach statement) | | | | |
| 18 | All nonrecourse loans | | | | 540,000 |
| 19 | Mortgages, notes, bonds payable in 1 year or more | | | | |
| 20 | Other liabilities (attach statement) | | | | |
| 21 | Partners' capital accounts | | 3,914,128 | | 2,685,651 |
| 22 | Total liabilities and capital | | 5,481,751 | | 6,275,256 |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

| | | | | | |
|----------|--|--|----------|---|--|
| 1 | Net income (loss) per books | | 6 | Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize): | |
| 2 | Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize): | | a | Tax-exempt interest \$ | |
| 3 | Guaranteed payments (other than health insurance) | | 7 | Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize): | |
| 4 | Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize): | | a | Depreciation \$ | |
| a | Depreciation \$ | | 8 | Add lines 6 and 7 | |
| b | Travel and entertainment \$ | | 9 | Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5 | |
| 5 | Add lines 1 through 4 | | | | |

Schedule M-2 Analysis of Partners' Capital Accounts

| | | | | | |
|----------|------------------------------------|-------------|-------------------|---|-------------|
| 1 | Balance at beginning of year | 3,914,128 | 6 | Distributions: a Cash | 408,202,737 |
| 2 | Capital contributed: a Cash | | b Property | | |
| | b Property | | 7 | Other decreases (itemize): | |
| 3 | Net income (loss) per books | 406,974,260 | 8 | Add lines 6 and 7 | 408,202,737 |
| 4 | Other increases (itemize): | | 9 | Balance at end of year. Subtract line 8 from line 5 | 2,685,651 |
| 5 | Add lines 1 through 4 | 410,888,388 | | | |

Form **4562**

Depreciation and Amortization
(Including Information on Listed Property)

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

2010
Attachment
Sequence No. **67**

Name(s) shown on return

Carlton Asset Management, LP

Business or activity to which this form relates

Carlton Asset Management, LP

Identifying number

69-0000003

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

| | | | |
|----|---|------------------------------|------------------|
| 1 | Maximum amount. See the instructions for a higher limit for certain businesses | 1 | \$250,000 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 | 43,332 |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 | \$800,000 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 | |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 | 250,000 |
| 6 | (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
| | Office Equipment | 23,456 | 23,456 |
| | Furniture/Fixtures | 19,876 | 19,876 |
| 7 | Listed property. Enter the amount from line 29 | 7 | |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 | 43,332 |
| 9 | Tentative deduction. Enter the smaller of line 5 or line 8 | 9 | 43,332 |
| 10 | Carryover of disallowed deduction from line 13 of your 2009 Form 4562 | 10 | |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions) | 11 | 250,000 |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 | 12 | 43,332 |
| 13 | Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12 ▶ | 13 | |

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

| | | | |
|----|---|----|--------|
| 14 | Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) | 14 | |
| 15 | Property subject to section 168(f)(1) election | 15 | |
| 16 | Other depreciation (including ACRS) | 16 | 43,766 |

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

| | | | |
|----|--|----|--------|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2010 | 17 | 18,999 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ <input type="checkbox"/> | | |

Section B—Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

| (a) Classification of property | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only—see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|--------------------------------|--------------------------------------|--|---------------------|----------------|------------|----------------------------|
| 19a | 3-year property | | | | | |
| b | 5-year property | | | | | |
| c | 7-year property | | | | | |
| d | 10-year property | | | | | |
| e | 15-year property | | | | | |
| f | 20-year property | | | | | |
| g | 25-year property | | 25 yrs. | | S/L | |
| h | Residential rental property | | 27.5 yrs. | MM | S/L | |
| | | | 27.5 yrs. | MM | S/L | |
| i | Nonresidential real property | | 39 yrs. | MM | S/L | |
| | | | | MM | S/L | |

Section C—Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

| | | | | | | |
|-----|------------|--|---------|----|-----|--|
| 20a | Class life | | | | S/L | |
| b | 12-year | | 12 yrs. | | S/L | |
| c | 40-year | | 40 yrs. | MM | S/L | |

Part IV Summary (See instructions.)

| | | | |
|----|---|----|--------|
| 21 | Listed property. Enter amount from line 28 | 21 | |
| 22 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions | 22 | 62,765 |
| 23 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs | 23 | |

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No 24b If "Yes," is the evidence written? Yes No

Table with 10 columns: (a) Type of property, (b) Date placed in service, (c) Business/investment use percentage, (d) Cost or other basis, (e) Basis for depreciation, (f) Recovery period, (g) Method/Convention, (h) Depreciation deduction, (i) Elected section 179 cost. Includes rows 25-29.

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

Table with 6 columns: (a) Vehicle 1, (b) Vehicle 2, (c) Vehicle 3, (d) Vehicle 4, (e) Vehicle 5, (f) Vehicle 6. Includes rows 30-36 with questions about miles driven and personal use.

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

Table with 2 columns: Yes, No. Includes rows 37-41 with questions about written policies and requirements for qualified automobile demonstration use.

Part VI Amortization

Table with 6 columns: (a) Description of costs, (b) Date amortization begins, (c) Amortizable amount, (d) Code section, (e) Amortization period or percentage, (f) Amortization for this year. Includes rows 42-44.

Form **8865**

Return of U.S. Persons With Respect to Certain Foreign Partnerships

2010

Department of the Treasury
Internal Revenue Service

▶ **Attach to your tax return. See separate instructions.**
Information furnished for the foreign partnership's tax year beginning _____, 2010 and ending _____, 20____

Attachment
Sequence No. **118**

Name of person filing this return: **Carlton Asset Management, LP** Filer's identifying number: **69-0000003**

Filer's address (if you are not filing this form with your tax return):
**1678 S. Hoover Blvd.
San Francisco, CA 94101**

A Category of filer (see **Categories of Filers** in the instructions and check applicable box(es)):
1 2 3 4

B Filer's tax year beginning 01/01, 20 10, and ending 12/31, 20 10

C Filer's share of liabilities: Nonrecourse \$ _____ Qualified nonrecourse financing \$ **4,800,000** Other \$ _____

D If filer is a member of a consolidated group but not the parent, enter the following information about the parent:
Name _____ EIN _____
Address _____

E Information about certain other partners (see instructions)

| (1) Name | (2) Address | (3) Identifying number | (4) Check applicable box(es) | | |
|----------|-------------|------------------------|------------------------------|------------|--------------------|
| | | | Category 1 | Category 2 | Constructive owner |
| | | | | | |
| | | | | | |

F1 Name and address of foreign partnership:
**Mai Tai Investment
1-2-3 Ginsu, Chuo-Ku
Tokyo, 190-2182**

2 EIN (if any): **69-0000099**

3 Country under whose laws organized: **Japan**

| | | | | | |
|---|---|--|--|--------------------------------------|---|
| 4 Date of organization 09/13/1992 | 5 Principal place of business Japan | 6 Principal business activity code number 523110 | 7 Principal business activity Security Dealing | 8a Functional currency Yen | 8b Exchange rate (see instr.) .8739 |
|---|---|--|--|--------------------------------------|---|

G Provide the following information for the foreign partnership's tax year:

1 Name, address, and identifying number of agent (if any) in the United States: _____

2 Check if the foreign partnership must file:
 Form 1042 Form 8804 Form 1065 or 1065-B
Service Center where Form 1065 or 1065-B is filed:
E-File

3 Name and address of foreign partnership's agent in country of organization, if any: _____

4 Name and address of person(s) with custody of the books and records of the foreign partnership, and the location of such books and records, if different: _____

- 5** Were any special allocations made by the foreign partnership? ▶ Yes No
- 6** Enter the number of Forms 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, attached to this return (see instructions) ▶ 0
- 7** How is this partnership classified under the law of the country in which it is organized? . . ▶ Partnership
- 8** Did the partnership own any separate units within the meaning of Regulations section 1.1503-2(c)(3), (4), or 1.1503(d)-1(b)(4)? ▶ Yes No
- 9** Does this partnership meet **both** of the following requirements?
 • The partnership's total receipts for the tax year were less than \$250,000 and
 • The value of the partnership's total assets at the end of the tax year was less than \$1 million. } ▶ Yes No
 If "Yes," **do not** complete Schedules L, M-1, and M-2.

Sign Here Only If You Are Filing This Form Separately and Not With Your Tax Return. Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member: _____ Date: _____

Paid Preparer Sign and Complete Only If Form is Filed Separately.

| | | | |
|--|-------------------------|---|------------------------|
| Preparer's signature: John Smith | Date: 03/14/2011 | Check if self-employed: <input type="checkbox"/> | PTIN: P00000003 |
| Firm's name (or yours if self-employed), address, and ZIP code: Electronic Tax Filers Inc 123 Any Street, Anytown, NY 11717 | | EIN: 69-0000098 Phone no. 555-631-1212 | |

Schedule A Constructive Ownership of Partnership Interest. Check the boxes that apply to the filer. If you check box **b**, enter the name, address, and U.S. taxpayer identifying number (if any) of the person(s) whose interest you constructively own. See instructions.

a Owns a direct interest **b** Owns a constructive interest

| Name | Address | Identifying number (if any) | Check if foreign person | Check if direct partner |
|------------------------------|---|-----------------------------|-------------------------|-------------------------|
| Carlton Asset Management, LP | 1678 Hoover Blvd San Francisco, CA 94101 | 69-0000003 | | x |
| | | | | |
| | | | | |

Schedule A-1 Certain Partners of Foreign Partnership (see instructions)

| Name | Address | Identifying number (if any) | Check if foreign person |
|------|---------|-----------------------------|-------------------------|
| | | | |
| | | | |
| | | | |

Does the partnership have any other foreign person as a direct partner? Yes No

Schedule A-2 Affiliation Schedule. List all partnerships (foreign or domestic) in which the foreign partnership owns a direct interest or indirectly owns a 10% interest.

| Name | Address | EIN (if any) | Total ordinary income or loss | Check if foreign partnership |
|------|---------|--------------|-------------------------------|------------------------------|
| | | | | |
| | | | | |
| | | | | |

Schedule B Income Statement—Trade or Business Income

Caution. Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

| | | | | | |
|---|--|------------|------------|------------|------------|
| Income | 1a Gross receipts or sales | 1a | 50,000,000 | | |
| | b Less returns and allowances | 1b | | | 1c |
| | 2 Cost of goods sold | | | 2 | 5,000,000 |
| | 3 Gross profit. Subtract line 2 from line 1c | | | 3 | 45,000,000 |
| | 4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) | | | 4 | |
| | 5 Net farm profit (loss) (attach Schedule F (Form 1040)) | | | 5 | |
| | 6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | 6 | |
| | 7 Other income (loss) (attach statement) | | | 7 | |
| 8 Total income (loss). Combine lines 3 through 7 | | | 8 | 45,000,000 | |
| Deductions (see instructions for limitations) | 9 Salaries and wages (other than to partners) (less employment credits) | | | 9 | 2,000,000 |
| | 10 Guaranteed payments to partners | | | 10 | |
| | 11 Repairs and maintenance | | | 11 | |
| | 12 Bad debts | | | 12 | |
| | 13 Rent | | | 13 | 2,081,900 |
| | 14 Taxes and licenses | | | 14 | |
| | 15 Interest | | | 15 | |
| | 16a Depreciation (if required, attach Form 4562) | 16a | | | |
| | b Less depreciation reported elsewhere on return | 16b | | | 16c |
| | 17 Depletion (Do not deduct oil and gas depletion.) | | | 17 | |
| | 18 Retirement plans, etc. | | | 18 | |
| | 19 Employee benefit programs | | | 19 | |
| | 20 Other deductions (attach statement) | | | 20 | |
| | 21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20 | | | 21 | 4,081,900 |
| 22 Ordinary business income (loss) from trade or business activities. Subtract line 21 from line 8 | | | 22 | 40,918,100 | |

Schedule D Capital Gains and Losses (Use Schedule D-1 (Form 1065) to list additional transactions for lines 1 and 7)

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

| (a) Description of property (Example: 100 shares of "Z" Co.) | (b) Date acquired (month, day, year) | (c) Date sold (month, day, year) | (d) Sales price (see instructions) | (e) Cost or other basis (see instructions) | (f) Gain or (loss) Subtract (e) from (d) |
|---|---|-------------------------------------|---------------------------------------|---|---|
| 1 | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| 2 Enter short-term gain or (loss), if any, from Schedule D-1 (Form 1065), line 2 | | | | | 2 |
| 3 Short-term capital gain from installment sales from Form 6252, line 26 or 37 | | | | | 3 |
| 4 Short-term capital gain (loss) from like-kind exchanges from Form 8824 | | | | | 4 |
| 5 Partnership's share of net short-term capital gain (loss), including specially allocated short-term capital gains (losses), from other partnerships, estates, and trusts | | | | | 5 |
| 6 Net short-term capital gain or (loss). Combine lines 1 through 5 in column (f). Enter here and on Form 8865, Schedule K, line 8 or 11 | | | | | 6 |

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

| (a) Description of property (Example: 100 shares of "Z" Co.) | (b) Date acquired (month, day, year) | (c) Date sold (month, day, year) | (d) Sales price (see instructions) | (e) Cost or other basis (see instructions) | (f) Gain or (loss) Subtract (e) from (d) |
|--|---|-------------------------------------|---------------------------------------|---|---|
| 7 | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| 8 Enter long-term gain or (loss), if any, from Schedule D-1 (Form 1065), line 8 | | | | | 8 |
| 9 Long-term capital gain from installment sales from Form 6252, line 26 or 37 | | | | | 9 |
| 10 Long-term capital gain (loss) from like-kind exchanges from Form 8824 | | | | | 10 |
| 11 Partnership's share of net long-term capital gain (loss), including specially allocated long-term capital gains (losses), from other partnerships, estates, and trusts | | | | | 11 |
| 12 Capital gain distributions | | | | | 12 |
| 13 Net long-term capital gain or (loss). Combine lines 7 through 12 in column (f). Enter here and on Form 8865, Schedule K, line 9a or 11 | | | | | 13 |

| Schedule K Partners' Distributive Share Items | | Total amount | |
|---|--|---------------------|------------|
| Income (Loss) | 1 Ordinary business income (loss) (page 2, line 22) | 1 | 40,918,100 |
| | 2 Net rental real estate income (loss) (attach Form 8825) | 2 | |
| | 3a Other gross rental income (loss) | 3a | |
| | b Expenses from other rental activities (attach statement) | 3b | |
| | c Other net rental income (loss). Subtract line 3b from line 3a | 3c | |
| | 4 Guaranteed payments | 4 | |
| | 5 Interest income | 5 | |
| | 6 Dividends: a Ordinary dividends | 6a | |
| | b Qualified dividends | 6b | |
| | 7 Royalties | 7 | |
| | 8 Net short-term capital gain (loss) | 8 | |
| 9a Net long-term capital gain (loss) | 9a | | |
| b Collectibles (28%) gain (loss) | 9b | | |
| c Unrecaptured section 1250 gain (attach statement) | 9c | | |
| 10 Net section 1231 gain (loss) (attach Form 4797) | 10 | | |
| 11 Other income (loss) (see instructions) Type ▶ | 11 | | |
| Deductions | 12 Section 179 deduction (attach Form 4562) | 12 | |
| | 13a Contributions | 13a | |
| | b Investment interest expense | 13b | |
| | c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶ | 13c(2) | |
| d Other deductions (see instructions) Type ▶ | 13d | | |
| Self-Employment | 14a Net earnings (loss) from self-employment | 14a | |
| | b Gross farming or fishing income | 14b | |
| | c Gross nonfarm income | 14c | |
| Credits | 15a Low-income housing credit (section 42(j)(5)) | 15a | |
| | b Low-income housing credit (other) | 15b | |
| | c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468) | 15c | |
| | d Other rental real estate credits (see instructions) Type ▶ | 15d | |
| | e Other rental credits (see instructions) Type ▶ | 15e | |
| | f Other credits (see instructions) Type ▶ | 15f | |
| Foreign Transactions | 16a Name of country or U.S. possession ▶ JA | | |
| | b Gross income from all sources | 16b | 40,918,100 |
| | c Gross income sourced at partner level | 16c | |
| | Foreign gross income sourced at partnership level | | |
| | d Passive category ▶ 40,918,100 e General category ▶ f Other (attach statement) ▶ | 16f | |
| | Deductions allocated and apportioned at partner level | | |
| | g Interest expense ▶ h Other ▶ | 16h | |
| | Deductions allocated and apportioned at partnership level to foreign source income | | |
| | i Passive category ▶ j General category ▶ k Other (attach statement) ▶ | 16k | |
| | l Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued | 16l | 2,530,040 |
| m Reduction in taxes available for credit (attach statement) | 16m | | |
| n Other foreign tax information (attach statement) | | | |
| Alternative Minimum Tax (AMT) Items | 17a Post-1986 depreciation adjustment | 17a | |
| | b Adjusted gain or loss | 17b | |
| | c Depletion (other than oil and gas) | 17c | |
| | d Oil, gas, and geothermal properties—gross income | 17d | |
| | e Oil, gas, and geothermal properties—deductions | 17e | |
| | f Other AMT items (attach statement) | 17f | |
| Other Information | 18a Tax-exempt interest income | 18a | |
| | b Other tax-exempt income | 18b | |
| | c Nondeductible expenses | 18c | |
| | 19a Distributions of cash and marketable securities | 19a | |
| | b Distributions of other property | 19b | |
| | 20a Investment income | 20a | |
| | b Investment expenses | 20b | |
| c Other items and amounts (attach statement) | | | |

Schedule L Balance Sheets per Books. (Not required if Item G9, page 1, is answered "Yes.")

| | Beginning of tax year | | End of tax year | |
|---|-----------------------|-------------|-----------------|-------------|
| | (a) | (b) | (c) | (d) |
| Assets | | | | |
| 1 Cash | | 1,750 | | 2,250 |
| 2a Trade notes and accounts receivable . . . | 27,000,000 | | 14,000,000 | |
| b Less allowance for bad debts | | 27,000,000 | | 14,000,000 |
| 3 Inventories | | | | |
| 4 U.S. government obligations | | | | |
| 5 Tax-exempt securities | | | | |
| 6 Other current assets (attach statement) . . | | | | |
| 7 Mortgage and real estate loans | | | | |
| 8 Other investments (attach statement) . . . | | | | |
| 9a Buildings and other depreciable assets . . | 115,000,000 | | 187,000,000 | |
| b Less accumulated depreciation | 11,000,000 | 104,000,000 | 13,081,900 | 183,918,100 |
| 10a Depletable assets | | | | |
| b Less accumulated depletion | | | | |
| 11 Land (net of any amortization) | | | | |
| 12a Intangible assets (amortizable only) . . . | | | | |
| b Less accumulated amortization | | | | |
| 13 Other assets (attach statement) | | | | |
| 14 Total assets | | 131,001,750 | | 197,920,350 |
| Liabilities and Capital | | | | |
| 15 Accounts payable | | 1,000,000 | | 1,500,000 |
| 16 Mortgages, notes, bonds payable in less than 1 year | | | | |
| 17 Other current liabilities (attach statement) . | | | | |
| 18 All nonrecourse loans | | | | |
| 19 Mortgages, notes, bonds payable in 1 year or more | | | | |
| 20 Other liabilities (attach statement) | | | | |
| 21 Partners' capital accounts | | 130,001,750 | | 196,420,350 |
| 22 Total liabilities and capital | | 131,001,750 | | 197,920,350 |

Schedule M Balance Sheets for Interest Allocation

| | (a) Beginning of tax year | (b) End of tax year |
|---|---------------------------------|---------------------------|
| 1 Total U.S. assets | | |
| 2 Total foreign assets: | | |
| a Passive category | | |
| b General category | | |
| c Other (attach statement) | | |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return. (Not required if Item G9, page 1, is answered "Yes.")

| | | | |
|--|------------|---|------------|
| 1 Net income (loss) per books | 40,968,100 | 6 Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize): | |
| 2 Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11 not recorded on books this year (itemize): | | a Tax-exempt interest \$ _____ | |
| 3 Guaranteed payments (other than health insurance) . . . | | 7 Deductions included on Schedule K, lines 1 through 13d, and 16l not charged against book income this year (itemize): | |
| 4 Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize): | | a Depreciation \$ _____ 50,000,000 | |
| a Depreciation \$ _____ | | | |
| b Travel and entertainment \$ _____ | | 8 Add lines 6 and 7 . 50,000,000. | 50,000,000 |
| 5 Add lines 1 through 4 | 40,968,100 | 9 Income (loss). Subtract line 8 from line 5 | 40,918,100 |

Schedule M-2 Analysis of Partners' Capital Accounts. (Not required if Item G9, page 1, is answered "Yes.")

| | | | |
|--|-------------|--|-------------|
| 1 Balance at beginning of year | 130,001,750 | 6 Distributions: a Cash | |
| 2 Capital contributed: | | b Property | |
| a Cash | 9,450,500 | 7 Other decreases (itemize): _____ | |
| b Property | 16,000,000 | | |
| 3 Net income (loss) per books | 3,968,100 | | |
| 4 Other increases (itemize): _____ | | 8 Add lines 6 and 7 | 50,000,000 |
| | | 9 Balance at end of year. Subtract line 8 from line 5 | 196,420,350 |
| 5 Add lines 1 through 4 | 196,420,350 | | |

Schedule N Transactions Between Controlled Foreign Partnership and Partners or Other Related Entities

Important: Complete a separate Form 8865 and Schedule N for each controlled foreign partnership. Enter the totals for each type of transaction that occurred between the foreign partnership and the persons listed in columns (a) through (d).

| Transactions of foreign partnership | (a) U.S. person filing this return | (b) Any domestic corporation or partnership controlling or controlled by the U.S. person filing this return | (c) Any other foreign corporation or partnership controlling or controlled by the U.S. person filing this return | (d) Any U.S. person with a 10% or more direct interest in the controlled foreign partnership (other than the U.S. person filing this return) |
|---|------------------------------------|---|--|--|
| 1 Sales of inventory | | | | |
| 2 Sales of property rights (patents, trademarks, etc.) | | | | |
| 3 Compensation received for technical, managerial, engineering, construction, or like services | | | | |
| 4 Commissions received | | | | |
| 5 Rents, royalties, and license fees received | | | | |
| 6 Distributions received | | | | |
| 7 Interest received | | | | |
| 8 Other | | | | |
| 9 Add lines 1 through 8 | | | | |
| 10 Purchases of inventory | | | | |
| 11 Purchases of tangible property other than inventory | | | | |
| 12 Purchases of property rights (patents, trademarks, etc.) | | | | |
| 13 Compensation paid for technical, managerial, engineering, construction, or like services | | | | |
| 14 Commissions paid | | | | |
| 15 Rents, royalties, and license fees paid | | | | |
| 16 Distributions paid | | | | |
| 17 Interest paid | | | | |
| 18 Other | | | | |
| 19 Add lines 10 through 18 | | | | |
| 20 Amounts borrowed (enter the maximum loan balance during the year). See instructions | | | | |
| 21 Amounts loaned (enter the maximum loan balance during the year). See instructions | | | | |

**SCHEDULE B-1
(Form 1065)**

(December 2009)
Department of the Treasury
Internal Revenue Service

**Information on Partners Owning 50% or
More of the Partnership**

OMB No. 1545-0099

▶ Attach to Form 1065. See instructions on back.

| | |
|--|---|
| Name of partnership Carlton Asset Management, LP | Employer identification number (EIN) 69 0000003 |
|--|---|

Part I Entities Owning 50% or More of the Partnership (Form 1065, Schedule B, Question 3a)

Complete columns (i) through (v) below for any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization that owns, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership (see instructions).

| (i) Name of Entity | (ii) Employer Identification Number (if any) | (iii) Type of Entity | (iv) Country of Organization | (v) Maximum Percentage Owned in Profit, Loss, or Capital |
|------------------------|--|----------------------|------------------------------|--|
| ABC Investments | 69-3000002 | Partnership | United States | 89% |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Part II Individuals or Estates Owning 50% or More of the Partnership (Form 1065, Schedule B, Question 3b)

Complete columns (i) through (iv) below for any individual or estate that owns, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership (see instructions).

| (i) Name of Individual or Estate | (ii) Identifying Number (if any) | (iii) Country of Citizenship (see instructions) | (iv) Maximum Percentage Owned in Profit, Loss, or Capital |
|----------------------------------|----------------------------------|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

**SCHEDULE C
(Form 1065)**

Additional Information for Schedule M-3 Filers

2010

Department of the Treasury
Internal Revenue Service

▶ **Attach to Form 1065. See separate instructions.**

Name of partnership

Employer identification number

| | | Yes | No |
|---|---|-----|----|
| 1 | At any time during the tax year, were there any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8? | | |
| 2 | Do the amounts reported on Schedule M-3, Part II, lines 7 or 8, column (d), reflect allocations to this partnership from another partnership of income, gain, loss, deduction, or credit that are disproportionate to this partnership's share of capital in such partnership or its ratio for sharing other items of such partnership? | | |
| 3 | At any time during the tax year, did the partnership sell, exchange, or transfer any interest in an intangible asset to a related person as defined in sections 267(b) and 707(b)(1)? | | |
| 4 | At any time during the tax year, did the partnership acquire any interest in an intangible asset from a related person as defined in sections 267(b) and 707(b)(1)? | | |
| 5 | At any time during the tax year, did the partnership make any change in accounting principle for financial accounting purposes? See instructions for a definition of change in accounting principle | | |
| 6 | At any time during the tax year, did the partnership make any change in a method of accounting for U.S. income tax purposes? | | |

For Paperwork Reduction Act Notice, see the Instructions for Form 1065.

Cat. No. 49945S

Schedule C (Form 1065) 2010

**Net Income (Loss) Reconciliation
for Certain Partnerships**

▶ Attach to Form 1065 or Form 1065-B.
▶ See separate instructions.

2010

| | |
|---|--|
| Name of partnership Carlton Asset Management, LP | Employer identification number 69-0000003 |
|---|--|

This Schedule M-3 is being filed because (check all that apply):

- A The amount of the partnership's total assets at the end of the tax year is equal to \$10 million or more.
- B The amount of the partnership's adjusted total assets for the year is equal to \$10 million or more. If box B is checked, enter the amount of adjusted total assets for the tax year 414,477,993.
- C The amount of total receipts for the tax year is equal to \$35 million or more. If box C is checked, enter the total receipts for the tax year 410,686,302.
- D An entity that is a reportable entity partner with respect to the partnership owns or is deemed to own an interest of 50 percent or more in the partnership's capital, profit, or loss, on any day during the tax year of the partnership.

| Name of Reportable Entity Partner | Identifying Number | Maximum Percentage Owned or Deemed Owned |
|-----------------------------------|--------------------|--|
| | | |
| | | |

E Voluntary Filer

Part I Financial Information and Net Income (Loss) Reconciliation

- 1a Did the partnership file SEC Form 10-K for its income statement period ending with or within this tax year?
 - Yes. Skip lines 1b and 1c and complete lines 2 through 11 with respect to that SEC Form 10-K.
 - No. Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.
- b Did the partnership prepare a certified audited non-tax-basis income statement for that period?
 - Yes. Skip line 1c and complete lines 2 through 11 with respect to that income statement.
 - No. Go to line 1c.
- c Did the partnership prepare a non-tax-basis income statement for that period?
 - Yes. Complete lines 2 through 11 with respect to that income statement.
 - No. Skip lines 2 through 3b and enter the partnership's net income (loss) per its books and records on line 4a.
- 2 Enter the income statement period: Beginning 01 / 01 / 2010 Ending 12 / 31 / 2010
- 3a Has the partnership's income statement been restated for the income statement period on line 2?
 - Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 - No.
- b Has the partnership's income statement been restated for any of the five income statement periods preceding the period on line 2?
 - Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 - No.

| | | |
|--|----|-------------|
| 4a Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1 | 4a | 406,974,260 |
| b Indicate accounting standard used for line 4a (see instructions): | | |
| 1 <input checked="" type="checkbox"/> GAAP 2 <input type="checkbox"/> IFRS 3 <input type="checkbox"/> 704(b) | | |
| 4 <input type="checkbox"/> Tax-basis 5 <input type="checkbox"/> Other: (Specify) ▶ _____ | | |
| 5a Net income from nonincludible foreign entities (attach schedule) | 5a | () |
| b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) | 5b | |
| 6a Net income from nonincludible U.S. entities (attach schedule) | 6a | () |
| b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount) | 6b | |
| 7a Net income (loss) of other foreign disregarded entities (attach schedule) | 7a | |
| b Net income (loss) of other U.S. disregarded entities (attach schedule) | 7b | |
| 8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule) | 8 | |
| 9 Adjustment to reconcile income statement period to tax year (attach schedule) | 9 | |
| 10 Other adjustments to reconcile to amount on line 11 (attach schedule) | 10 | |
| 11 Net income (loss) per income statement of the partnership. Combine lines 4 through 10 | 11 | 406,974,260 |

Note. Part I, line 11, must equal the amount on Part II, line 26, column (a).

12 Enter the total amount (not just the partnership's share) of the assets and liabilities of all entities included or removed on the following lines:

| | Total Assets | Total Liabilities |
|------------------------------|--------------|-------------------|
| a Included on Part I, line 4 | 6,275,256 | 3,589,605 |
| b Removed on Part I, line 5 | | |
| c Removed on Part I, line 6 | | |
| d Included on Part I, line 7 | 6,275,256 | 3,589,605 |

| | |
|--|---|
| Name of partnership Carlton Asset Management, LP | Employer identification number 69-0000003 |
|--|---|

Part II Reconciliation of Net Income (Loss) per Income Statement of Partnership with Income (Loss) per Return

| Income (Loss) Items | (a) Income (Loss) per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Income (Loss) per Tax Return |
|--|--|--------------------------------|--------------------------------|--|
| (Attach schedules for lines 1 through 9) | | | | |
| 1 Income (loss) from equity method foreign corporations | | | | |
| 2 Gross foreign dividends not previously taxed | | | | |
| 3 Subpart F, QEF, and similar income inclusions | | | | |
| 4 Gross foreign distributions previously taxed | | | | |
| 5 Income (loss) from equity method U.S. corporations | | | | |
| 6 U.S. dividends | | | | |
| 7 Income (loss) from U.S. partnerships | | | | |
| 8 Income (loss) from foreign partnerships | 10,229,525 | | | 10,229,525 |
| 9 Income (loss) from other pass-through entities | | | | |
| 10 Items relating to reportable transactions (attach details) | | | | |
| 11 Interest income (attach Form 8916-A) | | | | |
| 12 Total accrual to cash adjustment | | | | |
| 13 Hedging transactions | | | | |
| 14 Mark-to-market income (loss) | | | | |
| 15 Cost of goods sold (attach Form 8916-A) | () | | | () |
| 16 Sale versus lease (for sellers and/or lessors) | | | | |
| 17 Section 481(a) adjustments | | | | |
| 18 Unearned/deferred revenue | | | | |
| 19 Income recognition from long-term contracts | | | | |
| 20 Original issue discount and other imputed interest | | | | |
| 21a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities | | | | |
| b Gross capital gains from Schedule D, excluding amounts from pass-through entities | | | | |
| c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses | | | | |
| d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses | | | | |
| e Abandonment losses | | | | |
| f Worthless stock losses (attach details) | | | | |
| g Other gain/loss on disposition of assets other than inventory | | | | |
| 22 Other income (loss) items with differences (attach schedule) | | | | |
| 23 Total income (loss) items. Combine lines 1 through 22 | 10,229,525 | | | 10,229,525 |
| 24 Total expense/deduction items. (from Part III, line 31) (see instructions) | (2,222) | | (560,789) | (563,011) |
| 25 Other items with no differences | 396,746,957 | | | 396,746,957 |
| 26 Reconciliation totals. Combine lines 23 through 25 | 406,974,260 | | (560,789) | 406,413,471 |

Note. Line 26, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1065, page 5, Analysis of Net Income (Loss), line 1.

| | |
|---------------------|--------------------------------|
| Name of partnership | Employer identification number |
|---------------------|--------------------------------|

Part III Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return—Expense/Deduction Items

| | (a) Expense per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Deduction per Tax Return |
|---|--|--------------------------------|--------------------------------|------------------------------------|
| Expense/Deduction Items | | | | |
| 1 State and local current income tax expense | | | | |
| 2 State and local deferred income tax expense | | | | |
| 3 Foreign current income tax expense (other than foreign withholding taxes) | | | | |
| 4 Foreign deferred income tax expense | | | | |
| 5 Equity-based compensation | | | | |
| 6 Meals and entertainment | 2,222 | | (1,111) | 1,111 |
| 7 Fines and penalties | | | | |
| 8 Judgments, damages, awards, and similar costs | | | | |
| 9 Guaranteed payments | | | 561,900 | 561,900 |
| 10 Pension and profit-sharing | | | | |
| 11 Other post-retirement benefits | | | | |
| 12 Deferred compensation | | | | |
| 13 Charitable contribution of cash and tangible property | | | | |
| 14 Charitable contribution of intangible property | | | | |
| 15 Organizational expenses as per Regulations section 1.709-2(a) | | | | |
| 16 Syndication expenses as per Regulations section 1.709-2(b) | | | | |
| 17 Current year acquisition/reorganization investment banking fees | | | | |
| 18 Current year acquisition/reorganization legal and accounting fees | | | | |
| 19 Amortization/impairment of goodwill | | | | |
| 20 Amortization of acquisition, reorganization, and start-up costs | | | | |
| 21 Other amortization or impairment write-offs | | | | |
| 22 Section 198 environmental remediation costs | | | | |
| 23a Depletion—Oil & Gas | | | | |
| b Depletion—Other than Oil & Gas | | | | |
| 24 Intangible drilling & development costs | | | | |
| 25 Depreciation | | | | |
| 26 Bad debt expense | | | | |
| 27 Interest expense (attach Form 8916-A) | | | | |
| 28 Purchase versus lease (for purchasers and/ or lessees) | | | | |
| 29 Research and development costs (attach schedule) | | | | |
| 30 Other expense/deduction items with differences (attach schedule) | | | | |
| 31 Total expense/deduction items. Combine lines 1 through 30. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive | 2,222 | | 560,789 | 563,011 |

**SCHEDULE O
(Form 8865)**

**Transfer of Property to a Foreign Partnership
(under section 6038B)**

2010

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 8865. See Instructions for Form 8865.

| | |
|--|--|
| Name of transferor Carlton Asset Management, LP | Filer's identifying number 69-0000003 |
| Name of foreign partnership Mai Tai Investments | |

Part I Transfers Reportable Under Section 6038B

| Type of property | (a) Date of transfer | (b) Number of items transferred | (c) Fair market value on date of transfer | (d) Cost or other basis | (e) Section 704(c) allocation method | (f) Gain recognized on transfer | (g) Percentage interest in partnership after transfer |
|---|-------------------------|------------------------------------|--|----------------------------|---|------------------------------------|--|
| Cash | | | | | | | |
| Marketable securities | | | | | | | |
| Inventory | | | | | | | |
| Tangible property used in trade or business | 08/08/2010 | 4 | 12,345,000 | 16,000,000 | | | 25 |
| Intangible property | | | | | | | |
| Other property | | | | | | | |

Supplemental Information Required To Be Reported (see instructions):

Part II Dispositions Reportable Under Section 6038B

| (a) Type of property | (b) Date of original transfer | (c) Date of disposition | (d) Manner of disposition | (e) Gain recognized by partnership | (f) Depreciation recapture recognized by partnership | (g) Gain allocated to partner | (h) Depreciation recapture allocated to partner |
|-------------------------|----------------------------------|----------------------------|------------------------------|---------------------------------------|---|----------------------------------|--|
| | | | | | | | |
| | | | | | | | |

Part III Is any transfer reported on this schedule subject to gain recognition under section 904(f)(3) or section 904(f)(5)(F)? ▶ Yes No

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000003

B Partnership's name, address, city, state, and ZIP code Carlton Asset Management, LP 1678 S Hoover Blvd San Francisco, CA 94101

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 69-3000002

F Partner's name, address, city, state, and ZIP code ABC Investments 93 Oaks Drive Los Angeles, CA 90052

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Partnership

J Partner's share of profit, loss, and capital (see instructions): Table with columns for Beginning and Ending, and rows for Profit, Loss, and Capital.

K Partner's share of liabilities at year end: Nonrecourse \$ 480,600, Qualified nonrecourse financing \$, Recourse \$

L Partner's capital account analysis: Beginning capital account \$ 3,483,574, Capital contributed during the year \$, Current year increase (decrease) \$ 362,207,091, Withdrawals & distributions \$ (363,300,436), Ending capital account \$ 2,390,229

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss? Yes No If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Code. Rows include Ordinary business income (loss), Net rental real estate income (loss), Other net rental income (loss), Guaranteed payments, Interest income, Ordinary dividends, Qualified dividends, Royalties, Net short-term capital gain (loss), Net long-term capital gain (loss), Collectibles (28%) gain (loss), Unrecaptured section 1250 gain, Net section 1231 gain (loss), Other income (loss), Section 179 deduction, Other deductions, Self-employment earnings (loss).

*See attached statement for additional information.

For IRS Use Only

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning ending

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000003
B Partnership's name, address, city, state, and ZIP code Carlton Asset Management, LP 1676 Hoover Blvd San Francisco, CA 94101
C IRS Center where partnership filed return Ogden
D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 990-00-0001
F Partner's name, address, city, state, and ZIP code Taxpayer B1 888 NW Peach Street San Francisco, CA 94101
G General partner or LLC member-manager Limited partner or other LLC member
H Domestic partner Foreign partner
I What type of entity is this partner? Individual
J Partner's share of profit, loss, and capital (see instructions): Beginning Ending
K Partner's share of liabilities at year end: Nonrecourse \$ 5,400

L Partner's capital account analysis: Beginning capital account \$ 39,141 Capital contributed during the year \$ Current year increase (decrease) \$ 4,069,743 Withdrawals & distributions \$ (4,082,743) Ending capital account \$ 26,141
M Did the partner contribute property with a built-in gain or loss? Yes No

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Code. Rows include Ordinary business income (loss) 4,064,909, Net rental real estate income (loss), Other net rental income (loss), Guaranteed payments, Interest income 365, Ordinary dividends, Qualified dividends, Royalties, Net short-term capital gain (loss), Net long-term capital gain (loss), Collectibles (28%) gain (loss), Unrecaptured section 1250 gain, Net section 1231 gain (loss), Other income (loss), Section 179 deduction 433, Other deductions, Self-employment earnings (loss).

*See attached statement for additional information. For IRS Use Only

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000003

B Partnership's name, address, city, state, and ZIP code Carlton Asset Management, LP 1678 S Hoover Blvd San Francisco, CA 94101

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 69-3000001

F Partner's name, address, city, state, and ZIP code XYZ Management 7272 W Truman Ave Sacramento, CA 95813

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Partnership

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. Values: 10%, 10%, 10%.

K Partner's share of liabilities at year end: Nonrecourse \$ 54,000

L Partner's capital account analysis: Beginning capital account \$ 391,413

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss? Yes No

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Code. Rows include Ordinary business income (loss), Net rental real estate income (loss), Other net rental income (loss), Guaranteed payments, Interest income, Ordinary dividends, Qualified dividends, Royalties, Net short-term capital gain (loss), Net long-term capital gain (loss), Collectibles (28%) gain (loss), Unrecaptured section 1250 gain, Net section 1231 gain (loss), Other income (loss), Section 179 deduction, Other deductions, Self-employment earnings (loss).

*See attached statement for additional information.

For IRS Use Only

TEST SCENARIO 4**FORMS REQUIRED:**

1065, 4562, 4797, 8308, 1065 Sch D, 1065 Sch K-1 (3), Form 8453-PE, Schedule B-1(F1065), Schedule M-3, Schedule C

ATTACHMENTS:

Other Income (Loss) Statement
Itemized Other Deductions Statement
Itemized Section 263A Costs Schedule
Inventoriable Costs Paid Schedule
Section 754 Election
Partnership's Charitable Contributions Statement
Other Cost Statement
Schedule L Other Current Assets Statement
Schedule L Other Assets Statement
Schedule L Other Current Liabilities Statement
Other AMT Items Statement

BINARY ATTACHMENTS: Scanned Form 8453-PE (8453 Signature Document)**HEADER INFO:**

Tax Period: Calendar Year 2010

Preparer Firm **Electronic Tax Filers, Inc** **69-0000098**
1065 Efile Drive
Anytown, OR 97201

IP Address: 440.440.440

Multiple Software Packages Used: Yes or No

Originator: **EFIN: Self-select**
Type: ERO
Practitioner PIN: None
PIN Entered by – N/A

Signature Option: Binary Attachment 8453 Signature Document

Return Type: 1065

Filer: **EIN: 69-0000004**
Name: Eastland Quarries
Name Control: EAST
Address: 2313 Jackson Ave
Portland, OR 97208

Partner: **Name: Jonathan Teak**
Title: President
Taxpayer PIN:
Phone: 555-555-5555
Email Address: Anymail@email.com
Date Signed: 04/11/2011

Preparer: **Name: John Smith**
PTIN: P00000004

Phone: 555-631-1212
Email Address: Anymail@email.com
Date Prepared: 04/11/2011
Self Employed: No

Details for attachments to Form

Other Income (Loss) Statement (Form 1065, Page 1, Line 7)

| | |
|---------------|--------|
| Miscellaneous | 36,522 |
|---------------|--------|

Itemized Other Deductions Statement (Form 1065, Page 1 Line 20)

| | |
|-------------------|---------|
| Amortization | 441,924 |
| Insurance | 75,606 |
| Professional Fees | 583,204 |
| Miscellaneous | 213,470 |

Itemized Section 263A Costs Schedule (Form 1065, Page 2, Schedule A, Line 4)

| | |
|-----------|--------|
| Rent | 50,000 |
| Utilities | 24,212 |

Inventoriable Costs Paid Schedule (Form 1065, Page 2, Schedule A, Line 5)

| | |
|-------------------|-----------|
| Professional Fees | 19,360 |
| Utilities | 1,321,610 |
| Miscellaneous | 225,142 |
| Depreciation | 1,552,633 |

Section 754 Election (Form 1065, Page 3, Schedule B, Line 12a)

| | |
|-------------------------|--|
| Name of Partnership | Eastland Quarries |
| Partnership Address | 2313 Jackson Ave Portland, OR 97208 |
| Section 754 Declaration | Made a section 754 declaration |

Partnership's Charitable Contributions Statement (Form 1065, Page 4, Schedule K, Line 13a)

| | |
|----------------------|-----------------------|
| Type of Contribution | 50% Cash Contribution |
| Amount | 3,000 |

Other AMT Items Statement (Form 1065, Page 4, Schedule K, Line 17f)

| | |
|-----------------|----------|
| Other AMT Items | (22,101) |
|-----------------|----------|

Schedule L Other Current Assets Statement (Form 1065, Page5, Schedule L, Line 6b and 6d)

| | | |
|------|------------|------------|
| Type | BOY Amount | EOY Amount |
|------|------------|------------|

| | | |
|-------------------|---------|---------|
| Prepaid Insurance | 105,000 | 105,000 |
| Deposit | 45,000 | 20,000 |

Schedule L Other Assets Statement (Form 1065, Page 5, Schedule L, Line 13b and 13d)

| Type | BOY Amount | EOY Amount |
|--------------|------------|------------|
| Other Assets | 387,000 | 411,000 |

Schedule L Other Current Liabilities Statement (Form 1065, Page 5, Schedule L, Line 17)

| Type | BOY Amount | EOY Amount |
|------------------------|------------|------------|
| Accrued Payroll | 793,542 | 801,250 |
| Accrued Profit Sharing | 377,622 | 486,135 |

Other Cost Statement (Cost of Good Sold, Form 1065, Page 2 Schedule A, Line 5)

| | |
|------------|-----------|
| Other Cost | 3,118,745 |
|------------|-----------|

Form **1065**
Department of the Treasury
Internal Revenue Service

U.S. Return of Partnership Income

For calendar year 2010, or tax year beginning _____, 2010, ending _____, 20_____

▶ See separate instructions.

2010

| | | | |
|--|---|--|---|
| A Principal business activity Quarries | Use the IRS label. Otherwise, print or type. | Name of partnership Eastland Quarries | D Employer identification number 69-0000004 |
| B Principal product or service Crushed Stone | | Number, street, and room or suite no. If a P.O. box, see the instructions. 2313 Jackson Ave | E Date business started 03/29/2002 |
| C Business code number 212310 | | City or town, state, and ZIP code Portland, OR 97208 | F Total assets (see the instructions) \$ 28,234,548 |

- G** Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return
(6) Technical termination - also check (1) or (2)
- H** Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶ _____
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ _____ 3 _____
- J** Check if Schedules C and M-3 are attached

Caution. Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

| | | | | | | |
|--|---|------------|------------|-----------|------------|------------|
| Income | 1a Gross receipts or sales | 1a | 15,200,800 | | | |
| | b Less returns and allowances | 1b | 115,470 | | 1c | 15,085,330 |
| | 2 Cost of goods sold (Schedule A, line 8) | | | | 2 | 7,000,032 |
| | 3 Gross profit. Subtract line 2 from line 1c | | | | 3 | 8,085,298 |
| | 4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) | | | | 4 | |
| | 5 Net farm profit (loss) (attach Schedule F (Form 1040)) | | | | 5 | |
| | 6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | | 6 | 37,400 |
| | 7 Other income (loss) (attach statement) | | | | 7 | 36,522 |
| 8 Total income (loss). Combine lines 3 through 7 | | | | 8 | 8,151,220 | |
| Deductions <small>(see the instructions for limitations)</small> | 9 Salaries and wages (other than to partners) (less employment credits) | | | | 9 | 550,000 |
| | 10 Guaranteed payments to partners | | | | 10 | |
| | 11 Repairs and maintenance | | | | 11 | 3,120,512 |
| | 12 Bad debts | | | | 12 | 11,411 |
| | 13 Rent | | | | 13 | 486,634 |
| | 14 Taxes and licenses | | | | 14 | 262,140 |
| | 15 Interest | | | | 15 | 38,106 |
| | 16a Depreciation (if required, attach Form 4562) | 16a | 1,552,633 | | | |
| | b Less depreciation reported on Schedule A and elsewhere on return | 16b | 1,552,633 | | 16c | |
| | 17 Depletion (Do not deduct oil and gas depletion.) | | | | 17 | 653,121 |
| | 18 Retirement plans, etc. | | | | 18 | 53,721 |
| | 19 Employee benefit programs | | | | 19 | 287,416 |
| | 20 Other deductions (attach statement) | | | | 20 | 1,314,204 |
| | 21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20 | | | | 21 | 6,777,265 |
| 22 Ordinary business income (loss). Subtract line 21 from line 8 | | | | 22 | 1,381,955 | |

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

▶ _____ ▶
Signature of general partner or limited liability company member manager Date

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer's Use Only

| | | | |
|--|--|---|--|
| Preparer's signature John Smith | Date 04/11/2011 | Check if self-employed <input type="checkbox"/> | PTIN P00000004 |
| Firm's name (or yours if self-employed), address, and ZIP code | ELECTRIC TAX FILERS INC 1065 EFILE DRIVE, ANYTOWN, NV 89501 | | EIN ▶ 69-0000098 Phone no. 555-631-5555 |

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11390Z

Form **1065** (2010)

Schedule A Cost of Goods Sold (see the instructions)

| | | | |
|----------|--|----------|-----------|
| 1 | Inventory at beginning of year | 1 | 1,372,320 |
| 2 | Purchases less cost of items withdrawn for personal use | 2 | 1,512,263 |
| 3 | Cost of labor | 3 | 2,130,412 |
| 4 | Additional section 263A costs (attach statement) | 4 | 74,212 |
| 5 | Other costs (attach statement) | 5 | 3,118,745 |
| 6 | Total. Add lines 1 through 5 | 6 | 8,207,952 |
| 7 | Inventory at end of year | 7 | 1,207,920 |
| 8 | Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2 | 8 | 7,000,032 |

9a Check all methods used for valuing closing inventory:

- (i) Cost as described in Regulations section 1.471-3
- (ii) Lower of cost or market as described in Regulations section 1.471-4
- (iii) Other (specify method used and attach explanation) ▶

- b** Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) . . . ▶
- c** Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) . . ▶
- d** Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? **Yes** **No**
- e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? . . **Yes** **No**
If "Yes," attach explanation.

Schedule B Other Information

| | | Yes | No |
|----------|---|-----|----|
| 1 | What type of entity is filing this return? Check the applicable box: | | |
| a | <input checked="" type="checkbox"/> Domestic general partnership | | |
| b | <input type="checkbox"/> Domestic limited partnership | | |
| c | <input type="checkbox"/> Domestic limited liability company | | |
| d | <input type="checkbox"/> Domestic limited liability partnership | | |
| e | <input type="checkbox"/> Foreign partnership | | |
| f | <input type="checkbox"/> Other ▶ | | |
| 2 | At any time during the tax year, was any partner in the partnership a disregarded entity, a partnership (including an entity treated as a partnership), a trust, an S corporation, an estate (other than an estate of a deceased partner), or a nominee or similar person? | | X |
| 3 | At the end of the tax year: | | |
| a | Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership | | X |
| b | Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership | X | |
| 4 | At the end of the tax year, did the partnership: | | |
| a | Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below | | X |

| (i) Name of Corporation | (ii) Employer Identification Number (if any) | (iii) Country of Incorporation | (iv) Percentage Owned in Voting Stock |
|-------------------------|--|--------------------------------|---------------------------------------|
| | | | |
| | | | |
| | | | |
| | | | |

| | | |
|--|--|---|
| b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below | | X |
|--|--|---|

| (i) Name of Entity | (ii) Employer Identification Number (if any) | (iii) Type of Entity | (iv) Country of Organization | (v) Maximum Percentage Owned in Profit, Loss, or Capital |
|--------------------|--|----------------------|------------------------------|--|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| | | Yes | No |
|------------|---|-----|----|
| 5 | Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details | | X |
| 6 | Does the partnership satisfy all four of the following conditions? | | |
| a | The partnership's total receipts for the tax year were less than \$250,000. | | |
| b | The partnership's total assets at the end of the tax year were less than \$1 million. | | |
| c | Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. | | |
| d | The partnership is not filing and is not required to file Schedule M-3 If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item L on Schedule K-1. | | X |
| 7 | Is this partnership a publicly traded partnership as defined in section 469(k)(2)? | | X |
| 8 | During the tax year, did the partnership have any debt that was cancelled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt? | | X |
| 9 | Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction? | | X |
| 10 | At any time during calendar year 2010, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If "Yes," enter the name of the foreign country. ► | | X |
| 11 | At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. See instructions | | X |
| 12a | Is the partnership making, or had it previously made (and not revoked), a section 754 election? See instructions for details regarding a section 754 election. | X | |
| b | Did the partnership make for this tax year an optional basis adjustment under section 743(b) or 734(b)? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions | | X |
| c | Is the partnership required to adjust the basis of partnership assets under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions. | | X |
| 13 | Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than entities wholly-owned by the partnership throughout the tax year) <input type="checkbox"/> | | |
| 14 | At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property? | | X |
| 15 | If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, enter the number of Forms 8858 attached. See instructions ► | | |
| 16 | Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership. ► | | X |
| 17 | Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ► | | |

Designation of Tax Matters Partner (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

| | |
|---|---------------------------|
| Name of designated TMP | Identifying number of TMP |
| If the TMP is an entity, name of TMP representative | Phone number of TMP |
| Address of designated TMP | |

| Schedule K Partners' Distributive Share Items | | Total amount | |
|---|--|---------------------|-----------|
| Income (Loss) | 1 Ordinary business income (loss) (page 1, line 22) | 1 | 1,381,955 |
| | 2 Net rental real estate income (loss) (<i>attach Form 8825</i>) | 2 | |
| | 3a Other gross rental income (loss) 3a | | |
| | b Expenses from other rental activities (<i>attach statement</i>) 3b | | |
| | c Other net rental income (loss). Subtract line 3b from line 3a 3c | | |
| | 4 Guaranteed payments 4 | | |
| | 5 Interest income 5 | | 14,225 |
| | 6 Dividends: a Ordinary dividends 6a | | |
| | b Qualified dividends 6b | | |
| | 7 Royalties 7 | | |
| | 8 Net short-term capital gain (loss) (<i>attach Schedule D (Form 1065)</i>) 8 | | 2,300 |
| 9a Net long-term capital gain (loss) (<i>attach Schedule D (Form 1065)</i>) 9a | | (2,500) | |
| b Collectibles (28%) gain (loss) 9b | | | |
| c Unrecaptured section 1250 gain (<i>attach statement</i>) 9c | | | |
| 10 Net section 1231 gain (loss) (<i>attach Form 4797</i>) 10 | | (56,500) | |
| 11 Other income (loss) (<i>see instructions</i>) Type ▶ 11 | | | |
| Deductions | 12 Section 179 deduction (<i>attach Form 4562</i>) 12 | | |
| | 13a Contributions 13a | | 3,000 |
| | b Investment interest expense 13b | | |
| | c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶ 13c(2) | | |
| d Other deductions (<i>see instructions</i>) Type ▶ 13d | | | |
| Self-Employment | 14a Net earnings (loss) from self-employment 14a | | 739,523 |
| | b Gross farming or fishing income 14b | | |
| | c Gross nonfarm income 14c | | 739,523 |
| Credits | 15a Low-income housing credit (section 42(j)(5)) 15a | | |
| | b Low-income housing credit (other) 15b | | |
| | c Qualified rehabilitation expenditures (rental real estate) (<i>attach Form 3468</i>) 15c | | |
| | d Other rental real estate credits (<i>see instructions</i>) Type ▶ 15d | | |
| | e Other rental credits (<i>see instructions</i>) Type ▶ 15e | | |
| | f Other credits (<i>see instructions</i>) Type ▶ 15f | | |
| Foreign Transactions | 16a Name of country or U.S. possession ▶ 16a | | |
| | b Gross income from all sources 16b | | |
| | c Gross income sourced at partner level 16c | | |
| | <i>Foreign gross income sourced at partnership level</i> | | |
| | d Passive category ▶ e General category ▶ f Other ▶ 16f | | |
| | <i>Deductions allocated and apportioned at partner level</i> | | |
| | g Interest expense ▶ h Other ▶ 16h | | |
| | <i>Deductions allocated and apportioned at partnership level to foreign source income</i> | | |
| | i Passive category ▶ j General category ▶ k Other ▶ 16k | | |
| l Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/> 16l | | | |
| m Reduction in taxes available for credit (<i>attach statement</i>) 16m | | | |
| n Other foreign tax information (<i>attach statement</i>) 16n | | | |
| Alternative Minimum Tax (AMT) Items | 17a Post-1986 depreciation adjustment 17a | | (199,426) |
| | b Adjusted gain or loss 17b | | (15,622) |
| | c Depletion (other than oil and gas) 17c | | 619,783 |
| | d Oil, gas, and geothermal properties—gross income 17d | | |
| | e Oil, gas, and geothermal properties—deductions 17e | | |
| | f Other AMT items (<i>attach statement</i>) 17f | | (22,101) |
| Other Information | 18a Tax-exempt interest income 18a | | |
| | b Other tax-exempt income 18b | | |
| | c Nondeductible expenses 18c | | |
| | 19a Distributions of cash and marketable securities 19a | | 1,900,000 |
| | b Distributions of other property 19b | | |
| | 20a Investment income 20a | | 14,225 |
| b Investment expenses 20b | | | |
| c Other items and amounts (<i>attach statement</i>) | | | |

Analysis of Net Income (Loss)

Table with 7 columns: (i) Corporate, (ii) Individual (active), (iii) Individual (passive), (iv) Partnership, (v) Exempt organization, (vi) Nominee/Other. Row 1: Net income (loss) 1,336,480.

Schedule L Balance Sheets per Books

Table with 5 columns: (a) Beginning of tax year, (b) End of tax year, (c) End of tax year, (d) End of tax year. Rows include Assets (Cash, Trade notes, Inventories, etc.) and Liabilities and Capital (Accounts payable, Mortgages, etc.).

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

Table with 4 columns for reconciliation. Rows 1-5: Net income per books, adjustments (Guaranteed payments, Expenses), and total. Rows 6-9: Income recorded on books, adjustments (Tax-exempt interest, Deductions), and total.

Schedule M-2 Analysis of Partners' Capital Accounts

Table with 4 columns for capital accounts. Rows 1-5: Balance at beginning, Capital contributed (Cash, Property), Net income, Other increases, and total. Rows 6-9: Distributions (Cash, Property), Other decreases, and total.

Form **4562**

Depreciation and Amortization
(Including Information on Listed Property)

2010
Attachment
Sequence No. **67**

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

Name(s) shown on return

Business or activity to which this form relates

Identifying number

Eastland Quarries

Quarries

69-0000004

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

| | | | |
|----|---|------------------------------|------------------|
| 1 | Maximum amount. See the instructions for a higher limit for certain businesses | 1 | \$250,000 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 | |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 | \$800,000 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 | |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 | |
| 6 | (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
| 7 | Listed property. Enter the amount from line 29 | 7 | |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 | |
| 9 | Tentative deduction. Enter the smaller of line 5 or line 8 | 9 | |
| 10 | Carryover of disallowed deduction from line 13 of your 2009 Form 4562 | 10 | |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions) | 11 | |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 | 12 | |
| 13 | Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12 ▶ | 13 | |

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

| | | | |
|----|---|----|---------|
| 14 | Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) | 14 | 182,157 |
| 15 | Property subject to section 168(f)(1) election | 15 | |
| 16 | Other depreciation (including ACRS) | 16 | |

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

| | | | |
|----|--|----|-----------|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2010 | 17 | 1,300,700 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ <input type="checkbox"/> | | |

Section B – Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

| (a) Classification of property | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only—see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|--------------------------------|--------------------------------------|--|---------------------|----------------|------------|----------------------------|
| 19a | 3-year property | | | | | |
| b | 5-year property | 55,260 | 5 | HY | 200DB | 11,052 |
| c | 7-year property | 322,560 | 7 | HY | 200 DB | 46,094 |
| d | 10-year property | | | | | |
| e | 15-year property | | | | | |
| f | 20-year property | | | | | |
| g | 25-year property | | 25 yrs. | | S/L | |
| h | Residential rental property | | 27.5 yrs. | MM | S/L | |
| | | | 27.5 yrs. | MM | S/L | |
| i | Nonresidential real property | | 39 yrs. | MM | S/L | |
| | | | | MM | S/L | |

Section C – Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

| | | | | | | |
|-----|------------|--|---------|----|-----|--|
| 20a | Class life | | | | S/L | |
| b | 12-year | | 12 yrs. | | S/L | |
| c | 40-year | | 40 yrs. | MM | S/L | |

Part IV Summary (See instructions.)

| | | | |
|----|---|----|-----------|
| 21 | Listed property. Enter amount from line 28 | 21 | 12,630 |
| 22 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions | 22 | 1,552,633 |
| 23 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs | 23 | |

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? **Yes** **No** **24b** If "Yes," is the evidence written? **Yes** **No**

| (a) Type of property (list vehicles first) | (b) Date placed in service | (c) Business/investment use percentage | (d) Cost or other basis | (e) Basis for depreciation (business/investment use only) | (f) Recovery period | (g) Method/Convention | (h) Depreciation deduction | (i) Elected section 179 cost |
|--|-------------------------------|---|----------------------------|--|------------------------|--------------------------|-------------------------------|---------------------------------|
| 25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) . | | | | | | 25 | | |
| 26 Property used more than 50% in a qualified business use: | | | | | | | | |
| 2010 Envoy | 02/17/2010 | 100 % | 42,600 | 42,600 | 5 | 200DB/HY | 8,520 | |
| 2010 HondaCiv | 01/01/2010 | 100 % | 20,550 | 20,550 | 5 | 200DB/HY | 4,110 | |
| | | % | | | | | | |
| 27 Property used 50% or less in a qualified business use: | | | | | | | | |
| | | % | | | | S/L - | | |
| | | % | | | | S/L - | | |
| | | % | | | | S/L - | | |
| 28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 . | | | | | | 28 | 12,630 | |
| 29 Add amounts in column (i), line 26. Enter here and on line 7, page 1 | | | | | | | 29 | |

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

| | (a) Vehicle 1 | | (b) Vehicle 2 | | (c) Vehicle 3 | | (d) Vehicle 4 | | (e) Vehicle 5 | | (f) Vehicle 6 | |
|---|------------------|----|------------------|----|------------------|----|------------------|----|------------------|----|------------------|----|
| | Yes | No |
| 30 Total business/investment miles driven during the year (do not include commuting miles) . | | | | | | | | | | | | |
| 31 Total commuting miles driven during the year | | | | | | | | | | | | |
| 32 Total other personal (noncommuting) miles driven | | | | | | | | | | | | |
| 33 Total miles driven during the year. Add lines 30 through 32 | | | | | | | | | | | | |
| 34 Was the vehicle available for personal use during off-duty hours? | | | | | | | | | | | | |
| 35 Was the vehicle used primarily by a more than 5% owner or related person? | | | | | | | | | | | | |
| 36 Is another vehicle available for personal use? | | | | | | | | | | | | |

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

| | Yes | No |
|--|-------------------------------------|-------------------------------------|
| 37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 39 Do you treat all use of vehicles by employees as personal use? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

| (a) Description of costs | (b) Date amortization begins | (c) Amortizable amount | (d) Code section | (e) Amortization period or percentage | (f) Amortization for this year |
|--|---------------------------------|---------------------------|---------------------|--|-----------------------------------|
| 42 Amortization of costs that begins during your 2010 tax year (see instructions): | | | | | |
| Development | 06/30/2010 | 104,106 | 291 | 5 | 10,411 |
| 43 Amortization of costs that began before your 2010 tax year | | | | | 43 |
| | | | | | 431,513 |
| 44 Total. Add amounts in column (f). See the instructions for where to report | | | | | 44 |
| | | | | | 441,924 |

69-0000004
Sales of Business Property
(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to your tax return. ▶ See separate instructions.

| | |
|---|---|
| Name(s) shown on return Eastland Quarries | Identifying number 69-0000004 |
|---|---|

| | |
|--|---|
| 1 Enter the gross proceeds from sales or exchanges reported to you for 2010 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) | 1 |
|--|---|

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)

| 2 | (a) Description of property | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) | (d) Gross sales price | (e) Depreciation allowed or allowable since acquisition | (f) Cost or other basis, plus improvements and expense of sale | (g) Gain or (loss) Subtract (f) from the sum of (d) and (e) |
|---|-----------------------------|-----------------------------------|-------------------------------|-----------------------|---|--|--|
| | Stone Crusher | 01/01/2008 | 06/30/2010 | 163,372 | 37,128 | 260,000 | (60,500) |
| | | | | | | | |
| | | | | | | | |

| | |
|--|----------|
| 3 Gain, if any, from Form 4684, line 42 | 3 |
| 4 Section 1231 gain from installment sales from Form 6252, line 26 or 37 | 4 |
| 5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824 | 5 |
| 6 Gain, if any, from line 32, from other than casualty or theft | 4,000 |
| 7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: | (56,500) |

Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.

Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.

| | |
|--|---|
| 8 Nonrecaptured net section 1231 losses from prior years (see instructions) | 8 |
| 9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions) | 9 |

Part II Ordinary Gains and Losses (see instructions)

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

| | | | | | | | |
|--|--|--|--|--|--|--|--|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

| | |
|---|--------|
| 11 Loss, if any, from line 7 | 11 () |
| 12 Gain, if any, from line 7 or amount from line 8, if applicable | 12 |
| 13 Gain, if any, from line 31 | 37,400 |
| 14 Net gain or (loss) from Form 4684, lines 34 and 41a | 14 |
| 15 Ordinary gain from installment sales from Form 6252, line 25 or 36 | 15 |
| 16 Ordinary gain or (loss) from like-kind exchanges from Form 8824 | 16 |
| 17 Combine lines 10 through 16 | 37,400 |

18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:

a If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions

b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14

| | |
|-----|--|
| 18a | |
| 18b | |

For Paperwork Reduction Act Notice, see separate instructions.

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255
(see instructions)

| 19 | (a) Description of section 1245, 1250, 1252, 1254, or 1255 property: | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) |
|----------|--|-----------------------------------|-------------------------------|
| A | Machinery & Equipment | 01/01/2009 | 06/01/2010 |
| B | Machinery & Equipment | 01/30/2009 | 06/30/2010 |
| C | | | |
| D | | | |

| These columns relate to the properties on lines 19A through 19D. ▶ | | Property A | Property B | Property C | Property D |
|--|--|------------|------------|------------|------------|
| 20 | Gross sales price (Note: See line 1 before completing.) | 20 | 70,000 | 13,000 | |
| 21 | Cost or other basis plus expense of sale | 21 | 82,000 | 9,000 | |
| 22 | Depreciation (or depletion) allowed or allowable. | 22 | 44,000 | 5,400 | |
| 23 | Adjusted basis. Subtract line 22 from line 21. | 23 | 38,000 | 3,600 | |
| 24 | Total gain. Subtract line 23 from line 20 | 24 | 32,000 | 9,400 | |
| 25 | If section 1245 property: | | | | |
| a | Depreciation allowed or allowable from line 22 | 25a | 44,000 | 5,400 | |
| b | Enter the smaller of line 24 or 25a | 25b | 32,000 | 5,400 | |
| 26 | If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291. | | | | |
| a | Additional depreciation after 1975 (see instructions) | 26a | | | |
| b | Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions) | 26b | | | |
| c | Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e | 26c | | | |
| d | Additional depreciation after 1969 and before 1976. | 26d | | | |
| e | Enter the smaller of line 26c or 26d | 26e | | | |
| f | Section 291 amount (corporations only) | 26f | | | |
| g | Add lines 26b, 26e, and 26f. | 26g | | | |
| 27 | If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership). | | | | |
| a | Soil, water, and land clearing expenses | 27a | | | |
| b | Line 27a multiplied by applicable percentage (see instructions) | 27b | | | |
| c | Enter the smaller of line 24 or 27b | 27c | | | |
| 28 | If section 1254 property: | | | | |
| a | Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion (see instructions) | 28a | | | |
| b | Enter the smaller of line 24 or 28a | 28b | | | |
| 29 | If section 1255 property: | | | | |
| a | Applicable percentage of payments excluded from income under section 126 (see instructions) | 29a | | | |
| b | Enter the smaller of line 24 or 29a (see instructions) | 29b | | | |

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

| | | | |
|----|---|----|--------|
| 30 | Total gains for all properties. Add property columns A through D, line 24 | 30 | 41,400 |
| 31 | Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13 | 31 | 37,400 |
| 32 | Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 36. Enter the portion from other than casualty or theft on Form 4797, line 6 | 32 | 4,000 |

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(see instructions)

| | (a) Section 179 | (b) Section 280F(b)(2) |
|----|---|------------------------|
| 33 | Section 179 expense deduction or depreciation allowable in prior years. | 33 |
| 34 | Recomputed depreciation (see instructions) | 34 |
| 35 | Recapture amount. Subtract line 34 from line 33. See the instructions for where to report | 35 |

Form **8308**

(Rev. October 2005)

Department of the Treasury
Internal Revenue Service

Report of a Sale or Exchange of Certain Partnership Interests

OMB No. 1545-0941

▶ Please print or type.

| | | |
|---|--|---|
| Name of partnership Eastland Quarries | Telephone number (555) 555-5555 | Employer identification number 69-0000004 |
|---|--|---|

Number, street, and room or suite no. If a P.O. box, see instructions.

2313 Jackson Ave

City or town, state, and ZIP code

Portland, OR 97208

Part I **Transferor Information** (Beneficial owner of the partnership interest immediately before the transfer of that interest)

| | |
|---------------------------|--|
| Name Peter Teak | Identifying number 000-30-0001 |
|---------------------------|--|

Number and street (including apt. no.)

34 West Washington Ave

City or town, state, and ZIP code

Portland, OR 97208

Notice to Transferors: *The information on this form has been supplied to the Internal Revenue Service. The transferor in a section 751(a) exchange is required to treat a portion of the gain realized from the exchange as ordinary income. For more details, see Pub. 541, Partnerships.*

Statement by Transferor: *The transferor in a section 751(a) exchange is required under Regulations section 1.751-1(a)(3) to attach a statement relating to the sale or exchange to his or her return. See Instructions to Transferors for more details.*

Part II **Transferee Information** (Beneficial owner of the partnership interest immediately after the transfer of that interest)

| | |
|------------------------------|--|
| Name Joseph Spruce | Identifying number 000-00-0002 |
|------------------------------|--|

Number and street (including apt. no.)

5421 North 2100 South

City or town, state, and ZIP code

Portland, OR 97208

Part III **Date of Sale or Exchange of Partnership Interest** ▶ **07 / 01 / 2010**

**Sign Here Only if You
Are Filing This Form by
Itself and Not With Form
1065 or Form 1065-B**

Under penalties of perjury, I declare that I have examined this return, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete.

| | |
|---|-----------------|
| ▶ _____ Signature of general partner or limited liability company member | ▶ _____ Date |
|---|-----------------|

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form. Form 8308 is filed by a partnership to report the sale or exchange by a partner of all or part of a partnership interest where any money or other property received in exchange for the interest is attributable to unrealized receivables or inventory items (that is, where there has been a section 751(a) exchange).

Who Must File. A partnership must file a separate Form 8308 for each section 751(a) exchange of an interest in such partnership. See Regulations section 1.6050K-1.

Note: *Form 8308 does not have to be filed if, under section 6045, Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, is required to be filed with respect to the sale or exchange.*

A partnership must file Form 8308 once the partnership has notice of the section 751(a) exchange. The partnership has such notice when either:

1. The partnership receives written notification of the exchange from the transferor that includes the names and addresses of both parties to the exchange, the identifying numbers of the transferor and (if known) of the transferee, and the date of the exchange; or

2. The partnership has knowledge that there has been a transfer of a partnership interest and, at the time of the transfer, the partnership had any unrealized receivables or inventory items.

No returns or statements are required under section 6050K if the transfer was not a section 751(a) exchange. For example, a transfer which in its entirety constitutes a gift for federal income tax purposes is not a section 751(a) exchange.

A partnership may rely on a written statement from the transferor that the transfer was not a section 751(a) exchange unless the partnership has knowledge to the contrary. If a partnership is in doubt whether partnership property constitutes unrealized receivables or inventory items or whether a transfer constitutes a section 751(a) exchange, the partnership may file Form 8308 to avoid the risk of incurring a penalty for failure to file.

When To File. Generally, file Form 8308 as an attachment to Form 1065 or Form 1065-B for the tax year of the partnership that includes the last day of the calendar year in which the section 751(a) exchange took place. Form 8308 is due at the time for filing the partnership return, including extensions.

If, however, a partnership is notified of a section 751(a) exchange after it has filed its partnership return, file Form 8308 separately, within 30 days of notification, with the service center where Form 1065 or Form 1065-B was filed.

Copies of Form 8308 To Be Furnished to Transferor and Transferee. All partnerships required to file Form 8308 must furnish a copy of the form to each transferor and transferee by January 31 of the year following the calendar year in which the section 751(a) exchange occurred or, if later, 30 days after the partnership has notice of the exchange.

If the partnership does not know the identity of the beneficial owner of an interest in the partnership, the record holder of the interest is treated as the transferor or transferee.

**SCHEDULE B-1
(Form 1065)**

(December 2009)
Department of the Treasury
Internal Revenue Service

**Information on Partners Owning 50% or
More of the Partnership**

OMB No. 1545-0099

▶ Attach to Form 1065. See instructions on back.

| | |
|---|--|
| Name of partnership Eastland Quarries | Employer identification number (EIN) 69 000004 |
|---|--|

Part I Entities Owning 50% or More of the Partnership (Form 1065, Schedule B, Question 3a)

Complete columns (i) through (v) below for any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization that owns, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership (see instructions).

| (i) Name of Entity | (ii) Employer Identification Number (if any) | (iii) Type of Entity | (iv) Country of Organization | (v) Maximum Percentage Owned in Profit, Loss, or Capital |
|--------------------|--|----------------------|------------------------------|--|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Part II Individuals or Estates Owning 50% or More of the Partnership (Form 1065, Schedule B, Question 3b)

Complete columns (i) through (iv) below for any individual or estate that owns, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership (see instructions).

| (i) Name of Individual or Estate | (ii) Identifying Number (if any) | (iii) Country of Citizenship (see instructions) | (iv) Maximum Percentage Owned in Profit, Loss, or Capital |
|----------------------------------|----------------------------------|---|---|
| Jonathan Teak | 000-30-0003 | US | 55 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Department of the Treasury
 Internal Revenue Service

▶ **Attach to Form 1065. See separate instructions.**

Name of partnership

Eastland Quarries

Employer identification number

69-0000004

| | | Yes | No |
|---|---|-----|----|
| 1 | At any time during the tax year, were there any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8? | | X |
| 2 | Do the amounts reported on Schedule M-3, Part II, lines 7 or 8, column (d), reflect allocations to this partnership from another partnership of income, gain, loss, deduction, or credit that are disproportionate to this partnership's share of capital in such partnership or its ratio for sharing other items of such partnership? | | X |
| 3 | At any time during the tax year, did the partnership sell, exchange, or transfer any interest in an intangible asset to a related person as defined in sections 267(b) and 707(b)(1)? | | X |
| 4 | At any time during the tax year, did the partnership acquire any interest in an intangible asset from a related person as defined in sections 267(b) and 707(b)(1)? | | X |
| 5 | At any time during the tax year, did the partnership make any change in accounting principle for financial accounting purposes? See instructions for a definition of change in accounting principle | | X |
| 6 | At any time during the tax year, did the partnership make any change in a method of accounting for U.S. income tax purposes? | | X |

For Paperwork Reduction Act Notice, see the Instructions for Form 1065.

Cat. No. 49945S

Schedule C (Form 1065) 2010

Capital Gains and Losses

2010

Department of the Treasury
 Internal Revenue Service

▶ **Attach to Form 1065.** ▶ See separate instructions.
 ▶ **Use Schedule D-1 to list additional transactions for lines 1 and 7.**

Name of partnership
 Eastland Quarries

Employer identification number
 69-0000004

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

| (a) Description of property (Example: 100 shares of "Z" Co.) | (b) Date acquired (month, day, year) | (c) Date sold (month, day, year) | (d) Sales price (see instructions) | (e) Cost or other basis (see instructions) | (f) Gain or (loss) Subtract (e) from (d) |
|---|---|-------------------------------------|---------------------------------------|---|---|
| 1 100 Shares ABC | 04/09/2010 | 09/13/2010 | 5,000 | 2,700 | 2,300 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| 2 Enter short-term capital gain or (loss), if any, from Schedule D-1, line 2 | | | | | 2 |
| 3 Short-term capital gain from installment sales from Form 6252, line 26 or 37 | | | | | 3 |
| 4 Short-term capital gain (loss) from like-kind exchanges from Form 8824 | | | | | 4 |
| 5 Partnership's share of net short-term capital gain (loss), including specially allocated short-term capital gains (losses), from other partnerships, estates, and trusts | | | | | 5 |
| 6 Net short-term capital gain or (loss). Combine lines 1 through 5 in column (f). Enter here and on Form 1065, Schedule K, line 8 or 11 | | | | | 6 2,300 |

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

| (a) Description of property (Example: 100 shares of "Z" Co.) | (b) Date acquired (month, day, year) | (c) Date sold (month, day, year) | (d) Sales price (see instructions) | (e) Cost or other basis (see instructions) | (f) Gain or (loss) Subtract (e) from (d) |
|--|---|-------------------------------------|---------------------------------------|---|---|
| 7 1 Acre Land | 08/01/2005 | 01/10/2010 | 7,500 | 10,000 | (2,500) |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| 8 Enter long-term gain or (loss), if any, from Schedule D-1, line 8 | | | | | 8 |
| 9 Long-term capital gain from installment sales from Form 6252, line 26 or 37 | | | | | 9 |
| 10 Long-term capital gain (loss) from like-kind exchanges from Form 8824 | | | | | 10 |
| 11 Partnership's share of net long-term capital gain (loss), including specially allocated long-term capital gains (losses), from other partnerships, estates, and trusts | | | | | 11 |
| 12 Capital gain distributions | | | | | 12 |
| 13 Net long-term capital gain or (loss). Combine lines 7 through 12 in column (f). Enter here and on Form 1065, Schedule K, line 9a or 11 | | | | | 13 (2,500) |

Department of the Treasury
 Internal Revenue Service

▶ Attach to Form 1065 or Form 1065-B.
 ▶ See separate instructions.

| | |
|--|--|
| Name of partnership Eastland Quarries | Employer identification number 69-0000004 |
|--|--|

This Schedule M-3 is being filed because (check all that apply):

- A** The amount of the partnership's total assets at the end of the tax year is equal to \$10 million or more.
- B** The amount of the partnership's adjusted total assets for the year is equal to \$10 million or more. If box B is checked, enter the amount of adjusted total assets for the tax year 301,134,548.
- C** The amount of total receipts for the tax year is equal to \$35 million or more. If box C is checked, enter the total receipts for the tax year _____.
- D** An entity that is a reportable entity partner with respect to the partnership owns or is deemed to own an interest of 50 percent or more in the partnership's capital, profit, or loss, on any day during the tax year of the partnership.

| Name of Reportable Entity Partner | Identifying Number | Maximum Percentage Owned or Deemed Owned |
|-----------------------------------|--------------------|--|
| | | |
| | | |

E Voluntary Filer

Part I Financial Information and Net Income (Loss) Reconciliation

- 1a** Did the partnership file SEC Form 10-K for its income statement period ending with or within this tax year?
 Yes. Skip lines 1b and 1c and complete lines 2 through 11 with respect to that SEC Form 10-K.
 No. Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.
- b** Did the partnership prepare a certified audited non-tax-basis income statement for that period?
 Yes. Skip line 1c and complete lines 2 through 11 with respect to that income statement.
 No. Go to line 1c.
- c** Did the partnership prepare a non-tax-basis income statement for that period?
 Yes. Complete lines 2 through 11 with respect to that income statement.
 No. Skip lines 2 through 3b and enter the partnership's net income (loss) per its books and records on line 4a.
- 2** Enter the income statement period: Beginning 01 / 01 / 2010 Ending 12 / 31 / 2010
- 3a** Has the partnership's income statement been restated for the income statement period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.
- b** Has the partnership's income statement been restated for any of the five income statement periods preceding the period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.

| | | |
|---|-----------|-----------|
| 4a Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1 | 4a | 3,319,009 |
| b Indicate accounting standard used for line 4a (see instructions): 1 <input checked="" type="checkbox"/> GAAP 2 <input type="checkbox"/> IFRS 3 <input type="checkbox"/> 704(b) 4 <input type="checkbox"/> Tax-basis 5 <input type="checkbox"/> Other: (Specify) ▶ _____ | | |
| 5a Net income from nonincludible foreign entities (attach schedule) | 5a | () |
| b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) | 5b | |
| 6a Net income from nonincludible U.S. entities (attach schedule) | 6a | () |
| b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount) | 6b | |
| 7a Net income (loss) of other foreign disregarded entities (attach schedule) | 7a | |
| b Net income (loss) of other U.S. disregarded entities (attach schedule) | 7b | |
| 8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule) | 8 | |
| 9 Adjustment to reconcile income statement period to tax year (attach schedule) | 9 | |
| 10 Other adjustments to reconcile to amount on line 11 (attach schedule) | 10 | |
| 11 Net income (loss) per income statement of the partnership. Combine lines 4 through 10 | 11 | 3,319,009 |

Note. Part I, line 11, must equal the amount on Part II, line 26, column (a).

12 Enter the total amount (not just the partnership's share) of the assets and liabilities of all entities included or removed on the following lines:

| | Total Assets | Total Liabilities |
|-------------------------------------|--------------|-------------------|
| a Included on Part I, line 4 | 28,234,548 | 4,987,385 |
| b Removed on Part I, line 5 | | |
| c Removed on Part I, line 6 | | |
| d Included on Part I, line 7 | | |

Name of partnership

Eastland Quarries

Employer identification number

69-0000004

Part II Reconciliation of Net Income (Loss) per Income Statement of Partnership with Income (Loss) per Return

| Income (Loss) Items | (a) Income (Loss) per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Income (Loss) per Tax Return |
|--|--|--------------------------------|--------------------------------|--|
| (Attach schedules for lines 1 through 9) | | | | |
| 1 Income (loss) from equity method foreign corporations | | | | |
| 2 Gross foreign dividends not previously taxed | | | | |
| 3 Subpart F, QEF, and similar income inclusions | | | | |
| 4 Gross foreign distributions previously taxed | | | | |
| 5 Income (loss) from equity method U.S. corporations | | | | |
| 6 U.S. dividends | | | | |
| 7 Income (loss) from U.S. partnerships | | | | |
| 8 Income (loss) from foreign partnerships | | | | |
| 9 Income (loss) from other pass-through entities | | | | |
| 10 Items relating to reportable transactions (attach details) | | | | |
| 11 Interest income (attach Form 8916-A) | | | | |
| 12 Total accrual to cash adjustment | | | | |
| 13 Hedging transactions | | | | |
| 14 Mark-to-market income (loss) | | | | |
| 15 Cost of goods sold (attach Form 8916-A) | () | | | () |
| 16 Sale versus lease (for sellers and/or lessors) | | | | |
| 17 Section 481(a) adjustments | | | | |
| 18 Unearned/deferred revenue | | | | |
| 19 Income recognition from long-term contracts | | | | |
| 20 Original issue discount and other imputed interest | | | | |
| 21a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities | 37,200 | | | |
| b Gross capital gains from Schedule D, excluding amounts from pass-through entities | | | | 2,300 |
| c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses | | | | (2,500) |
| d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses | | | | 37,400 |
| e Abandonment losses | | | | |
| f Worthless stock losses (attach details) | | | | |
| g Other gain/loss on disposition of assets other than inventory | | | | |
| 22 Other income (loss) items with differences (attach schedule) | | | | |
| 23 Total income (loss) items. Combine lines 1 through 22 | 37,200 | | | |
| 24 Total expense/deduction items. (from Part III, line 31) (see instructions) | (88,989) | (1,994,529) | 12,000 | (2,071,518) |
| 25 Other items with no differences | 3,370,798 | | | 3,370,798 |
| 26 Reconciliation totals. Combine lines 23 through 25 | 3,319,009 | (1,994,529) | 12,000 | 1,336,480 |

Note. Line 26, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1065, page 5, Analysis of Net Income (Loss), line 1.

Name of partnership

Eastland Quarries

Employer identification number
 69-0000004

Part III Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return—Expense/Deduction Items

| Expense/Deduction Items | (a) Expense per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Deduction per Tax Return |
|---|--|--------------------------------|--------------------------------|------------------------------------|
| 1 State and local current income tax expense | | | | |
| 2 State and local deferred income tax expense | | | | |
| 3 Foreign current income tax expense (other than foreign withholding taxes) | | | | |
| 4 Foreign deferred income tax expense | | | | |
| 5 Equity-based compensation | | | | |
| 6 Meals and entertainment | 24,000 | | (12,000) | 12,000 |
| 7 Fines and penalties | | | | |
| 8 Judgments, damages, awards, and similar costs | | | | |
| 9 Guaranteed payments | | | | |
| 10 Pension and profit-sharing | | | | |
| 11 Other post-retirement benefits | | | | |
| 12 Deferred compensation | | | | |
| 13 Charitable contribution of cash and tangible property | | | | |
| 14 Charitable contribution of intangible property | | | | |
| 15 Organizational expenses as per Regulations section 1.709-2(a) | | | | |
| 16 Syndication expenses as per Regulations section 1.709-2(b) | | | | |
| 17 Current year acquisition/reorganization investment banking fees | | | | |
| 18 Current year acquisition/reorganization legal and accounting fees | | | | |
| 19 Amortization/impairment of goodwill | | | | |
| 20 Amortization of acquisition, reorganization, and start-up costs | | | | |
| 21 Other amortization or impairment write-offs | | | | |
| 22 Section 198 environmental remediation costs | | | | |
| 23a Depletion—Oil & Gas | | | | |
| b Depletion—Other than Oil & Gas | | 506,885 | | 506,885 |
| 24 Intangible drilling & development costs | | | | |
| 25 Depreciation | 64,989 | 1,487,644 | | 1,552,633 |
| 26 Bad debt expense | | | | |
| 27 Interest expense (attach Form 8916-A) | | | | |
| 28 Purchase versus lease (for purchasers and/ or lessees) | | | | |
| 29 Research and development costs (attach schedule) | | | | |
| 30 Other expense/deduction items with differences (attach schedule) | | | | |
| 31 Total expense/deduction items. Combine lines 1 through 30. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive | 88,989 | 1,994,529 | (12,000) | 2,071,518 |

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000004

B Partnership's name, address, city, state, and ZIP code Eastland Quarries 2313 Jackson Ave Portland, OR 97208

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 000-30-0003

F Partner's name, address, city, state, and ZIP code Jonathan Teak 48 Adams Ave Portland, OR 97208

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Individual

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. Values: 55%, 55%, 55%, 55%

K Partner's share of liabilities at year end: Nonrecourse \$ Qualified nonrecourse financing \$ 2,500,000 Recourse \$

L Partner's capital account analysis: Beginning capital account \$ 12,005,484 Capital contributed during the year \$ Current year increase (decrease) \$ 1,825,455 Withdrawals & distributions \$ (1,045,000) Ending capital account \$ 12,785,939

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss? Yes No If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Other information. Rows include Ordinary business income, Net rental real estate income, Other net rental income, Guaranteed payments, Interest income, Ordinary dividends, Qualified dividends, Royalties, Net short-term capital gain, Net long-term capital gain, Collectibles gain, Unrecaptured section 1250 gain, Net section 1231 gain, Other income, Section 179 deduction, Other deductions, Self-employment earnings, etc.

*See attached statement for additional information.

For IRS Use Only

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000004

B Partnership's name, address, city, state, and ZIP code Eastland Quarries 2313 Jackson Ave Portland, OR 97208

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 000-00-0002

F Partner's name, address, city, state, and ZIP code Joseph Spruce 5421 North 2100 South Portland, OR 97208

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Individual

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. Values: Profit 45%, Loss 45%, Capital 45%.

K Partner's share of liabilities at year end: Nonrecourse, Qualified nonrecourse financing, Recourse.

L Partner's capital account analysis: Beginning capital account \$ 10,569,447, Capital contributed during the year \$, Current year increase (decrease) \$ 746,777, Withdrawals & distributions \$ (855,000), Ending capital account \$ 10,461,224

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss? Yes No If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Other information. Rows include Ordinary business income (loss) 310,940, Net rental real estate income (loss), Other net rental income (loss) 16 Foreign transactions, Guaranteed payments, Interest income 3,200, Ordinary dividends, Qualified dividends, Royalties, Net short-term capital gain (loss) 517, Net long-term capital gain (loss) (562) 17 Alternative minimum tax (AMT) items A (44,871), Collectibles (28%) gain (loss) B (3,515) C 139,451, Unrecaptured section 1250 gain F (4,972), Net section 1231 gain (loss) (12,712) 18 Tax-exempt income and nondeductible expenses, Other income (loss), Section 179 deduction, Other deductions A 675 19 Distributions, Other information A 3,200, Self-employment earnings (loss).

*See attached statement for additional information.

For IRS Use Only

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning ending

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000004

B Partnership's name, address, city, state, and ZIP code Eastland Quarries 2313 Jackson Ave Portland, OR 97208

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 000-30-0001

F Partner's name, address, city, state, and ZIP code Peter Teak 34 Washington Ave Portland, OR 97208

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Individual

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. Values: 45%, 45%, 45%

K Partner's share of liabilities at year end: Nonrecourse, Qualified nonrecourse financing, Recourse

L Partner's capital account analysis: Beginning capital account \$9,822,670, Capital contributed during the year, Current year increase (decrease) \$746,777, Withdrawals & distributions \$(10,569,447), Ending capital account

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss? Yes No If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Other information. Rows include Ordinary business income (loss) 310,940, Net rental real estate income (loss), Other net rental income (loss) 16 Foreign transactions, Guaranteed payments, Interest income 3,201, Ordinary dividends, Qualified dividends, Royalties, Net short-term capital gain (loss) 518, Net long-term capital gain (loss) (563) 17 Alternative minimum tax (AMT) items A (44,871), Collectibles (28%) gain (loss) B (3,515) C 139,451, Unrecaptured section 1250 gain F (4,973), Net section 1231 gain (loss) (12,713) 18 Tax-exempt income and nondeductible expenses, Other income (loss), Section 179 deduction, Other deductions A 675, 19 Distributions, 20 Other information A 3,201, Self-employment earnings (loss)

*See attached statement for additional information.

For IRS Use Only

TEST SCENARIO 5**FORMS REQUIRED:**

1065, 4562 (3), 4797, 6252 (2), 8825, 1040 SCH F, 1065 SCH K-1 (4), Form 8453-PE ,
Schedule M-3, Schedule C

ATTACHMENTS:

Ordinary Income (Loss) From Other Partnerships, Estates, and Trusts Statement
Other Income (Loss) Statement
Itemized Other Deductions Statement
Schedule L Other Current Assets Statement
Schedule L Other Current Liabilities Statement

BINARY ATTACHMENTS: Scanned Form 8453-PE (8453 Signature Document)

HEADER INFO

Tax Period: Calendar Year 2010

Preparer Firm: Electronic Tax Filers, Inc 69-0000098
1065 Efile Drive
Anytown, NV 89501

IP Address: 550.550.550

Multiple Software Packages Used: Yes or No

Originator: EFIN: Self-select
Type: Self-select
Practitioner PIN: None
PIN Entered by – N/A

Signature Option: Binary Attachment 8453 Signature Document

Return Type: 1065

Filer: EIN: 69-0000005
Name: Shoebill Unlimited
Name Control: SHOE
Address: 5551 Elliot Rd
Salt Lake City, UT 84101

Partner: Name: David Boxwood
Title: Chief Executive Officer
Taxpayer PIN: N/A
Phone: 555-555-5555
Email Address: Anymail@email.com
Date Signed: 04/15/2011

Preparer: Name: John Doe
PTIN: P00000005
Phone: 555-631-1212
Email Address: Anymail@email.com
Date Prepared: 04/15/2011

Self Employed: No

IRS PAYMENT: N/A

Details for attachments

Ordinary Income (Loss) From Other Partnerships, Estates, and Trusts Statement (Form 1065, Page 1, Line 4)

| Partnership, Estate or Trust Name | Address | EIN | Amount |
|-----------------------------------|---------------------------------------|------------|----------|
| Hummingbird Flies | 275 W Coolidge Ave Boise, ID 83708 | 69-5000005 | \$23,712 |

Other Income (Loss) Statement (Form 1065, Page 1, Line 7)

| Type | Amount |
|-----------------------------|-----------|
| Cancellation of Debt Income | \$478,206 |

Itemized Other Deductions Statement (Form 1065, Page 1, Line 20)

| Type | Amount |
|-------------------|-------------|
| Insurance | \$5,000,000 |
| Permits | \$961,480 |
| Professional Fees | \$1,500,000 |
| Bank Fees | \$1,500,000 |

Schedule L Other Current Assets Statement (Form 1065, Page 5, Schedule L, Line 6b and 6d)

| Type | BOY Amount | EOY Amount |
|------------|------------|-------------|
| Prepaid | \$22,700 | \$24,300 |
| Investment | \$0 | \$5,075,978 |

Schedule L Other Current Liabilities Statement (Form 1065, Page 5, Schedule L, Line 17b and 17d)

| Type | BOY Amount | EOY Amount |
|------------------|-------------|-------------|
| Accrued Bonus | \$1,500,000 | \$2,818,150 |
| Accrued Payroll | \$500,000 | \$640,000 |
| Deferred Revenue | \$5,530,250 | \$8,742,300 |

Form **1065**
Department of the Treasury
Internal Revenue Service

U.S. Return of Partnership Income

For calendar year 2010, or tax year beginning _____, 2010, ending _____, 20_____
▶ See separate instructions.

2010

| | | | |
|--|---|--|---|
| A Principal business activity Food Manufacture | Use the IRS label. Otherwise, print or type. | Name of partnership Shoebill Unlimited | D Employer identification number 69-0000005 |
| B Principal product or service Dairy Products | | Number, street, and room or suite no. If a P.O. box, see the instructions. 5551 Elliot Road | E Date business started 10/01/1968 |
| C Business code number 311500 | | City or town, state, and ZIP code Salt Lake City, UT 84101 | F Total assets (see the instructions) \$ 71,419,054 |

- G** Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return
(6) Technical termination - also check (1) or (2)
- H** Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶ _____
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ _____ **4**
- J** Check if Schedules C and M-3 are attached

Caution. Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

| | | | | | |
|--|--|------------|------------|----------------------|----------------------|
| Income | 1a Gross receipts or sales | 1a | 42,291,088 | | |
| | b Less returns and allowances | 1b | | | 1c 47,291,088 |
| | 2 Cost of goods sold (Schedule A, line 8) | | | | 2 21,882,071 |
| | 3 Gross profit. Subtract line 2 from line 1c | | | | 3 25,409,017 |
| | 4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) | | | | 4 23,712 |
| | 5 Net farm profit (loss) (attach Schedule F (Form 1040)) | | | | 5 636,570 |
| | 6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | | 6 |
| | 7 Other income (loss) (attach statement) | | | | 7 478,206 |
| 8 Total income (loss). Combine lines 3 through 7 | | | | 8 26,547,505 | |
| Deductions <small>(see the instructions for limitations)</small> | 9 Salaries and wages (other than to partners) (less employment credits) | | | | 9 804,722 |
| | 10 Guaranteed payments to partners | | | | 10 |
| | 11 Repairs and maintenance | | | | 11 17,239 |
| | 12 Bad debts | | | | 12 2,571,330 |
| | 13 Rent | | | | 13 900,022 |
| | 14 Taxes and licenses | | | | 14 44,444 |
| | 15 Interest | | | | 15 912,647 |
| | 16a Depreciation (if required, attach Form 4562) | 16a | 6,226,647 | | |
| | b Less depreciation reported on Schedule A and elsewhere on return | 16b | 6,064,407 | | 16c 162,240 |
| | 17 Depletion (Do not deduct oil and gas depletion.) | | | | 17 |
| | 18 Retirement plans, etc. | | | | 18 |
| | 19 Employee benefit programs | | | | 19 |
| | 20 Other deductions (attach statement) | | | | 20 8,961,480 |
| | 21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20. | | | | 21 14,374,124 |
| 22 Ordinary business income (loss). Subtract line 21 from line 8 | | | | 22 12,173,381 | |

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

▶ _____ ▶
Signature of general partner or limited liability company member manager Date

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer's Use Only

| | | | |
|--|-------------------|---|------------------------|
| Preparer's signature John Doe | Date 4/15/2010 | Check if self-employed <input type="checkbox"/> | PTIN P00000005 |
| Firm's name (or yours if self-employed), address, and ZIP code ELECTRIC TAX FILERS INC 1065 EFILE DRIVE, ANYTOWN, NV 89501 | EIN ▶ 69-0000098 | | Phone no. 555-631-5555 |

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11390Z

Form **1065** (2010)

Schedule A Cost of Goods Sold (see the instructions)

| | | | |
|----------|--|----------|------------|
| 1 | Inventory at beginning of year | 1 | 27,126,200 |
| 2 | Purchases less cost of items withdrawn for personal use | 2 | 12,960,400 |
| 3 | Cost of labor | 3 | |
| 4 | Additional section 263A costs (<i>attach statement</i>) | 4 | |
| 5 | Other costs (<i>attach statement</i>) | 5 | |
| 6 | Total. Add lines 1 through 5 | 6 | 40,086,600 |
| 7 | Inventory at end of year | 7 | 18,204,529 |
| 8 | Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2 | 8 | 21,882,071 |

9a Check all methods used for valuing closing inventory:

- (i) Cost as described in Regulations section 1.471-3
- (ii) Lower of cost or market as described in Regulations section 1.471-4
- (iii) Other (specify method used and attach explanation) ▶

- b** Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) . . . ▶
- c** Check this box if the LIFO inventory method was adopted this tax year for any goods (*if checked, attach Form 970*) . . ▶
- d** Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? **Yes** **No**
- e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? . . **Yes** **No**
If "Yes," attach explanation.

Schedule B Other Information

| | | Yes | No |
|----------|---|-----|----|
| 1 | What type of entity is filing this return? Check the applicable box: | | |
| a | <input type="checkbox"/> Domestic general partnership | | |
| b | <input checked="" type="checkbox"/> Domestic limited partnership | | |
| c | <input type="checkbox"/> Domestic limited liability company | | |
| d | <input type="checkbox"/> Domestic limited liability partnership | | |
| e | <input type="checkbox"/> Foreign partnership | | |
| f | <input type="checkbox"/> Other ▶ | | |
| 2 | At any time during the tax year, was any partner in the partnership a disregarded entity, a partnership (including an entity treated as a partnership), a trust, an S corporation, an estate (other than an estate of a deceased partner), or a nominee or similar person? | X | |
| 3 | At the end of the tax year: | | |
| a | Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership | | X |
| b | Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership | | X |
| 4 | At the end of the tax year, did the partnership: | | |
| a | Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below | | X |

| (i) Name of Corporation | (ii) Employer Identification Number (if any) | (iii) Country of Incorporation | (iv) Percentage Owned in Voting Stock |
|-------------------------|--|--------------------------------|---------------------------------------|
| | | | |
| | | | |
| | | | |
| | | | |

| | | |
|--|--|---|
| b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below | | X |
|--|--|---|

| (i) Name of Entity | (ii) Employer Identification Number (if any) | (iii) Type of Entity | (iv) Country of Organization | (v) Maximum Percentage Owned in Profit, Loss, or Capital |
|--------------------|--|----------------------|------------------------------|--|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| | | Yes | No |
|------------|---|-----|----|
| 5 | Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details | | X |
| 6 | Does the partnership satisfy all four of the following conditions? | | |
| a | The partnership's total receipts for the tax year were less than \$250,000. | | |
| b | The partnership's total assets at the end of the tax year were less than \$1 million. | | |
| c | Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. | | |
| d | The partnership is not filing and is not required to file Schedule M-3 If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item L on Schedule K-1. | | X |
| 7 | Is this partnership a publicly traded partnership as defined in section 469(k)(2)? | | X |
| 8 | During the tax year, did the partnership have any debt that was cancelled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt? | X | |
| 9 | Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction? | | X |
| 10 | At any time during calendar year 2010, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If "Yes," enter the name of the foreign country. ► | | X |
| 11 | At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. See instructions | | X |
| 12a | Is the partnership making, or had it previously made (and not revoked), a section 754 election? See instructions for details regarding a section 754 election. | | X |
| b | Did the partnership make for this tax year an optional basis adjustment under section 743(b) or 734(b)? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions | | X |
| c | Is the partnership required to adjust the basis of partnership assets under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions. | | X |
| 13 | Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than entities wholly-owned by the partnership throughout the tax year) <input type="checkbox"/> | | |
| 14 | At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property? | | X |
| 15 | If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, enter the number of Forms 8858 attached. See instructions ► | | |
| 16 | Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership. ► | | X |
| 17 | Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ► 0 | | |

Designation of Tax Matters Partner (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

| | | | |
|---|---|---------------------------|----------------|
| Name of designated TMP | ► Modern Modfile | Identifying number of TMP | ► 000-05-0005 |
| If the TMP is an entity, name of TMP representative | ► Modernfilers Company | Phone number of TMP | ► 555-455-1212 |
| Address of designated TMP | ► 2525 N Loop File Melrose, AK 99502 | | |

| Schedule K Partners' Distributive Share Items | | Total amount | |
|--|---|--------------|------------|
| Income (Loss) | 1 Ordinary business income (loss) (page 1, line 22) | 1 | 12,173,381 |
| | 2 Net rental real estate income (loss) (attach Form 8825) | 2 | 1,029,503 |
| | 3a Other gross rental income (loss) | 3a | |
| | b Expenses from other rental activities (attach statement) | 3b | |
| | c Other net rental income (loss). Subtract line 3b from line 3a | 3c | |
| | 4 Guaranteed payments | 4 | |
| | 5 Interest income | 5 | 1,771,604 |
| | 6 Dividends: a Ordinary dividends | 6a | |
| | b Qualified dividends | 6b | |
| | 7 Royalties | 7 | 2,550,000 |
| | 8 Net short-term capital gain (loss) (attach Schedule D (Form 1065)) | 8 | |
| 9a Net long-term capital gain (loss) (attach Schedule D (Form 1065)) | 9a | | |
| b Collectibles (28%) gain (loss) | 9b | | |
| c Unrecaptured section 1250 gain (attach statement) | 9c | | |
| 10 Net section 1231 gain (loss) (attach Form 4797) | 10 | 237,979 | |
| 11 Other income (loss) (see instructions) Type ▶ | 11 | | |
| Deductions | 12 Section 179 deduction (attach Form 4562) | 12 | |
| | 13a Contributions | 13a | |
| | b Investment interest expense | 13b | |
| | c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶ | 13c(2) | |
| d Other deductions (see instructions) Type ▶ | 13d | | |
| Self-Employment | 14a Net earnings (loss) from self-employment | 14a | 3,300,721 |
| | b Gross farming or fishing income | 14b | 700,205 |
| | c Gross nonfarm income | 14c | 3,300,721 |
| Credits | 15a Low-income housing credit (section 42(j)(5)) | 15a | |
| | b Low-income housing credit (other) | 15b | |
| | c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468) | 15c | |
| | d Other rental real estate credits (see instructions) Type ▶ | 15d | |
| | e Other rental credits (see instructions) Type ▶ | 15e | |
| | f Other credits (see instructions) Type ▶ | 15f | |
| Foreign Transactions | 16a Name of country or U.S. possession ▶ | | |
| | b Gross income from all sources | 16b | |
| | c Gross income sourced at partner level | 16c | |
| | Foreign gross income sourced at partnership level | | |
| | d Passive category ▶ e General category ▶ f Other ▶ | 16f | |
| | Deductions allocated and apportioned at partner level | | |
| | g Interest expense ▶ h Other ▶ | 16h | |
| | Deductions allocated and apportioned at partnership level to foreign source income | | |
| | i Passive category ▶ j General category ▶ k Other ▶ | 16k | |
| | l Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/> | 16l | |
| m Reduction in taxes available for credit (attach statement) | 16m | | |
| n Other foreign tax information (attach statement) | | | |
| Alternative Minimum Tax (AMT) Items | 17a Post-1986 depreciation adjustment | 17a | 800,000 |
| | b Adjusted gain or loss | 17b | |
| | c Depletion (other than oil and gas) | 17c | |
| | d Oil, gas, and geothermal properties—gross income | 17d | |
| | e Oil, gas, and geothermal properties—deductions | 17e | |
| | f Other AMT items (attach statement) | 17f | |
| Other Information | 18a Tax-exempt interest income | 18a | |
| | b Other tax-exempt income | 18b | |
| | c Nondeductible expenses | 18c | |
| | 19a Distributions of cash and marketable securities | 19a | |
| | b Distributions of other property | 19b | |
| | 20a Investment income | 20a | 1,771,604 |
| | b Investment expenses | 20b | |
| c Other items and amounts (attach statement) | | | |

Analysis of Net Income (Loss)

| | | | | | | | |
|----------|---|---------------|--------------------------|----------------------------|------------------|-------------------------|--------------------|
| 1 | Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l | | | | | 1 | 17,762,463 |
| 2 | Analysis by partner type: | (i) Corporate | (ii) Individual (active) | (iii) Individual (passive) | (iv) Partnership | (v) Exempt organization | (vi) Nominee/Other |
| a | General partners | | | 4,440,615 | | | |
| b | Limited partners | | 8,881,232 | | 4,440,616 | | |

| Schedule L Balance Sheets per Books | | Beginning of tax year | | End of tax year | |
|--|---|-----------------------|------------|-----------------|------------|
| | | (a) | (b) | (c) | (d) |
| Assets | | | | | |
| 1 | Cash | | 700,440 | | 25,330 |
| 2a | Trade notes and accounts receivable | 4,999,222 | | 16,488,999 | |
| b | Less allowance for bad debts | 809,111 | 4,190,111 | 1,288,222 | 15,200,777 |
| 3 | Inventories | | 27,126,200 | | 18,204,529 |
| 4 | U.S. government obligations | | | | |
| 5 | Tax-exempt securities | | | | |
| 6 | Other current assets (attach statement) | | 22,700 | | 5,100,278 |
| 7 | Mortgage and real estate loans | | | | |
| 8 | Other investments (attach statement) | | | | |
| 9a | Buildings and other depreciable assets | 22,500,030 | | 24,785,827 | |
| b | Less accumulated depreciation | 2,200,030 | 20,300,000 | 2,435,217 | 22,350,610 |
| 10a | Depletable assets | | | | |
| b | Less accumulated depletion | | | | |
| 11 | Land (net of any amortization) | | 8,774,228 | | 10,537,530 |
| 12a | Intangible assets (amortizable only) | | | | |
| b | Less accumulated amortization | | | | |
| 13 | Other assets (attach statement) | | | | |
| 14 | Total assets | | 61,113,679 | | 71,419,054 |
| Liabilities and Capital | | | | | |
| 15 | Accounts payable | | 3,100,377 | | 3,987,244 |
| 16 | Mortgages, notes, bonds payable in less than 1 year | | | | 20,317,292 |
| 17 | Other current liabilities (attach statement) | | 7,530,250 | | 12,200,450 |
| 18 | All nonrecourse loans | | | | |
| 19 | Mortgages, notes, bonds payable in 1 year or more | | 32,908,075 | | |
| 20 | Other liabilities (attach statement) | | | | |
| 21 | Partners' capital accounts | | 17,574,977 | | 34,914,068 |
| 22 | Total liabilities and capital | | 61,113,679 | | 71,419,054 |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

| | | | | | |
|----------|--|--|----------|---|--|
| 1 | Net income (loss) per books | | 6 | Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize): | |
| 2 | Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize): | | a | Tax-exempt interest \$ | |
| 3 | Guaranteed payments (other than health insurance) | | 7 | Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize): | |
| 4 | Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize): | | a | Depreciation \$ | |
| a | Depreciation \$ | | 8 | Add lines 6 and 7 | |
| b | Travel and entertainment \$ | | 9 | Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5 | |
| 5 | Add lines 1 through 4 | | | | |

Schedule M-2 Analysis of Partners' Capital Accounts

| | | | | | |
|----------|------------------------------------|------------|-------------------|---|------------|
| 1 | Balance at beginning of year | 17,574,977 | 6 | Distributions: a Cash | |
| 2 | Capital contributed: a Cash | 500,000 | b Property | | |
| | b Property | | 7 | Other decreases (itemize): | |
| 3 | Net income (loss) per books | 16,839,091 | 8 | Add lines 6 and 7 | |
| 4 | Other increases (itemize): | | 9 | Balance at end of year. Subtract line 8 from line 5 | 34,914,068 |
| 5 | Add lines 1 through 4 | 34,914,068 | | | |

Form **4562**

Depreciation and Amortization (Including Information on Listed Property)

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

2010
Attachment
Sequence No. **67**

Name(s) shown on return
Shoebill Unlimited

Business or activity to which this form relates
Dairy Products MFG

Identifying number
69-0000005

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

| | | | |
|----|---|------------------------------|------------------|
| 1 | Maximum amount. See the instructions for a higher limit for certain businesses | 1 | \$250,000 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 | |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 | \$800,000 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 | |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 | |
| 6 | (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
| 7 | Listed property. Enter the amount from line 29 | 7 | |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 | |
| 9 | Tentative deduction. Enter the smaller of line 5 or line 8 | 9 | |
| 10 | Carryover of disallowed deduction from line 13 of your 2009 Form 4562 | 10 | |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions) | 11 | |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 | 12 | |
| 13 | Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12 ▶ | 13 | |

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

| | | | |
|----|---|----|--|
| 14 | Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) | 14 | |
| 15 | Property subject to section 168(f)(1) election | 15 | |
| 16 | Other depreciation (including ACRS) | 16 | |

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

| | | | |
|----|--|----|---------|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2010 | 17 | 338,370 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ <input type="checkbox"/> | | |

Section B—Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

| (a) Classification of property | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only—see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|--------------------------------|--------------------------------------|--|---------------------|----------------|------------|----------------------------|
| 19a | 3-year property | | | | | |
| b | 5-year property | | | | | |
| c | 7-year property | | | | | |
| d | 10-year property | | | | | |
| e | 15-year property | | | | | |
| f | 20-year property | | | | | |
| g | 25-year property | | 25 yrs. | | S/L | |
| h | Residential rental property | | 27.5 yrs. | MM | S/L | |
| | | | 27.5 yrs. | MM | S/L | |
| i | Nonresidential real property | | 39 yrs. | MM | S/L | |
| | | | | MM | S/L | |

Section C—Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

| | | | | | | |
|-----|------------|--|---------|----|-----|--|
| 20a | Class life | | | | S/L | |
| b | 12-year | | 12 yrs. | | S/L | |
| c | 40-year | | 40 yrs. | MM | S/L | |

Part IV Summary (See instructions.)

| | | | |
|----|---|----|---------|
| 21 | Listed property. Enter amount from line 28 | 21 | |
| 22 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions | 22 | 338,370 |
| 23 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs | 23 | |

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No 24b If "Yes," is the evidence written? Yes No

Table with 10 columns: (a) Type of property, (b) Date placed in service, (c) Business/investment use percentage, (d) Cost or other basis, (e) Basis for depreciation, (f) Recovery period, (g) Method/Convention, (h) Depreciation deduction, (i) Elected section 179 cost. Includes rows 25-29.

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

Table with 6 columns: (a) Vehicle 1, (b) Vehicle 2, (c) Vehicle 3, (d) Vehicle 4, (e) Vehicle 5, (f) Vehicle 6. Includes rows 30-36.

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

Table with 2 columns: Yes, No. Includes rows 37-41.

Part VI Amortization

Table with 6 columns: (a) Description of costs, (b) Date amortization begins, (c) Amortizable amount, (d) Code section, (e) Amortization period or percentage, (f) Amortization for this year. Includes rows 42-44.

Form **4562**

Depreciation and Amortization
(Including Information on Listed Property)

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

2010
Attachment
Sequence No. **67**

Name(s) shown on return
Shoebill Unlimited

Business or activity to which this form relates
Dairy Products MFG

Identifying number
69-0000005

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

| | | | |
|----|---|------------------------------|------------------|
| 1 | Maximum amount. See the instructions for a higher limit for certain businesses | 1 | \$250,000 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 | |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 | \$800,000 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 | |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 | |
| 6 | (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
| 7 | Listed property. Enter the amount from line 29 | 7 | |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 | |
| 9 | Tentative deduction. Enter the smaller of line 5 or line 8 | 9 | |
| 10 | Carryover of disallowed deduction from line 13 of your 2009 Form 4562 | 10 | |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions) | 11 | |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 | 12 | |
| 13 | Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12 ▶ | 13 | |

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

| | | | |
|----|---|----|--|
| 14 | Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) | 14 | |
| 15 | Property subject to section 168(f)(1) election | 15 | |
| 16 | Other depreciation (including ACRS) | 16 | |

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

| | | | |
|----|--|----|-----------|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2010 | 17 | 5,075,260 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ <input type="checkbox"/> | | |

Section B—Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

| (a) Classification of property | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only—see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|--------------------------------|--------------------------------------|--|---------------------|----------------|------------|----------------------------|
| 19a | 3-year property | | | | | |
| b | 5-year property | 2,642,388 | 5 | HY | 200DB | 528,478 |
| c | 7-year property | | | | | |
| d | 10-year property | | | | | |
| e | 15-year property | | | | | |
| f | 20-year property | | | | | |
| g | 25-year property | | 25 yrs. | | S/L | |
| h | Residential rental property | | 27.5 yrs. | MM | S/L | |
| | | | 27.5 yrs. | MM | S/L | |
| i | Nonresidential real property | | 39 yrs. | MM | S/L | |
| | | | | MM | S/L | |

Section C—Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

| | | | | | | |
|-----|------------|-----------|---------|----|-----|---------|
| 20a | Class life | | | | S/L | |
| b | 12-year | 2,935,176 | 12 yrs. | HY | S/L | 122,299 |
| c | 40-year | | 40 yrs. | MM | S/L | |

Part IV Summary (See instructions.)

| | | | |
|----|---|----|-----------|
| 21 | Listed property. Enter amount from line 28 | 21 | |
| 22 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions | 22 | 5,726,037 |
| 23 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs | 23 | |

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? 24b If "Yes," is the evidence written?

Table with 10 columns: (a) Type of property, (b) Date placed in service, (c) Business/investment use percentage, (d) Cost or other basis, (e) Basis for depreciation, (f) Recovery period, (g) Method/Convention, (h) Depreciation deduction, (i) Elected section 179 cost. Includes rows 25-29.

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

Table with 6 columns: (a) Vehicle 1, (b) Vehicle 2, (c) Vehicle 3, (d) Vehicle 4, (e) Vehicle 5, (f) Vehicle 6. Includes rows 30-36.

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

Table with 2 columns: Yes, No. Includes rows 37-41.

Part VI Amortization

Table with 6 columns: (a) Description of costs, (b) Date amortization begins, (c) Amortizable amount, (d) Code section, (e) Amortization period or percentage, (f) Amortization for this year. Includes rows 42-44.

Form **4562**

Depreciation and Amortization
(Including Information on Listed Property)

2010
Attachment
Sequence No. **67**

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

Name(s) shown on return

Shoebill Unlimited

Business or activity to which this form relates

Dairy Products MFG

Identifying number

69-0000005

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

| | | | |
|----|---|------------------------------|------------------|
| 1 | Maximum amount. See the instructions for a higher limit for certain businesses | 1 | \$250,000 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 | |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 | \$800,000 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 | |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 | |
| 6 | (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
| 7 | Listed property. Enter the amount from line 29 | 7 | |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 | |
| 9 | Tentative deduction. Enter the smaller of line 5 or line 8 | 9 | |
| 10 | Carryover of disallowed deduction from line 13 of your 2009 Form 4562 | 10 | |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions) | 11 | |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 | 12 | |
| 13 | Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12 ▶ | 13 | |

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

| | | | |
|----|---|----|--------|
| 14 | Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) | 14 | 22,361 |
| 15 | Property subject to section 168(f)(1) election | 15 | |
| 16 | Other depreciation (including ACRS) | 16 | |

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

| | | | |
|----|--|----|---------|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2010 | 17 | 131,190 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ <input type="checkbox"/> | | |

Section B – Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

| (a) Classification of property | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only—see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|--------------------------------|--------------------------------------|--|---------------------|----------------|------------|----------------------------|
| 19a 3-year property | | 6,120 | 3 | HY | S/L | 1,020 |
| b 5-year property | | 29,304 | 5 | HY | 200 DB | 5,861 |
| c 7-year property | | 10,885 | 7 | HY | 200 DB | 1,555 |
| d 10-year property | | | | | | |
| e 15-year property | | | | | | |
| f 20-year property | | | | | | |
| g 25-year property | | | 25 yrs. | | S/L | |
| h Residential rental property | | | 27.5 yrs. | MM | S/L | |
| | | | 27.5 yrs. | MM | S/L | |
| i Nonresidential real property | 2010-4 | 9,856 | 39 yrs. | MM | S/L | 253 |
| | | | | MM | S/L | |

Section C – Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

| | | | | | | |
|----------------|--|--|---------|----|-----|--|
| 20a Class life | | | | | S/L | |
| b 12-year | | | 12 yrs. | | S/L | |
| c 40-year | | | 40 yrs. | MM | S/L | |

Part IV Summary (See instructions.)

| | | | |
|----|---|----|---------|
| 21 | Listed property. Enter amount from line 28 | 21 | |
| 22 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions | 22 | 162,240 |
| 23 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs | 23 | |

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? 24b If "Yes," is the evidence written?

Table with 10 columns: (a) Type of property, (b) Date placed in service, (c) Business/investment use percentage, (d) Cost or other basis, (e) Basis for depreciation, (f) Recovery period, (g) Method/Convention, (h) Depreciation deduction, (i) Elected section 179 cost. Includes rows 25-29.

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

Table with 6 columns: (a) Vehicle 1, (b) Vehicle 2, (c) Vehicle 3, (d) Vehicle 4, (e) Vehicle 5, (f) Vehicle 6. Includes rows 30-36.

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

Table with 2 columns: Yes, No. Includes rows 37-41.

Part VI Amortization

Table with 6 columns: (a) Description of costs, (b) Date amortization begins, (c) Amortizable amount, (d) Code section, (e) Amortization period or percentage, (f) Amortization for this year. Includes rows 42-44.

69-0000005
Sales of Business Property
(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to your tax return. ▶ See separate instructions.

| | |
|--|---|
| Name(s) shown on return Shoebill Unlimited | Identifying number 69-0000005 |
|--|---|

| | |
|--|---|
| 1 Enter the gross proceeds from sales or exchanges reported to you for 2010 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) | 1 |
|--|---|

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)

| 2 | (a) Description of property | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) | (d) Gross sales price | (e) Depreciation allowed or allowable since acquisition | (f) Cost or other basis, plus improvements and expense of sale | (g) Gain or (loss) Subtract (f) from the sum of (d) and (e) |
|--|--|-----------------------------------|-------------------------------|-----------------------|---|--|--|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| 3 | Gain, if any, from Form 4684, line 42 | | | | | | 3 |
| 4 | Section 1231 gain from installment sales from Form 6252, line 26 or 37 | | | | | | 4 237,975 |
| 5 | Section 1231 gain or (loss) from like-kind exchanges from Form 8824 | | | | | | 5 |
| 6 | Gain, if any, from line 32, from other than casualty or theft. | | | | | | 6 |
| 7 | Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: | | | | | | 7 237,975 |
| <p>Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.</p> <p>Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.</p> | | | | | | | |
| 8 | Nonrecaptured net section 1231 losses from prior years (see instructions) | | | | | | 8 |
| 9 | Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions) | | | | | | 9 |

Part II Ordinary Gains and Losses (see instructions)

| | | | | | | | |
|---|---|--|--|--|--|-----|---|
| 10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less): | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| 11 | Loss, if any, from line 7 | | | | | | 11 () |
| 12 | Gain, if any, from line 7 or amount from line 8, if applicable | | | | | | 12 |
| 13 | Gain, if any, from line 31 | | | | | | 13 150,000 |
| 14 | Net gain or (loss) from Form 4684, lines 34 and 41a | | | | | | 14 |
| 15 | Ordinary gain from installment sales from Form 6252, line 25 or 36 | | | | | | 15 |
| 16 | Ordinary gain or (loss) from like-kind exchanges from Form 8824. | | | | | | 16 |
| 17 | Combine lines 10 through 16 | | | | | | 17 150,000 |
| 18 | For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below: | | | | | | |
| a If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions | | | | | | 18a | |
| b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14 | | | | | | 18b | |

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255
(see instructions)

| 19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property: | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) |
|---|-----------------------------------|-------------------------------|
| A See Form 6252 | 04/30/2009 | 06/30/2010 |
| B | | |
| C | | |
| D | | |

| These columns relate to the properties on lines 19A through 19D. ▶ | | Property A | Property B | Property C | Property D |
|---|------------|------------|------------|------------|------------|
| 20 Gross sales price (Note: See line 1 before completing.) | 20 | 3,150,000 | | | |
| 21 Cost or other basis plus expense of sale | 21 | 600,000 | | | |
| 22 Depreciation (or depletion) allowed or allowable | 22 | 150,000 | | | |
| 23 Adjusted basis. Subtract line 22 from line 21. | 23 | 450,000 | | | |
| 24 Total gain. Subtract line 23 from line 20 | 24 | 2,700,000 | | | |
| 25 If section 1245 property: | | | | | |
| a Depreciation allowed or allowable from line 22 | 25a | 150,000 | | | |
| b Enter the smaller of line 24 or 25a | 25b | 150,000 | | | |
| 26 If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291. | | | | | |
| a Additional depreciation after 1975 (see instructions) | 26a | | | | |
| b Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions) | 26b | | | | |
| c Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e | 26c | | | | |
| d Additional depreciation after 1969 and before 1976 | 26d | | | | |
| e Enter the smaller of line 26c or 26d | 26e | | | | |
| f Section 291 amount (corporations only) | 26f | | | | |
| g Add lines 26b, 26e, and 26f. | 26g | | | | |
| 27 If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership). | | | | | |
| a Soil, water, and land clearing expenses | 27a | | | | |
| b Line 27a multiplied by applicable percentage (see instructions) | 27b | | | | |
| c Enter the smaller of line 24 or 27b | 27c | | | | |
| 28 If section 1254 property: | | | | | |
| a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion (see instructions) | 28a | | | | |
| b Enter the smaller of line 24 or 28a | 28b | | | | |
| 29 If section 1255 property: | | | | | |
| a Applicable percentage of payments excluded from income under section 126 (see instructions) | 29a | | | | |
| b Enter the smaller of line 24 or 29a (see instructions) | 29b | | | | |

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

| | | |
|---|-----------|-----------|
| 30 Total gains for all properties. Add property columns A through D, line 24 | 30 | 2,700,000 |
| 31 Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13 | 31 | 150,000 |
| 32 Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 36. Enter the portion from other than casualty or theft on Form 4797, line 6 | 32 | |

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(see instructions)

| | (a) Section 179 | (b) Section 280F(b)(2) |
|---|-----------------|------------------------|
| 33 Section 179 expense deduction or depreciation allowable in prior years | 33 | |
| 34 Recomputed depreciation (see instructions) | 34 | |
| 35 Recapture amount. Subtract line 34 from line 33. See the instructions for where to report | 35 | |

Shoebill Unlimited
Form **6252**

69-0000005

Installment Sale Income

OMB No. 1545-0228

Department of the Treasury
Internal Revenue Service

▶ Attach to your tax return.
▶ Use a separate form for each sale or other disposition of property on the installment method.

2010
Attachment
Sequence No. **79**

Name(s) shown on return

Identifying number

Shoebill Unlimited

69-0000005

- 1 Description of property ▶ Equipment from Bottling Machine
- 2a Date acquired (mm/dd/yyyy) ▶ 04/30/2009 b Date sold (mm/dd/yyyy) ▶ 06/30/2010
- 3 Was the property sold to a related party (see instructions) after May 14, 1980? If "No," skip line 4 Yes No
- 4 Was the property you sold to a related party a marketable security? If "Yes," complete Part III. If "No," complete Part III for the year of sale and the 2 years after the year of sale Yes No

Part I Gross Profit and Contract Price. Complete this part for the year of sale only.

| | | | |
|----|---|----|-----------|
| 5 | Selling price including mortgages and other debts. Do not include interest whether stated or unstated | 5 | 3,150,000 |
| 6 | Mortgages, debts, and other liabilities the buyer assumed or took the property subject to (see instructions) | 6 | |
| 7 | Subtract line 6 from line 5. | 7 | 3,150,000 |
| 8 | Cost or other basis of property sold | 8 | 600,000 |
| 9 | Depreciation allowed or allowable | 9 | 150,000 |
| 10 | Adjusted basis. Subtract line 9 from line 8 | 10 | 450,000 |
| 11 | Commissions and other expenses of sale | 11 | |
| 12 | Income recapture from Form 4797, Part III (see instructions) | 12 | 150,000 |
| 13 | Add lines 10, 11, and 12 | 13 | 600,000 |
| 14 | Subtract line 13 from line 5. If zero or less, do not complete the rest of this form (see instructions) | 14 | 2,550,000 |
| 15 | If the property described on line 1 above was your main home, enter the amount of your excluded gain (see instructions). Otherwise, enter -0- | 15 | |
| 16 | Gross profit. Subtract line 15 from line 14 | 16 | 2,500,000 |
| 17 | Subtract line 13 from line 6. If zero or less, enter -0- | 17 | |
| 18 | Contract price. Add line 7 and line 17 | 18 | 3,150,000 |

Part II Installment Sale Income. Complete this part for the year of sale **and** any year you receive a payment or have certain debts you must treat as a payment on installment obligations.

| | | | |
|----|--|----|--------|
| 19 | Gross profit percentage (expressed as a decimal amount). Divide line 16 by line 18. For years after the year of sale, see instructions | 19 | .80952 |
| 20 | If this is the year of sale, enter the amount from line 17. Otherwise, enter -0- | 20 | |
| 21 | Payments received during year (see instructions). Do not include interest, whether stated or unstated | 21 | |
| 22 | Add lines 20 and 21 | 22 | |
| 23 | Payments received in prior years (see instructions). Do not include interest, whether stated or unstated | 23 | |
| 24 | Installment sale income. Multiply line 22 by line 19 | 24 | |
| 25 | Enter the part of line 24 that is ordinary income under the recapture rules (see instructions) | 25 | |
| 26 | Subtract line 25 from line 24. Enter here and on Schedule D or Form 4797 (see instructions). | 26 | |

Part III Related Party Installment Sale Income. **Do not** complete if you received the final payment this tax year.

- 27 Name, address, and taxpayer identifying number of related party _____
- 28 Did the related party resell or dispose of the property ("second disposition") during this tax year? Yes No
- 29 If the answer to question 28 is "Yes," complete lines 30 through 37 below unless one of the following conditions is met. Check the box that applies.
 - a The second disposition was more than 2 years after the first disposition (other than dispositions of marketable securities). If this box is checked, enter the date of disposition (mm/dd/yyyy) ▶ _____
 - b The first disposition was a sale or exchange of stock to the issuing corporation.
 - c The second disposition was an involuntary conversion and the threat of conversion occurred after the first disposition.
 - d The second disposition occurred after the death of the original seller or buyer.
 - e It can be established to the satisfaction of the Internal Revenue Service that tax avoidance was not a principal purpose for either of the dispositions. If this box is checked, attach an explanation (see instructions).
- 30 Selling price of property sold by related party (see instructions)
- 31 Enter contract price from line 18 for year of first sale
- 32 Enter the **smaller** of line 30 or line 31
- 33 Total payments received by the end of your 2010 tax year (see instructions)
- 34 Subtract line 33 from line 32. If zero or less, enter -0-
- 35 Multiply line 34 by the gross profit percentage on line 19 for year of first sale
- 36 Enter the part of line 35 that is ordinary income under the recapture rules (see instructions)
- 37 Subtract line 36 from line 35. Enter here and on Schedule D or Form 4797 (see instructions).

Shoebill Unlimited

69-0000005

Installment Sale Income

OMB No. 1545-0228

Form 6252

Department of the Treasury
Internal Revenue Service

▶ **Attach to your tax return.**
▶ **Use a separate form for each sale or other disposition of property on the installment method.**

2010

Attachment
Sequence No. **79**

Name(s) shown on return

Identifying number

Shoebill Unlimited

69-0000005

- 1 Description of property ▶ Pasteurizer
- 2a Date acquired (mm/dd/yyyy) ▶ 01/01/1984 b Date sold (mm/dd/yyyy) ▶ 06/30/2004
- 3 Was the property sold to a related party (see instructions) after May 14, 1980? If "No," skip line 4 Yes No
- 4 Was the property you sold to a related party a marketable security? If "Yes," complete Part III. If "No," complete Part III for the year of sale and the 2 years after the year of sale Yes No

Part I Gross Profit and Contract Price. Complete this part for the year of sale only.

| | | | |
|----|---|----|--|
| 5 | Selling price including mortgages and other debts. Do not include interest whether stated or unstated | 5 | |
| 6 | Mortgages, debts, and other liabilities the buyer assumed or took the property subject to (see instructions) | 6 | |
| 7 | Subtract line 6 from line 5. | 7 | |
| 8 | Cost or other basis of property sold | 8 | |
| 9 | Depreciation allowed or allowable | 9 | |
| 10 | Adjusted basis. Subtract line 9 from line 8 | 10 | |
| 11 | Commissions and other expenses of sale | 11 | |
| 12 | Income recapture from Form 4797, Part III (see instructions) | 12 | |
| 13 | Add lines 10, 11, and 12 | 13 | |
| 14 | Subtract line 13 from line 5. If zero or less, do not complete the rest of this form (see instructions) | 14 | |
| 15 | If the property described on line 1 above was your main home, enter the amount of your excluded gain (see instructions). Otherwise, enter -0- | 15 | |
| 16 | Gross profit. Subtract line 15 from line 14 | 16 | |
| 17 | Subtract line 13 from line 6. If zero or less, enter -0- | 17 | |
| 18 | Contract price. Add line 7 and line 17 | 18 | |

Part II Installment Sale Income. Complete this part for the year of sale and any year you receive a payment or have certain debts you must treat as a payment on installment obligations.

| | | | |
|----|--|----|-----------|
| 19 | Gross profit percentage (expressed as a decimal amount). Divide line 16 by line 18. For years after the year of sale, see instructions | 19 | .42018 |
| 20 | If this is the year of sale, enter the amount from line 17. Otherwise, enter -0- | 20 | |
| 21 | Payments received during year (see instructions). Do not include interest, whether stated or unstated | 21 | 566,365 |
| 22 | Add lines 20 and 21 | 22 | 566,365 |
| 23 | Payments received in prior years (see instructions). Do not include interest, whether stated or unstated | 23 | 1,000,001 |
| 24 | Installment sale income. Multiply line 22 by line 19 | 24 | 237,975 |
| 25 | Enter the part of line 24 that is ordinary income under the recapture rules (see instructions) | 25 | |
| 26 | Subtract line 25 from line 24. Enter here and on Schedule D or Form 4797 (see instructions). | 26 | 237,975 |

Part III Related Party Installment Sale Income. Do not complete if you received the final payment this tax year.

- 27 Name, address, and taxpayer identifying number of related party _____
- 28 Did the related party resell or dispose of the property ("second disposition") during this tax year? Yes No
- 29 If the answer to question 28 is "Yes," complete lines 30 through 37 below unless one of the following conditions is met. Check the box that applies.
 - a The second disposition was more than 2 years after the first disposition (other than dispositions of marketable securities). If this box is checked, enter the date of disposition (mm/dd/yyyy) ▶ _____
 - b The first disposition was a sale or exchange of stock to the issuing corporation.
 - c The second disposition was an involuntary conversion and the threat of conversion occurred after the first disposition.
 - d The second disposition occurred after the death of the original seller or buyer.
 - e It can be established to the satisfaction of the Internal Revenue Service that tax avoidance was not a principal purpose for either of the dispositions. If this box is checked, attach an explanation (see instructions).
- 30 Selling price of property sold by related party (see instructions)
- 31 Enter contract price from line 18 for year of first sale
- 32 Enter the **smaller** of line 30 or line 31
- 33 Total payments received by the end of your 2010 tax year (see instructions)
- 34 Subtract line 33 from line 32. If zero or less, enter -0-
- 35 Multiply line 34 by the gross profit percentage on line 19 for year of first sale
- 36 Enter the part of line 35 that is ordinary income under the recapture rules (see instructions)
- 37 Subtract line 36 from line 35. Enter here and on Schedule D or Form 4797 (see instructions).

Rental Real Estate Income and Expenses of a Partnership or an S Corporation

▶ See instructions on back.

▶ Attach to Form 1065, Form 1065-B, or Form 1120S.

Name

Shoebill Unlimited

Employer identification number

69 0000005

1 Show the kind and location of each property. See page 2 to list additional properties.

A **WAREHOUSE**

B

C

D

| | | Properties | | | |
|--|-----------|------------------|---|---|---|
| | | A | B | C | D |
| 2 Gross rents | 2 | 7,381,514 | | | |
| Rental Real Estate Expenses | | | | | |
| 3 Advertising | 3 | 4,230 | | | |
| 4 Auto and travel | 4 | 7,135 | | | |
| 5 Cleaning and maintenance | 5 | | | | |
| 6 Commissions | 6 | 21,300 | | | |
| 7 Insurance | 7 | 155,940 | | | |
| 8 Legal and other professional fees | 8 | 38,342 | | | |
| 9 Interest | 9 | 406,581 | | | |
| 10 Repairs | 10 | 3,220 | | | |
| 11 Taxes | 11 | 5,704 | | | |
| 12 Utilities | 12 | 7,311 | | | |
| 13 Wages and salaries | 13 | 126,211 | | | |
| 14 Depreciation (see instructions) | 14 | 5,726,037 | | | |
| 15 Other (list) ▶ | 15 | | | | |
| 16 Total expenses for each property. Add lines 3 through 15 | 16 | 6,502,011 | | | |

17 Total gross rents. Add gross rents from line 2, columns A through H **17 7,381,514**

18 Total expenses. Add total expenses from line 16, columns A through H **18 (6,502,011)**

19 Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities **19 150,000**

20a Net income (loss) from rental real estate activities from partnerships, estates, and trusts in which this partnership or S corporation is a partner or beneficiary (from Schedule K-1) **20a**

b Identify below the partnerships, estates, or trusts from which net income (loss) is shown on line 20a. Attach a schedule if more space is needed:

| (1) Name | (2) Employer identification number |
|----------|------------------------------------|
| | |
| | |
| | |

21 Net rental real estate income (loss). Combine lines 17 through 20a. Enter the result here and on: **21 1,029,503**
● Form 1065 or 1120S: Schedule K, line 2, or
● Form 1065-B: Part I, line 4

1 Show the kind and location of each property.

E

F

G

H

| | | Properties | | | | | | | |
|--|----|------------|--|---|--|---|--|---|--|
| | | E | | F | | G | | H | |
| Rental Real Estate Income | | | | | | | | | |
| 2 Gross rents | 2 | | | | | | | | |
| Rental Real Estate Expenses | | | | | | | | | |
| 3 Advertising | 3 | | | | | | | | |
| 4 Auto and travel | 4 | | | | | | | | |
| 5 Cleaning and maintenance | 5 | | | | | | | | |
| 6 Commissions | 6 | | | | | | | | |
| 7 Insurance | 7 | | | | | | | | |
| 8 Legal and other professional fees | 8 | | | | | | | | |
| 9 Interest | 9 | | | | | | | | |
| 10 Repairs | 10 | | | | | | | | |
| 11 Taxes | 11 | | | | | | | | |
| 12 Utilities | 12 | | | | | | | | |
| 13 Wages and salaries | 13 | | | | | | | | |
| 14 Depreciation (see instructions) | 14 | | | | | | | | |
| 15 Other (list) ▶ | 15 | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| 16 Total expenses for each property. Add lines 3 through 15 | 16 | | | | | | | | |

Instructions

Section references are to the Internal Revenue Code.

What's New

The IRS will revise this December 2006 version of Form 8825 only when necessary. Continue to use this version of the form for tax years beginning after 2006 until a new revision is issued.

Purpose of form. Partnerships and S corporations use Form 8825 to report income and deductible expenses from rental real estate activities, including net income (loss) from rental real estate activities that flow through from partnerships, estates, or trusts.

Before completing this form, be sure to read:

- Passive Activity Limitations in the instructions for Form 1065 or Form 1120S, or Passive Loss Limitation Activities in the instructions for Form 1065-B, especially for the definition of "rental activity."
Extraterritorial Income Exclusion in the instructions for Form 1065, 1065-B, or 1120S.

Specific Instructions. Form 8825 provides space for up to eight properties. If there are more than eight properties, attach additional Forms 8825.

The number of columns to be used for reporting income and expenses on this form may differ from the number of rental real estate activities the partnership or S corporation has for purposes of the passive activity limitations. For example, a partnership owns two apartment buildings, each located in a different city. For purposes of the passive activity limitations, the partnership grouped both buildings into a single activity. Although the partnership has only one rental real estate activity for purposes of the

passive activity limitations, it must report the income and deductions for each building in separate columns.

However, if the partnership or S corporation has more than one rental real estate activity for purposes of the passive activity limitations, attach a statement to Schedule K that reports the net income (loss) for each separate activity. Also, attach a statement to each Schedule K-1 that reports each partner's or shareholder's share of the net income (loss) by separate activity (except for limited partners in an electing large partnership). See Passive Activity Reporting Requirements in the instructions for Form 1065, Form 1065-B, or Form 1120S for additional information that must be provided for each activity.

Complete lines 1 through 16 for each property. But complete lines 17 through 21 on only one Form 8825. The figures on lines 17 and 18 should be the combined totals for all forms.

Do not report on Form 8825 any:

- Income or deductions from a trade or business activity or a rental activity other than rental real estate. These items are reported elsewhere.
Portfolio income or deductions.
Section 179 expense deduction.
Other items that must be reported separately to the partners or shareholders.
Commercial revitalization deductions.

Line 1. Show the kind of property rented out (for example, "apartment building"). Give the street address, city or town, and state.

Line 14. The partnership or S corporation may claim a depreciation deduction each year for

rental property (except for land, which is not depreciable). If the partnership or S corporation placed property in service during the current tax year or claimed depreciation on any vehicle or other listed property, complete and attach Form 4562, Depreciation and Amortization. See Form 4562 and its instructions to figure the depreciation deduction.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: Recordkeeping, 6 hr., 27 min.; Learning about the law or the form, 34 min.; Preparing the form, 1 hr., 37 min.; Copying, assembling, and sending the form to the IRS, 16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Department of the Treasury
 Internal Revenue Service

▶ **Attach to Form 1065. See separate instructions.**

Name of partnership

Shoebill Unlimited

Employer identification number

69-0000005

| | | Yes | No |
|---|---|-----|----|
| 1 | At any time during the tax year, were there any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8? | | X |
| 2 | Do the amounts reported on Schedule M-3, Part II, lines 7 or 8, column (d), reflect allocations to this partnership from another partnership of income, gain, loss, deduction, or credit that are disproportionate to this partnership's share of capital in such partnership or its ratio for sharing other items of such partnership? | | X |
| 3 | At any time during the tax year, did the partnership sell, exchange, or transfer any interest in an intangible asset to a related person as defined in sections 267(b) and 707(b)(1)? | | X |
| 4 | At any time during the tax year, did the partnership acquire any interest in an intangible asset from a related person as defined in sections 267(b) and 707(b)(1)? | | X |
| 5 | At any time during the tax year, did the partnership make any change in accounting principle for financial accounting purposes? See instructions for a definition of change in accounting principle | | X |
| 6 | At any time during the tax year, did the partnership make any change in a method of accounting for U.S. income tax purposes? | | X |

For Paperwork Reduction Act Notice, see the Instructions for Form 1065.

Cat. No. 49945S

Schedule C (Form 1065) 2010

**SCHEDULE F
(Form 1040)**

Shoebill Unlimited

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Farming

69-0000005

▶ Attach to Form 1040, Form 1040NR, Form 1041, Form 1065, or Form 1065-B.

▶ See Instructions for Schedule F (Form 1040).

OMB No. 1545-0074

2010

Attachment
Sequence No. **14**

Name of proprietor
Browns Cows

Social security number (SSN)

A Principal product. Describe in one or two words your principal crop or activity for the current tax year.
Dairy Cattle

B Enter code from Part IV
▶ 1 | 1 | 2 | 1 | 2 | 0

C Accounting method: (1) Cash (2) Accrual

D Employer ID number (EIN), if any
6 | 9 | 0 | 0 | 0 | 0 | 0 | 2 | 5

E Did you "materially participate" in the operation of this business during 2010? If "No," see page F-2 for limit on passive losses. Yes No

Part I Farm Income—Cash Method. Complete Parts I and II (Accrual method. Complete Parts II and III, and Part I, line 11.) Do not include sales of livestock held for draft, breeding, sport, or dairy purposes. Report these sales on Form 4797.

| | | | | | |
|----|---|----|---------|---------------------------|-----------|
| 1 | Sales of livestock and other items you bought for resale | 1 | 135,960 | | |
| 2 | Cost or other basis of livestock and other items reported on line 1 | 2 | 65,230 | | |
| 3 | Subtract line 2 from line 1 | 3 | | 70,730 | |
| 4 | Sales of livestock, produce, grains, and other products you raised | 4 | | 2,630,180 | |
| 5a | Cooperative distributions (Form(s) 1099-PATR) | 5a | 11,450 | 5b Taxable amount | 5b 11,450 |
| 6a | Agricultural program payments (see page F-3) | 6a | 67,810 | 6b Taxable amount | 6b 67,810 |
| 7 | Commodity Credit Corporation (CCC) loans (see page F-3): | | | | |
| a | CCC loans reported under election | 7a | | 6,650 | |
| b | CCC loans forfeited | 7b | | 7c Taxable amount | 7c |
| 8 | Crop insurance proceeds and federal crop disaster payments (see page F-3): | | | | |
| a | Amount received in 2010 | 8a | | 8b Taxable amount | 8b |
| c | If election to defer to 2011 is attached, check here <input type="checkbox"/> | 8d | | Amount deferred from 2009 | 8d |
| 9 | Custom hire (machine work) income | 9 | | 12,580 | |
| 10 | Other income, including federal and state gasoline or fuel tax credit or refund (see page F-3) | 10 | | 1,420 | |
| 11 | Gross income. Add amounts in the right column for lines 3 through 10. If you use the accrual method to figure your income, enter the amount from Part III, line 51 | 11 | | 2,800,820 | |

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses such as taxes, insurance, or repairs on your home.

| | | | | | | | |
|----|---|-----|---------|----|------------------------------------|-----|---------|
| 12 | Car and truck expenses (see page F-5). Also attach Form 4562 | 12 | | 25 | Pension and profit-sharing plans | 25 | |
| 13 | Chemicals | 13 | 49,690 | 26 | Rent or lease (see page F-6): | | |
| 14 | Conservation expenses (see page F-5) | 14 | 67,810 | a | Vehicles, machinery, and equipment | 26a | 96,600 |
| 15 | Custom hire (machine work) | 15 | 80,550 | b | Other (land, animals, etc.) | 26b | 135,040 |
| 16 | Depreciation and section 179 expense deduction not claimed elsewhere (see page F-5) | 16 | 338,370 | 27 | Repairs and maintenance | 27 | 58,750 |
| 17 | Employee benefit programs other than on line 25 | 17 | | 28 | Seeds and plants | 28 | 11,680 |
| 18 | Feed | 18 | 508,140 | 29 | Storage and warehousing | 29 | 74,330 |
| 19 | Fertilizers and lime | 19 | 65,440 | 30 | Supplies | 30 | 32,010 |
| 20 | Freight and trucking | 20 | 37,130 | 31 | Taxes | 31 | 55,040 |
| 21 | Gasoline, fuel, and oil | 21 | 62,160 | 32 | Utilities | 32 | 85,080 |
| 22 | Insurance (other than health) | 22 | 33,620 | 33 | Veterinary, breeding, and medicine | 33 | |
| 23 | Interest: | | | 34 | Other expenses (specify): | | |
| a | Mortgage (paid to banks, etc.) | 23a | 31,750 | a | ----- | 34a | |
| b | Other | 23b | 77,380 | b | ----- | 34b | |
| 24 | Labor hired (less employment credits) | 24 | 263,680 | c | ----- | 34c | |
| | | | | d | ----- | 34d | |
| | | | | e | ----- | 34e | |
| | | | | f | ----- | 34f | |

35 **Total expenses.** Add lines 12 through 34f. If line 34f is negative, see instructions

36 **Net farm profit or (loss).** Subtract line 35 from line 11. Partnerships, see page F-7.

- If a profit, enter the profit on both **Form 1040, line 18,** and **Schedule SE, line 1a;** on **Form 1040NR, line 19;** or on **Form 1041, line 6.**
- If a loss, you **must** go to line 37.

37 If you have a loss, you **must** check the box that describes your investment in this activity (see page F-7).

- If you checked 37a, enter the loss on both **Form 1040, line 18,** and **Schedule SE, line 1a;** on **Form 1040NR, line 19;** or on **Form 1041, line 6.**
- If you checked 37b, you **must** attach **Form 6198.** Your loss may be limited.

37a All investment is at risk.
37b Some investment is not at risk.

Part III Farm Income – Accrual Method (see page F-7)

Shoebill Unlimited

69-0000005

Do not include sales of livestock held for draft, breeding, sport, or dairy purposes. Report these sales on Form 4797 and do not include this livestock on line 46 below.

| | | | | | | |
|------------|--|------------|-----------|------------|----------------|------------|
| 38 | Sales of livestock, produce, grains, and other products | | | 38 | | |
| 39a | Cooperative distributions (Form(s) 1099-PATR) | 39a | | 39b | Taxable amount | 39b |
| 40a | Agricultural program payments | 40a | | 40b | Taxable amount | 40b |
| 41 | Commodity Credit Corporation (CCC) loans: | | | | | |
| a | CCC loans reported under election | | | 41a | | |
| b | CCC loans forfeited | 41b | | 41c | Taxable amount | 41c |
| 42 | Crop insurance proceeds | | | 42 | | |
| 43 | Custom hire (machine work) income | | | 43 | | |
| 44 | Other income, including federal and state gasoline or fuel tax credit or refund | | | 44 | | |
| 45 | Add amounts in the right column for lines 38 through 44 | | | 45 | | |
| 46 | Inventory of livestock, produce, grains, and other products at beginning of the year | | 46 | | | |
| 47 | Cost of livestock, produce, grains, and other products purchased during the year | | 47 | | | |
| 48 | Add lines 46 and 47 | | 48 | | | |
| 49 | Inventory of livestock, produce, grains, and other products at end of year | | 49 | | | |
| 50 | Cost of livestock, produce, grains, and other products sold. Subtract line 49 from line 48* | | | 50 | | |
| 51 | Gross income. Subtract line 50 from line 45. Enter the result here and on Part I, line 11 ▶ | | | 51 | | |

*If you use the unit-livestock-price method or the farm-price method of valuing inventory and the amount on line 49 is larger than the amount on line 48, subtract line 48 from line 49. Enter the result on line 50. Add lines 45 and 50. Enter the total on line 51 and on Part I, line 11.

Part IV Principal Agricultural Activity Codes



File Schedule C (Form 1040) or Schedule C-EZ (Form 1040) instead of Schedule F if **(a)** your principal source of income is from providing agricultural services such as soil preparation, veterinary, farm labor, horticultural, or management for a fee or on a contract basis, or **(b)** you are engaged in the business of breeding, raising, and caring for dogs, cats, or other pet animals.

These codes for the Principal Agricultural Activity classify farms by their primary activity to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the North American Industry Classification System (NAICS).

Select the code that best identifies your primary farming activity and enter the six digit number on page 1, line B.

Crop Production

- 111100 Oilseed and grain farming
- 111210 Vegetable and melon farming

- 111300 Fruit and tree nut farming
- 111400 Greenhouse, nursery, and floriculture production
- 111900 Other crop farming

Animal Production

- 112111 Beef cattle ranching and farming
- 112112 Cattle feedlots
- 112120 Dairy cattle and milk production
- 112210 Hog and pig farming
- 112300 Poultry and egg production
- 112400 Sheep and goat farming
- 112510 Aquaculture
- 112900 Other animal production

Forestry and Logging

- 113000 Forestry and logging (including forest nurseries and timber tracts)

Department of the Treasury
 Internal Revenue Service

▶ Attach to Form 1065 or Form 1065-B.
 ▶ See separate instructions.

| | |
|---|--|
| Name of partnership Shoebill Unlimited | Employer identification number 69-0000005 |
|---|--|

This Schedule M-3 is being filed because (check all that apply):

- A** The amount of the partnership's total assets at the end of the tax year is equal to \$10 million or more.
- B** The amount of the partnership's adjusted total assets for the year is equal to \$10 million or more. If box B is checked, enter the amount of adjusted total assets for the tax year 71,419,054.
- C** The amount of total receipts for the tax year is equal to \$35 million or more. If box C is checked, enter the total receipts for the tax year 60,582,694.
- D** An entity that is a reportable entity partner with respect to the partnership owns or is deemed to own an interest of 50 percent or more in the partnership's capital, profit, or loss, on any day during the tax year of the partnership.

| Name of Reportable Entity Partner | Identifying Number | Maximum Percentage Owned or Deemed Owned |
|-----------------------------------|--------------------|--|
| | | |
| | | |

E Voluntary Filer

Part I Financial Information and Net Income (Loss) Reconciliation

- 1a** Did the partnership file SEC Form 10-K for its income statement period ending with or within this tax year?
 Yes. Skip lines 1b and 1c and complete lines 2 through 11 with respect to that SEC Form 10-K.
 No. Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.
- b** Did the partnership prepare a certified audited non-tax-basis income statement for that period?
 Yes. Skip line 1c and complete lines 2 through 11 with respect to that income statement.
 No. Go to line 1c.
- c** Did the partnership prepare a non-tax-basis income statement for that period?
 Yes. Complete lines 2 through 11 with respect to that income statement.
 No. Skip lines 2 through 3b and enter the partnership's net income (loss) per its books and records on line 4a.
- 2** Enter the income statement period: Beginning 01 / 01 / 2010 Ending 12 / 31 / 2010
- 3a** Has the partnership's income statement been restated for the income statement period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.
- b** Has the partnership's income statement been restated for any of the five income statement periods preceding the period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.

| | | |
|---|-----------|------------|
| 4a Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1 | 4a | 16,839,091 |
| b Indicate accounting standard used for line 4a (see instructions): 1 <input checked="" type="checkbox"/> GAAP 2 <input type="checkbox"/> IFRS 3 <input type="checkbox"/> 704(b) 4 <input type="checkbox"/> Tax-basis 5 <input type="checkbox"/> Other: (Specify) ▶ _____ | | |
| 5a Net income from nonincludible foreign entities (attach schedule) | 5a | () |
| b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) | 5b | |
| 6a Net income from nonincludible U.S. entities (attach schedule) | 6a | () |
| b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount) | 6b | |
| 7a Net income (loss) of other foreign disregarded entities (attach schedule) | 7a | |
| b Net income (loss) of other U.S. disregarded entities (attach schedule) | 7b | |
| 8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule) | 8 | |
| 9 Adjustment to reconcile income statement period to tax year (attach schedule) | 9 | |
| 10 Other adjustments to reconcile to amount on line 11 (attach schedule) | 10 | |
| 11 Net income (loss) per income statement of the partnership. Combine lines 4 through 10 | 11 | 16,839,091 |

Note. Part I, line 11, must equal the amount on Part II, line 26, column (a).

12 Enter the total amount (not just the partnership's share) of the assets and liabilities of all entities included or removed on the following lines:

| | Total Assets | Total Liabilities |
|-------------------------------------|--------------|-------------------|
| a Included on Part I, line 4 | 71,419,054 | 36,504,982 |
| b Removed on Part I, line 5 | | |
| c Removed on Part I, line 6 | | |
| d Included on Part I, line 7 | | |

Name of partnership

Shoebill Unlimited

Employer identification number

69-0000005

Part II Reconciliation of Net Income (Loss) per Income Statement of Partnership with Income (Loss) per Return

| Income (Loss) Items | (a) Income (Loss) per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Income (Loss) per Tax Return |
|--|--|--------------------------------|--------------------------------|--|
| (Attach schedules for lines 1 through 9) | | | | |
| 1 Income (loss) from equity method foreign corporations | | | | |
| 2 Gross foreign dividends not previously taxed | | | | |
| 3 Subpart F, QEF, and similar income inclusions | | | | |
| 4 Gross foreign distributions previously taxed | | | | |
| 5 Income (loss) from equity method U.S. corporations | | | | |
| 6 U.S. dividends | | | | |
| 7 Income (loss) from U.S. partnerships | 23,712 | | | 23,712 |
| 8 Income (loss) from foreign partnerships | | | | |
| 9 Income (loss) from other pass-through entities | | | | |
| 10 Items relating to reportable transactions (attach details) | | | | |
| 11 Interest income (attach Form 8916-A) | | | | |
| 12 Total accrual to cash adjustment | | | | |
| 13 Hedging transactions | | | | |
| 14 Mark-to-market income (loss) | | | | |
| 15 Cost of goods sold (attach Form 8916-A) | () | | | () |
| 16 Sale versus lease (for sellers and/or lessors) | | | | |
| 17 Section 481(a) adjustments | | | | |
| 18 Unearned/deferred revenue | | | | |
| 19 Income recognition from long-term contracts | | | | |
| 20 Original issue discount and other imputed interest | | | | |
| 21a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities | 150,000 | | | |
| b Gross capital gains from Schedule D, excluding amounts from pass-through entities | | | | |
| c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses | | | | 150,000 |
| d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses | | | | |
| e Abandonment losses | | | | |
| f Worthless stock losses (attach details) | | | | |
| g Other gain/loss on disposition of assets other than inventory | | | | |
| 22 Other income (loss) items with differences (attach schedule) | | | | |
| 23 Total income (loss) items. Combine lines 1 through 22 | 173,712 | | | 173,712 |
| 24 Total expense/deduction items. (from Part III, line 31) (see instructions) | (1,846,744) | | 923,372 | (923,372) |
| 25 Other items with no differences | 18,512,123 | | | 18,512,123 |
| 26 Reconciliation totals. Combine lines 23 through 25 | 16,839,091 | | 923,372 | 17,762,463 |

Note. Line 26, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1065, page 5, Analysis of Net Income (Loss), line 1.

Name of partnership

Shoebill Unlimited

Employer identification number
 69-0000005

Part III Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return—Expense/Deduction Items

| Expense/Deduction Items | (a) Expense per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Deduction per Tax Return |
|---|--|--------------------------------|--------------------------------|------------------------------------|
| 1 State and local current income tax expense | | | | |
| 2 State and local deferred income tax expense | | | | |
| 3 Foreign current income tax expense (other than foreign withholding taxes) | | | | |
| 4 Foreign deferred income tax expense | | | | |
| 5 Equity-based compensation | | | | |
| 6 Meals and entertainment | 1,846,744 | | (923,372) | 923,372 |
| 7 Fines and penalties | | | | |
| 8 Judgments, damages, awards, and similar costs | | | | |
| 9 Guaranteed payments | | | | |
| 10 Pension and profit-sharing | | | | |
| 11 Other post-retirement benefits | | | | |
| 12 Deferred compensation | | | | |
| 13 Charitable contribution of cash and tangible property | | | | |
| 14 Charitable contribution of intangible property | | | | |
| 15 Organizational expenses as per Regulations section 1.709-2(a) | | | | |
| 16 Syndication expenses as per Regulations section 1.709-2(b) | | | | |
| 17 Current year acquisition/reorganization investment banking fees | | | | |
| 18 Current year acquisition/reorganization legal and accounting fees | | | | |
| 19 Amortization/impairment of goodwill | | | | |
| 20 Amortization of acquisition, reorganization, and start-up costs | | | | |
| 21 Other amortization or impairment write-offs | | | | |
| 22 Section 198 environmental remediation costs | | | | |
| 23a Depletion—Oil & Gas | | | | |
| b Depletion—Other than Oil & Gas | | | | |
| 24 Intangible drilling & development costs | | | | |
| 25 Depreciation | | | | |
| 26 Bad debt expense | | | | |
| 27 Interest expense (attach Form 8916-A) | | | | |
| 28 Purchase versus lease (for purchasers and/ or lessees) | | | | |
| 29 Research and development costs (attach schedule) | | | | |
| 30 Other expense/deduction items with differences (attach schedule) | | | | |
| 31 Total expense/deduction items. Combine lines 1 through 30. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive | 1,846,744 | | (923,972) | 923,972 |

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000005

B Partnership's name, address, city, state, and ZIP code Shoebill Unlimited 5551 Elliot Road Salt Lake City, UT 84101

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 000-40-0001

F Partner's name, address, city, state, and ZIP code David Boxwood 348 Nixon Circle Boise, ID 83708

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Individual

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. Values: 25%, 25%, 25%.

K Partner's share of liabilities at year end: Nonrecourse, Qualified nonrecourse financing, Recourse.

L Partner's capital account analysis: Beginning capital account, Capital contributed during the year, Current year increase (decrease), Withdrawals & distributions, Ending capital account.

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss? Yes No If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Code. Rows include Ordinary business income, Net rental real estate income, Other net rental income, Guaranteed payments, Interest income, Ordinary dividends, Qualified dividends, Royalties, Net short-term capital gain, Net long-term capital gain, Collectibles (28%) gain, Unrecaptured section 1250 gain, Net section 1231 gain, Other income, Section 179 deduction, Other deductions, Self-employment earnings, and other items.

*See attached statement for additional information.

For IRS Use Only

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000005

B Partnership's name, address, city, state, and ZIP code Shoebill Unlimited 5551 Elliot Road Salt Lake City, UT 84101

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 000-40-0002

F Partner's name, address, city, state, and ZIP code Joshua Plum 2894 N 6352 South Reno, NV 89510

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Individual

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. Values: 25%, 25%, 25%, 25%

K Partner's share of liabilities at year end: Nonrecourse, Qualified nonrecourse financing, Recourse

L Partner's capital account analysis: Beginning capital account \$ 4,393,744 Capital contributed during the year \$ 125,000 Current year increase (decrease) \$ 4,209,773 Withdrawals & distributions \$ () Ending capital account \$ 8,728,517

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss? Yes No If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Code. Rows include Ordinary business income (loss), Net rental real estate income (loss), Other net rental income (loss), Guaranteed payments, Interest income, Ordinary dividends, Qualified dividends, Royalties, Net short-term capital gain (loss), Net long-term capital gain (loss), Collectibles (28%) gain (loss), Unrecaptured section 1250 gain, Net section 1231 gain (loss), Other income (loss), Section 179 deduction, Other deductions, Self-employment earnings (loss).

*See attached statement for additional information.

For IRS Use Only

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000005
B Partnership's name, address, city, state, and ZIP code Shoebill Unlimited 5551 Elliot Road Salt Lake City, UT 84101
C IRS Center where partnership filed return Ogden
D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 69-4000004
F Partner's name, address, city, state, and ZIP code Redbird Trees 7272 West Turman Ave Sacramento, CA 95813
G General partner or LLC member-manager Limited partner or other LLC member
H Domestic partner Foreign partner
I What type of entity is this partner? Partnership
J Partner's share of profit, loss, and capital (see instructions):
Beginning Ending
Profit 25 % 25 %
Loss 25 % 25 %
Capital 25 % 25 %
K Partner's share of liabilities at year end:
Nonrecourse \$
Qualified nonrecourse financing \$
Recourse \$

L Partner's capital account analysis:
Beginning capital account \$ 4,393,744
Capital contributed during the year \$ 125,000
Current year increase (decrease) \$ 4,209,773
Withdrawals & distributions \$ ()
Ending capital account \$ 8,728,517
Tax basis GAAP Section 704(b) book
Other (explain)
M Did the partner contribute property with a built-in gain or loss?
Yes No
If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Code. Rows include: 1 Ordinary business income (loss) 3,043,345 15 Credits; 2 Net rental real estate income (loss) 257,376; 3 Other net rental income (loss) 16 Foreign transactions; 4 Guaranteed payments; 5 Interest income 442,901; 6a Ordinary dividends; 6b Qualified dividends; 7 Royalties 637,500; 8 Net short-term capital gain (loss); 9a Net long-term capital gain (loss) 17 Alternative minimum tax (AMT) items; 9b Collectibles (28%) gain (loss); 9c Unrecaptured section 1250 gain; 10 Net section 1231 gain (loss) 59,495 18 Tax-exempt income and nondeductible expenses; 11 Other income (loss) A 200,000; 12 Section 179 deduction; 13 Other deductions; 14 Self-employment earnings (loss) A 442,901; 19 Distributions; 20 Other information.

*See attached statement for additional information.
For IRS Use Only

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc. See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000005
B Partnership's name, address, city, state, and ZIP code Shoebill Unlimited 5551 Elliot Road Salt Lake City, UT 84101
C IRS Center where partnership filed return Ogden
D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 000-40-0003
F Partner's name, address, city, state, and ZIP code Tony Cypress 4810 South 19 West San Francisco, CA 94104
G General partner or LLC member-manager Limited partner or other LLC member
H Domestic partner Foreign partner
I What type of entity is this partner? Individual
J Partner's share of profit, loss, and capital (see instructions):
Beginning Ending
Profit 25 % 25 %
Loss 25 % 25 %
Capital 25 % 25 %
K Partner's share of liabilities at year end:
Nonrecourse \$
Qualified nonrecourse financing \$
Recourse \$

L Partner's capital account analysis:
Beginning capital account \$ 4,393,744
Capital contributed during the year \$ 125,000
Current year increase (decrease) \$ 4,209,773
Withdrawals & distributions \$ ()
Ending capital account \$ 8,728,517
Tax basis GAAP Section 704(b) book Other (explain)
M Did the partner contribute property with a built-in gain or loss? Yes No
If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Code. Rows include: 1 Ordinary business income (loss) 3,043,345 15 Credits; 2 Net rental real estate income (loss) 257,376; 3 Other net rental income (loss) 16 Foreign transactions; 4 Guaranteed payments; 5 Interest income 442,901; 6a Ordinary dividends; 6b Qualified dividends; 7 Royalties 637,500; 8 Net short-term capital gain (loss); 9a Net long-term capital gain (loss) 17 Alternative minimum tax (AMT) items; 9b Collectibles (28%) gain (loss) A 200,000; 9c Unrecaptured section 1250 gain; 10 Net section 1231 gain (loss) 59,495 18 Tax-exempt income and nondeductible expenses; 11 Other income (loss); 12 Section 179 deduction; 13 Other deductions; 14 Self-employment earnings (loss) A 442,901; 19 Distributions; 20 Other information.

*See attached statement for additional information. For IRS Use Only

TEST SCENARIO 6**FORMS REQUIRED:** 1065-B, 4797, 1065-B SCH K-1 (100), Form 8453-B, DEPENDENCIES**ATTACHMENTS:**

Itemized Other Deductions Schedule
Inventoriable Costs Paid Schedule
Other Current Assets Statement
Income Expenses Recorded On Books Not On Schedule K Statement
Itemized Deductions Not Charged Against Books Statement

BINARY ATTACHMENTS: Scanned Form 8453-B (8453 Signature Document)**HEADER INFO:****Tax Period:** Calendar Year 2010

Preparer Firm: Electronic Tax Filers, Inc 69-0000098
1065 Efile Drive
Anytown, TX 79001

Multiple Software Packages Used: Yes or No

Originator: **EFIN:** Self-select
 Type: Self-select
 Practitioner PIN: None
 PIN Entered by – N/A

IP Address: 660.660.660**Signature Option:** Binary Attachment 8453 Signature Document**Return Type:** 1065-B

Filer: **EIN:** 69-0000006
Name: ABC Oil and Gas L P
Name Control: ABCO
Address: 28 Oil Rig Rd
 Anytown, TX 79001

Partner: **Name:** Jonathan Walker
Title: Chief Executive Officer
Taxpayer PIN: N/A
Phone: 555-555-5555
Email Address: Anymail@email.com
Date Signed: 04/01/2011

Preparer: **Name:** Jane Doe
PTIN: P00000006
Phone: 555-631-1212
Email Address: Anymail@email.com
Date Prepared: 04/10/2011
Self Employed: No

IRS PAYMENT: N/A

Details for attachments to Form

Attachment 1, Form 1065-B, Page 1, Line 23 (Itemized Other Deductions Schedule)

| Type | Amount |
|--------------------------|------------------|
| Survey Costs | \$150,750 |
| Permits | \$27,250 |
| Professional Fees | \$46,140 |
| Bank Fees | \$2,600 |

Attachment 2, Form 1065-B, Page 2, Schedule A, Line 5 (Inventoriable Costs Paid Schedule)

| Type | Amount |
|--------------------|------------------|
| Other Costs | \$576,000 |

Attachment 3, Form 1065-B, Page 5, Schedule L, Line 6 (Schedule L Other Current Assets Statement)

| Type | BOY Amount | EOY Amount |
|--------------------------|--------------------|--------------------|
| Prepaid Insurance | \$260,000 | \$280,001 |
| Other | \$1,600,720 | \$1,630,110 |

Attachment 4, Form 1065-B, Page 6, Schedule M-1, Line 4 (Income Expenses Recorded On Books Not On Schedule K Statement)

| | |
|-------------------------|-----------------|
| Professional Fee | \$57,140 |
|-------------------------|-----------------|

Attachment 4, Form 1065-B, Page 6, Schedule M-1, Line 7 (Itemized Deductions Not Charged Against Books Statement)

| | |
|--------------------|-----------------|
| Survey Cost | \$74,212 |
|--------------------|-----------------|

ABC Oil and Gas, LP
1065-B
 Form
 Department of the Treasury
 Internal Revenue Service

69-0000006
**U.S. Return of Income for
 Electing Large Partnerships**
 For calendar year 2010, or tax year beginning _____, 2010, and ending _____, 20____.
▶ See separate instructions.

OMB No. 1545-1626
2010

| | | | |
|---|---|---|--|
| A Principal business activity Mining | Use the IRS label. Otherwise, print or type. | Name of partnership ABC Oil and Gas LP | D Employer identification number 69-0000006 |
| B Principal product or service Oil & Gas | | Number, street, and room or suite no. If a P.O. box, see instructions. 28 Oil Rig Rd | E Date business started 11/08/1999 |
| C Business code no. (see instructions) 211110 | | City or town, state, and ZIP code Anytown, TX 79001 | F Total assets (see instructions) \$ 5,617,088 |

- G** Check applicable boxes: (1) Final return (2) Name change (3) Address change (4) Amended return
H Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶ _____
I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ 100
J Check if Schedule M-3 (Form 1065) is attached ▶

Part I Taxable Income or Loss From Passive Loss Limitation Activities

| | | | | | | | |
|--|--|------------|--------------------------------------|--|----------------|------------|-----------|
| Income | 1a Gross receipts or sales | 2,512,000 | b Less returns and allowances | | c Bal ▶ | 1c | 2,512,000 |
| | 2 Cost of goods sold (Schedule A, line 8) | | | | | 2 | 576,000 |
| | 3 Gross profit. Subtract line 2 from line 1c | | | | | 3 | 1,936,000 |
| | 4 Net rental real estate income (loss) (attach Form 8825) | | | | | 4 | |
| | 5 Net income (loss) from other rental activities (attach schedule) | | | | | 5 | |
| | 6 Ordinary income (loss) from other partnerships, estates, and trusts (attach schedule) | | | | | 6 | |
| | 7 Net farm profit (loss) (attach Schedule F (Form 1040)) | | | | | 7 | |
| | 8 Excess of net short-term capital gain over net long-term capital loss (Schedule D, line 16) | | | | | 8 | |
| | 9 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | | | 9 | |
| | 10 Other income (loss) (see instructions) (attach schedule) | | | | | 10 | |
| | 11 Total income (loss). Combine lines 3 through 10 | | | | | 11 | 1,936,000 |
| Deductions | 12 Salaries and wages (other than to partners) (less employment credits) | | | | | 12 | |
| | 13 Guaranteed payments to partners | | | | | 13 | |
| | 14 Repairs and maintenance | | | | | 14 | |
| | 15 Bad debts | | | | | 15 | |
| | 16 Rent | | | | | 16 | |
| | 17 Taxes and licenses | | | | | 17 | |
| | 18 Interest | | | | | 18 | |
| | 19a Depreciation and section 179 expense deduction (see instructions) | 19a | | | | 19c | |
| | b Less: depreciation reported on Schedule A and elsewhere on return | 19b | | | | 19c | |
| | 20 Depletion | | | | | 20 | 148,180 |
| | 21 Retirement plans, etc. | | | | | 21 | |
| | 22 Employee benefit programs | | | | | 22 | |
| | 23 Other deductions (attach schedule) | | | | | 23 | 226,740 |
| | 24 Total deductions. Add the amounts shown in the far right column for lines 12 through 23 | | | | | 24 | 599,085 |
| 25 Taxable income (loss) from passive loss limitation activities. Subtract line 24 from line 11 | | | | | 25 | 1,336,915 | |
| Tax and Payments | 26 Tax (see instructions). Check if from: a <input type="checkbox"/> Form 4255 b <input type="checkbox"/> Form 8611 | | | | | 26 | |
| | 27 Other payments. Check if from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 | | | | | 27 | |
| | 28 Amount owed. Enter the excess of line 26 over line 27 | | | | | 28 | |
| | 29 Overpayment. Enter the excess of line 27 over line 26 | | | | | 29 | |

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member manager _____ Date _____

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

| | | | | |
|---------------------------------|---|-------------------|---|-------------------|
| Paid Preparer's Use Only | Preparer's signature | Date | Check if self-employed <input type="checkbox"/> | PTIN P00000006 |
| | Firm's name (or yours if self-employed), address, and ZIP code Electronic Tax Filers INC 1065 e-File Dr., Anytown, TX 79001 | EIN 69-0000098 | Phone no. (555) 631-5555 | |

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 26265H

Form **1065-B** (2010)

Part II Taxable Income or Loss From Other Activities

| | | | | |
|------------|---|------------|------------|-----|
| 1 | Interest | | 1 | 550 |
| 2a | Total ordinary dividends | 2a | | |
| b | Qualified dividends | 2b | | |
| c | Nonqualified dividends (subtract line 2b from 2a) | | 2c | |
| 3 | Gross royalties | | 3 | |
| 4 | Excess of net short-term capital gain over net long-term capital loss (Schedule D, line 19) | | 4 | |
| 5 | Other income (loss) (see instructions) (attach schedule) | | 5 | |
| 6 | Total income (loss). Add lines 1, 2c, 3, 4, and 5 | | 6 | 550 |
| 7 | Interest expense on investment debts (attach Form 4952) | | 7 | |
| 8 | State and local income taxes (see instructions) | | 8 | |
| 9 | Charitable contributions (see instructions for limitations and required attachment) | | 9 | |
| 10a | Total miscellaneous itemized deductions | 10a | | |
| b | Deductible amount. Multiply line 10a by 30% | | 10b | |
| 11 | Other deductions (attach schedule) | | 11 | |
| 12 | Total deductions. Add lines 7, 8, 9, 10b, and 11 | | 12 | |
| 13 | Taxable income (loss) from other activities. Subtract line 12 from line 6 | | 13 | 550 |

Schedule A Cost of Goods Sold (see instructions)

| | | | |
|----------|--|----------|---------|
| 1 | Inventory at beginning of year | 1 | |
| 2 | Purchases less cost of items withdrawn for personal use | 2 | |
| 3 | Cost of labor | 3 | |
| 4 | Additional section 263A costs (attach schedule) | 4 | |
| 5 | Other costs (attach schedule) | 5 | 576,000 |
| 6 | Total. Add lines 1 through 5 | 6 | 576,000 |
| 7 | Inventory at end of year | 7 | |
| 8 | Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2 | 8 | 576,000 |

- 9a** Check all methods used for valuing closing inventory:
- (i) Cost as described in Regulations section 1.471-3
 - (ii) Lower of cost or market as described in Regulations section 1.471-4
 - (iii) Other (specify method used and attach explanation) ▶
- b** Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) . . . ▶
- c** Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) . . . ▶
- d** Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? . . . Yes No
- e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? Yes No
If "Yes," attach explanation.

Schedule B Other Information (see instructions)

| | Yes | No |
|---|-----|----|
| 1 What type of entity is filing this return? Check the applicable box: | | |
| a <input type="checkbox"/> Domestic general partnership | | |
| b <input checked="" type="checkbox"/> Domestic limited partnership | | |
| c <input type="checkbox"/> Domestic limited liability company | | |
| d <input type="checkbox"/> Domestic limited liability partnership | | |
| e <input type="checkbox"/> Foreign partnership | | |
| f <input type="checkbox"/> Other ▶ | | |
| 2 Are any partners in this partnership also partnerships? | | ✓ |
| 3 During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," see instructions for required attachment | | ✓ |
| 4 Does this partnership have any foreign partners? If "Yes," the partnership may have to file Forms 8804, 8805, and 8813. (See instructions.) | | ✓ |
| 5 Is this partnership a publicly traded partnership as defined in section 469(k)(2)? | | ✓ |
| 6 Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction? | | ✓ |
| 7 At any time during calendar year 2010, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country. ▶ | | ✓ |
| 8 During the tax year, did the partnership receive a distribution from, or was it the grantor to, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520 | | ✓ |
| 9 Enter the number of Forms 8865 , Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ▶ | | 0 |

Schedule D Capital Gains and Losses (Use Schedule D-1 (Form 1065) to list additional transactions for lines 1 and 6)

Part I—Short-Term Capital Gains and Losses—Assets Held 1 Year or Less

| (a) Description of property (e.g., 100 shares of "Z" Co.) | (b) Date acquired (month, day, year) | (c) Date sold (month, day, year) | (d) Sales price (see instructions) | (e) Cost or other basis (see instructions) | (f) Gain or (loss) Subtract (e) from (d) |
|---|---|-------------------------------------|---------------------------------------|---|---|
| 1 | | | | | |
| | | | | | |
| | | | | | |
| 2 | Enter short-term gain or (loss), if any, from Schedule D-1 (Form 1065), line 2 | | | | 2 |
| 3 | Short-term capital gain from installment sales from Form 6252, line 26 or 37 | | | | 3 |
| 4 | Short-term capital gain (loss) from like-kind exchanges from Form 8824 | | | | 4 |
| 5 | Net short-term capital gain or (loss). Combine lines 1 through 4 in column (f) | | | | 5 |

Part II—Long-Term Capital Gains and Losses—Assets Held More Than 1 Year

| (a) Description of property (e.g., 100 shares of "Z" Co.) | (b) Date acquired (month, day, year) | (c) Date sold (month, day, year) | (d) Sales price (see instructions) | (e) Cost or other basis (see instructions) | (f) Gain or (loss) Subtract (e) from (d) |
|---|---|-------------------------------------|---------------------------------------|---|---|
| 6 | | | | | |
| | | | | | |
| | | | | | |
| 7 | Enter long-term gain or (loss), if any, from Schedule D-1 (Form 1065), line 8 | | | | 7 |
| 8 | Enter gain from Form 4797, Part I | | | | 8 2,500 |
| 9 | Long-term capital gain from installment sales from Form 6252, line 26 or 37 | | | | 9 |
| 10 | Long-term capital gain (loss) from like-kind exchanges from Form 8824 | | | | 10 |
| 11 | Net long-term capital gain or (loss). Combine lines 6 through 10 in column (f) | | | | 11 2,500 |

Part III—Summary of Parts I and II

| | | | |
|-----------|--|-----------|-------|
| 12 | Combine lines 5 and 11 and enter the net gain (loss) | 12 | 2,500 |
| 13 | Enter excess of net short-term capital gain (line 5) over net long-term capital loss (line 11) | 13 | |
| 14 | Net capital gain or (loss). Subtract line 13 from line 12 | 14 | 2,500 |

Part IV—Net Capital Gain (Loss) From Passive Loss Limitation Activities

| | | | |
|-----------|--|-----------|--|
| 15 | Redetermine the amount on line 13 by taking into account only gains and losses from passive loss limitation activities | 15 | |
| 16 | Excess of net short-term capital gain over net long-term capital loss. Enter the smaller of the amount on line 13 or line 15. Enter here and on page 1, Part I, line 8 | 16 | |
| 17 | Redetermine the amount on line 14 by taking into account only gains and losses from passive loss limitation activities | 17 | |
| 18 | Net capital gain or (loss) from passive loss limitation activities. If lines 14 and 17 are both positive or both negative, enter the smaller of line 14 or line 17. Otherwise, enter -0-. Enter here and on Schedule K, line 4a Note. When figuring whether line 14 or line 17 is smaller , treat both numbers as positive. | 18 | |

Part V—Net Capital Gain (Loss) From Other Activities

| | | | |
|-----------|--|-----------|-------|
| 19 | Excess of net short-term capital gain over net long-term capital loss. Subtract line 16 from line 13. Enter here and on page 2, Part II, line 4 | 19 | |
| 20 | Net capital gain or (loss) from other activities. Subtract line 18 from line 14. Enter here and on Schedule K, line 4b | 20 | 2,500 |

Schedule K Partners' Shares of Income, Credits, Deductions, etc.

| (a) Distributive share items | | (b) Total amount | |
|------------------------------|---|------------------|-----------|
| 1a | Taxable income (loss) from passive loss limitation activities (Part I, line 25) | 1a | 1,336,915 |
| b | Amount on line 1a allocated to general partners as: | | |
| | (1) Taxable income (loss) from trade or business activities | 1b(1) | 668,458 |
| | (2) Taxable income (loss) from rental real estate activities | 1b(2) | |
| | (3) Taxable income (loss) from other rental activities | 1b(3) | |
| c | Total amount on line 1a allocated to general partners. Combine lines 1b(1) through 1b(3) | 1c | |
| d | Taxable income (loss) from passive loss limitation activities allocated to limited partners. Subtract line 1c from line 1a (report on Schedules K-1, box 1) | 1d | 668,457 |
| 2 | Taxable income (loss) from other activities (Part II, line 13) | 2 | 550 |
| 3 | Qualified dividends from other activities (Part II, line 2b) | 3 | |
| 4a | Net capital gain (loss) from passive loss limitation activities (Schedule D, line 18) | 4a | |
| b | Net capital gain (loss) from other activities (Schedule D, line 20) | 4b | 2,500 |
| 5 | Net passive alternative minimum tax adjustment | 5 | |
| 6 | Net other alternative minimum tax adjustment | 6 | |
| 7 | Guaranteed payments | 7 | |
| 8 | Income from discharge of indebtedness | 8 | |
| 9 | Tax-exempt interest income | 9 | |
| 10 | General credits (see instructions) | 10 | |
| 11 | Low-income housing credit (see instructions) | 11 | |
| 12 | Rehabilitation credit from rental real estate activities (attach Form 3468) | 12 | |
| 13a | Net earnings (loss) from self-employment | 13a | 668,458 |
| b | Gross nonfarm income | 13b | 668,458 |
| 14a | Name of foreign country or U.S. possession ▶ | | |
| b | Gross income from all sources | 14b | |
| c | Gross income sourced at partner level (attach schedule) | 14c | |
| d | Foreign gross income sourced at partnership level: | | |
| | (1) Passive category | 14d(1) | |
| | (2) General category | 14d(2) | |
| | (3) Other (attach schedule) | 14d(3) | |
| e | Deductions allocated and apportioned at partner level: | | |
| | (1) Interest expense | 14e(1) | |
| | (2) Other | 14e(2) | |
| f | Deductions allocated and apportioned at partnership level to foreign source income: | | |
| | (1) Passive category | 14f(1) | |
| | (2) General category | 14f(2) | |
| | (3) Other (attach schedule) | 14f(3) | |
| g | Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/> | 14g | |
| h | Reduction in taxes available for credit (attach schedule) | 14h | |
| 15 | Other items and amounts required to be reported separately to partners (attach schedule) | | |

Analysis of Net Income (Loss)

| | | | |
|----------|---|------------------------------------|----------------------------------|
| 1 | Net income (loss). In column (b), add lines 1c through 4b, 7, and 8. From the result, subtract line 14g | 1 | 1,339,965 |
| 2 | Analysis by partner type: | | |
| a | General partners | (i) Corporate | (ii) Individual (active) 669,982 |
| b | Limited partners | (iii) Individual (passive) 669,983 | (iv) Partnership |
| | | (v) Exempt organization | (vi) Nominee/Other |

Schedule L Balance Sheets per Books

| | Beginning of tax year | | End of tax year | |
|--|-----------------------|-----------|-----------------|-----------|
| | (a) | (b) | (c) | (d) |
| Assets | | | | |
| 1 Cash | | 565,010 | | |
| 2a Trade notes and accounts receivable | | | | |
| b Less allowance for bad debts | | | | |
| 3 Inventories | | | | |
| 4 U.S. government obligations | | | | |
| 5 Tax-exempt securities | | | | |
| 6 Other current assets (attach schedule) | | 1,860,720 | | |
| 7 Mortgage and real estate loans | | | | |
| 8 Other investments (attach schedule) | | | | |
| 9a Buildings and other depreciable assets | | | | |
| b Less accumulated depreciation | | | | |
| 10a Depletable assets | 3,140,260 | | 3,140,260 | |
| b Less accumulated depletion | 375,140 | 2,765,120 | 523,320 | 2,616,940 |
| 11 Land (net of any amortization) | | 10,000 | | |
| 12a Intangible assets (amortizable only) | | | | |
| b Less accumulated amortization | | | | |
| 13 Other assets (attach schedule) | | | | |
| 14 Total assets | | 5,200,850 | | 5,617,088 |
| Liabilities and Capital | | | | |
| 15 Accounts payable | | 470,588 | | 205,366 |
| 16 Mortgages, notes, bonds payable in less than 1 year | | | | |
| 17 Other current liabilities (attach schedule) | | | | |
| 18 All nonrecourse loans | | 2,254,137 | | 1,205,380 |
| 19 Mortgages, notes, bonds payable in 1 year or more | | | | |
| 20 Other liabilities (attach schedule) | | | | |
| 21 Partners' capital accounts | | 2,476,125 | | 4,206,342 |
| 22 Total liabilities and capital | | 5,200,850 | | 5,617,088 |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

| | | | |
|--|-----------|---|-----------|
| 1 Net income (loss) per books | 1,357,037 | 6 Income recorded on books this year not included on Schedule K, lines 1c through 4b, and 8 (itemize): | |
| 2 Income included on Schedule K, lines 1c through 4b, and 8, not recorded on books this year (itemize): | | a Tax-exempt interest \$ | |
| 3 Guaranteed payments | | 7 Deductions included on Schedule K, lines 1c through 4b, and 14g, not charged against book income this year (itemize): | |
| 4 Expenses recorded on books this year not included on Schedule K, lines 1c through 4b, and 14g (itemize): | | a Depreciation \$ | |
| a Depreciation \$ | | Survey cost | |
| b Travel and entertainment \$ | | 8 Add lines 6 and 7 | 74,212 |
| Professional fees | | 9 Income (loss). (Analysis of Net Income (Loss), line 1.) Subtract line 8 from line 5 | 1,339,965 |
| 5 Add lines 1 through 4 | 1,414,177 | | |

Schedule M-2 Analysis of Partners' Capital Accounts

| | | | |
|--|-----------|---|-----------|
| 1 Balance at beginning of year | 2,476,125 | 6 Distributions: | |
| 2 Capital contributed: | | a Cash | |
| a Cash | 373,180 | b Property | |
| b Property | | 7 Other decreases (itemize): | |
| 3 Net income (loss) per books | 1,357,037 | 8 Add lines 6 and 7 | 0 |
| 4 Other increases (itemize): | | 9 Balance at end of year. Subtract line 8 from line 5 | 4,206,342 |
| 5 Add lines 1 through 4 | 4,206,342 | | |

Sales of Business Property
(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

Department of the Treasury
 Internal Revenue Service (99)

▶ **Attach to your tax return.** ▶ **See separate instructions.**

| | |
|--|---|
| Name(s) shown on return ABC OIL AND GAS LP | Identifying number 69-0000006 |
|--|---|

| | |
|--|---|
| 1 Enter the gross proceeds from sales or exchanges reported to you for 2010 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) | 1 |
|--|---|

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)

| 2 | (a) Description of property | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) | (d) Gross sales price | (e) Depreciation allowed or allowable since acquisition | (f) Cost or other basis, plus improvements and expense of sale | (g) Gain or (loss) Subtract (f) from the sum of (d) and (e) |
|---|-----------------------------|-----------------------------------|-------------------------------|-----------------------|---|--|--|
| | LAND | 07/01/2000 | 06/30/2009 | 12,500 | | 10,000 | 2,500 |
| | | | | | | | |
| | | | | | | | |

| | |
|--|---|
| 3 Gain, if any, from Form 4684, line 42 | 3 |
| 4 Section 1231 gain from installment sales from Form 6252, line 26 or 37 | 4 |
| 5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824 | 5 |
| 6 Gain, if any, from line 32, from other than casualty or theft | 6 |
| 7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: | 7 |

Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.

Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.

| | |
|--|---|
| 8 Nonrecaptured net section 1231 losses from prior years (see instructions) | 8 |
| 9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions) | 9 |

Part II Ordinary Gains and Losses (see instructions)

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

| | | | | | | | |
|--|--|--|--|--|--|--|--|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

| | |
|---|--------|
| 11 Loss, if any, from line 7 | 11 () |
| 12 Gain, if any, from line 7 or amount from line 8, if applicable | 12 |
| 13 Gain, if any, from line 31 | 13 |
| 14 Net gain or (loss) from Form 4684, lines 34 and 41a | 14 |
| 15 Ordinary gain from installment sales from Form 6252, line 25 or 36 | 15 |
| 16 Ordinary gain or (loss) from like-kind exchanges from Form 8824 | 16 |
| 17 Combine lines 10 through 16 | 17 |

18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:

a If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions

b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14

| | |
|-----|--|
| 18a | |
| 18b | |

For Paperwork Reduction Act Notice, see separate instructions.

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255
(see instructions)

| 19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property: | | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) | | |
|---|---|--------------------------------------|----------------------------------|------------|------------|
| A | | | | | |
| B | | | | | |
| C | | | | | |
| D | | | | | |
| These columns relate to the properties on lines 19A through 19D. ▶ | | Property A | Property B | Property C | Property D |
| 20 | Gross sales price (Note: See line 1 before completing.) | 20 | | | |
| 21 | Cost or other basis plus expense of sale | 21 | | | |
| 22 | Depreciation (or depletion) allowed or allowable. | 22 | | | |
| 23 | Adjusted basis. Subtract line 22 from line 21. | 23 | | | |
| 24 | Total gain. Subtract line 23 from line 20 | 24 | | | |
| 25 If section 1245 property: | | | | | |
| a | Depreciation allowed or allowable from line 22 | 25a | | | |
| b | Enter the smaller of line 24 or 25a | 25b | | | |
| 26 If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291. | | | | | |
| a | Additional depreciation after 1975 (see instructions) | 26a | | | |
| b | Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions) | 26b | | | |
| c | Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e | 26c | | | |
| d | Additional depreciation after 1969 and before 1976. | 26d | | | |
| e | Enter the smaller of line 26c or 26d | 26e | | | |
| f | Section 291 amount (corporations only) | 26f | | | |
| g | Add lines 26b, 26e, and 26f. | 26g | | | |
| 27 If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership). | | | | | |
| a | Soil, water, and land clearing expenses | 27a | | | |
| b | Line 27a multiplied by applicable percentage (see instructions) | 27b | | | |
| c | Enter the smaller of line 24 or 27b | 27c | | | |
| 28 If section 1254 property: | | | | | |
| a | Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion (see instructions) | 28a | | | |
| b | Enter the smaller of line 24 or 28a | 28b | | | |
| 29 If section 1255 property: | | | | | |
| a | Applicable percentage of payments excluded from income under section 126 (see instructions) | 29a | | | |
| b | Enter the smaller of line 24 or 29a (see instructions) | 29b | | | |

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

| | | | |
|----|---|----|--|
| 30 | Total gains for all properties. Add property columns A through D, line 24 | 30 | |
| 31 | Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13 | 31 | |
| 32 | Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 36. Enter the portion from other than casualty or theft on Form 4797, line 6 | 32 | |

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(see instructions)

| | | (a) Section 179 | (b) Section 280F(b)(2) |
|----|---|-----------------|------------------------|
| 33 | Section 179 expense deduction or depreciation allowable in prior years. | 33 | |
| 34 | Recomputed depreciation (see instructions) | 34 | |
| 35 | Recapture amount. Subtract line 34 from line 33. See the instructions for where to report | 35 | |

CORRECTED

PUBLICLY TRADED PARTNERSHIP

| | | | |
|---|--|---|--|
| PARTNERSHIP'S name, street address, city, state, and ZIP code. ABC OIL AND GAS LP 28 OIL RIG RD ANYTOWN, TX 79001 | | 1 Taxable income (loss) from passive activities 13,370 | OMB No. 1545-1626 2010 Schedule K-1 (Form 1065-B) |
| | | 2 Taxable income (loss) from other activities 6 | |
| PARTNERSHIP'S Employer I.D. number 69-0000006 | PARTNER'S identifying number 000-50-0002 | 3 Qualified dividends | |
| PARTNER'S name JULIUS CAESAR WALKER | | 4a Net capital gain (loss) from passive activities | 4b Net capital gain (loss) from other activities 25 |
| Street address (including apt. no.) 1657 E FORKS RD | | 5 Net passive AMT adjustment | 6 Net other AMT adjustment |
| | | 7 General credits | 8 Low-income housing credit |
| City, state, and ZIP code BAY SHORE, NY 11706 | | 9 Other | |
| Partner's share of liabilities: | | | |
| a Nonrecourse \$ 12,054 | | | |
| b Qualified nonrecourse financing \$ _____ | | | |
| c Other \$ _____ | | | |

Partner's Share of Income (Loss) From an Electing Large Partnership

Copy A

For Internal Revenue Service Center

File with Form 1065-B.

For Paperwork Reduction Act Notice and instructions for completing this form, see the **2010 Instructions for Form 1065-B**, U.S. Return of Income for Electing Large Partnerships.

Schedule K-1 (Form 1065-B)

Cat. No. 25437H

Department of the Treasury - Internal Revenue Service

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CORRECTED

PUBLICLY TRADED PARTNERSHIP

| | | | |
|---|--|---|--|
| PARTNERSHIP'S name, street address, city, state, and ZIP code. ABC OIL AND GAS LP 28 OIL RIG RD ANYTOWN, TX 79001 | | 1 Taxable income (loss) from passive activities 13,370 | OMB No. 1545-1626 2010 Schedule K-1 (Form 1065-B) |
| | | 2 Taxable income (loss) from other activities 6 | |
| PARTNERSHIP'S Employer I.D. number 69-0000006 | PARTNER'S identifying number 000-50-0001 | 3 Qualified dividends | |
| PARTNER'S name JONATHAN WALKER | | 4a Net capital gain (loss) from passive activities | 4b Net capital gain (loss) from other activities 25 |
| Street address (including apt. no.) 1657 E FORKS RD | | 5 Net passive AMT adjustment | 6 Net other AMT adjustment |
| | | 7 General credits | 8 Low-income housing credit |
| City, state, and ZIP code BAY SHORE, NY 11706 | | 9 Other J1 13,370 J2 13,370 | |
| Partner's share of liabilities: | | | |
| a Nonrecourse \$ 12,554 | | | |
| b Qualified nonrecourse financing \$ _____ | | | |
| c Other \$ _____ | | | |

Partner's Share of Income (Loss) From an Electing Large Partnership

Copy A

For Internal Revenue Service Center

File with Form 1065-B.

For Paperwork Reduction Act Notice and instructions for completing this form, see the **2010 Instructions for Form 1065-B**, U.S. Return of Income for Electing Large Partnerships.

Schedule K-1 (Form 1065-B)

Cat. No. 25437H

Department of the Treasury - Internal Revenue Service

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IRS PAYMENT: N/A

Details for attachments to Form

Attachment 1, Form 1065-B, Page 1, Line 23 (Itemized Other Deductions Schedule)

| Type | Amount |
|--------------------------|------------------|
| Professional Fees | \$528,000 |
| Permits | \$125,000 |
| Insurance | \$325,000 |
| Other | \$544,700 |

Attachment 2, Schedule K-1 (Form 1065-B), (Miscellaneous Items Statement)

| Code Number | Code Name | Amount |
|--------------------|-------------------------|--------------------|
| A1 | General Partners | \$3,477,193 |
| B1 | N/A | \$242,500 |

Attachment 3, Schedule K-1 (Form 1065-B) (Qualified Nonrecourse Financing Statement)

| |
|---|
| Explanation of Qualified Nonrecourse Financing |
|---|

ABC Cement Manufacturing

69-0000007

Form **1065-B**

U.S. Return of Income for Electing Large Partnerships

OMB No. 1545-1626

Department of the Treasury
Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010, and ending _____, 20_____

2010

▶ See separate instructions.

| | | | |
|---|---|--|--|
| A Principal business activity | Use the IRS label. Otherwise, print or type. | Name of partnership | D Employer identification number |
| B Principal product or service | | Number, street, and room or suite no. If a P.O. box, see instructions. | E Date business started |
| C Business code no. (see instructions) | | City or town, state, and ZIP code | F Total assets (see instructions) \$ |

- G** Check applicable boxes: (1) Final return (2) Name change (3) Address change (4) Amended return
- H** Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶ _____
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ _____
- J** Check if Schedule M-3 (Form 1065) is attached ▶

Part I Taxable Income or Loss From Passive Loss Limitation Activities

| | | | | | | | | | | | |
|-------------------------|---|--|--|------------|-----------------------------|--|----------|------------|-----------|-----------|------------|
| Income | 1a | Gross receipts or sales | | b | Less returns and allowances | | c | Bal | | 1c | |
| | 2 | Cost of goods sold (Schedule A, line 8) | | | | | | | | 2 | |
| | 3 | Gross profit. Subtract line 2 from line 1c | | | | | | | | 3 | |
| | 4 | Net rental real estate income (loss) (attach Form 8825) | | | | | | | | 4 | |
| | 5 | Net income (loss) from other rental activities (attach schedule) | | | | | | | | 5 | |
| | 6 | Ordinary income (loss) from other partnerships, estates, and trusts (attach schedule) | | | | | | | | 6 | |
| | 7 | Net farm profit (loss) (attach Schedule F (Form 1040)) | | | | | | | | 7 | |
| | 8 | Excess of net short-term capital gain over net long-term capital loss (Schedule D, line 16) | | | | | | | | 8 | |
| | 9 | Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | | | | | | 9 | |
| | 10 | Other income (loss) (see instructions) (attach schedule) | | | | | | | | 10 | |
| | 11 | Total income (loss). Combine lines 3 through 10 | | | | | | | | 11 | |
| Deductions | 12 | Salaries and wages (other than to partners) (less employment credits) | | | | | | | | 12 | |
| | 13 | Guaranteed payments to partners | | | | | | | | 13 | |
| | 14 | Repairs and maintenance | | | | | | | | 14 | |
| | 15 | Bad debts | | | | | | | | 15 | |
| | 16 | Rent | | | | | | | | 16 | |
| | 17 | Taxes and licenses | | | | | | | | 17 | |
| | 18 | Interest | | | | | | | | 18 | |
| | 19a | Depreciation and section 179 expense deduction (see instructions) | | 19a | | | | | | | |
| | b | Less: depreciation reported on Schedule A and elsewhere on return | | 19b | | | | | | | 19c |
| | 20 | Depletion | | | | | | | | 20 | |
| 21 | Retirement plans, etc. | | | | | | | | 21 | | |
| 22 | Employee benefit programs | | | | | | | | 22 | | |
| 23 | Other deductions (attach schedule) | | | | | | | | 23 | | |
| 24 | Total deductions. Add the amounts shown in the far right column for lines 12 through 23 | | | | | | | | 24 | | |
| 25 | Taxable income (loss) from passive loss limitation activities. Subtract line 24 from line 11 | | | | | | | | 25 | | |
| Tax and Payments | 26 | Tax (see instructions). Check if from: a <input type="checkbox"/> Form 4255 b <input type="checkbox"/> Form 8611 | | | | | | | | 26 | |
| | 27 | Other payments. Check if from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 | | | | | | | | 27 | |
| | 28 | Amount owed. Enter the excess of line 26 over line 27 | | | | | | | | 28 | |
| | 29 | Overpayment. Enter the excess of line 27 over line 26 | | | | | | | | 29 | |

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

▶ _____ Signature of general partner or limited liability company member manager ▶ _____ Date

| |
|--|
| May the IRS discuss this return with the preparer shown below (see instructions)? <input type="checkbox"/> Yes <input type="checkbox"/> No |
|--|

| | | | | |
|---------------------------------|--|------|---|------|
| Paid Preparer's Use Only | Preparer's signature | Date | Check if self-employed <input type="checkbox"/> | PTIN |
| | Firm's name (or yours if self-employed), address, and ZIP code | EIN | Phone no. | |

Part II Taxable Income or Loss From Other Activities

Table with 13 rows for Part II. Rows include Interest, Total ordinary dividends, Qualified dividends, Nonqualified dividends, Gross royalties, Excess of net short-term capital gain, Other income, Total income (loss), Interest expense, State and local income taxes, Charitable contributions, Total miscellaneous itemized deductions, Other deductions, and Total deductions. Each row has a corresponding column for the amount.

Schedule A Cost of Goods Sold (see instructions)

Table for Schedule A with 8 rows. Rows include Inventory at beginning of year, Purchases less cost of items withdrawn, Cost of labor, Additional section 263A costs, Other costs, Total, Inventory at end of year, and Cost of goods sold. Includes checkboxes for valuation methods and inventory changes.

Schedule B Other Information (see instructions)

Table for Schedule B with 9 rows. Questions include: What type of entity is filing this return? Are any partners in this partnership also partnerships? During the partnership's tax year, did the partnership own any interest in another partnership? Does this partnership have any foreign partners? Is this partnership a publicly traded partnership? Has this partnership filed, or is it required to file, Form 8918? At any time during calendar year 2010, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country? During the tax year, did the partnership receive a distribution from, or was it the grantor to, or transferor to, a foreign trust? Enter the number of Forms 8865 attached to this return.

Schedule D Capital Gains and Losses (Use Schedule D-1 (Form 1065) to list additional transactions for lines 1 and 6)

Part I—Short-Term Capital Gains and Losses—Assets Held 1 Year or Less

| (a) Description of property (e.g., 100 shares of "Z" Co.) | (b) Date acquired (month, day, year) | (c) Date sold (month, day, year) | (d) Sales price (see instructions) | (e) Cost or other basis (see instructions) | (f) Gain or (loss) Subtract (e) from (d) |
|---|---|-------------------------------------|---------------------------------------|---|---|
| 1 | | | | | |
| | | | | | |
| | | | | | |
| 2 | Enter short-term gain or (loss), if any, from Schedule D-1 (Form 1065), line 2 | | | | 2 |
| 3 | Short-term capital gain from installment sales from Form 6252, line 26 or 37 | | | | 3 |
| 4 | Short-term capital gain (loss) from like-kind exchanges from Form 8824 | | | | 4 |
| 5 | Net short-term capital gain or (loss). Combine lines 1 through 4 in column (f) | | | | 5 |

Part II—Long-Term Capital Gains and Losses—Assets Held More Than 1 Year

| (a) Description of property (e.g., 100 shares of "Z" Co.) | (b) Date acquired (month, day, year) | (c) Date sold (month, day, year) | (d) Sales price (see instructions) | (e) Cost or other basis (see instructions) | (f) Gain or (loss) Subtract (e) from (d) |
|---|---|-------------------------------------|---------------------------------------|---|---|
| 6 | | | | | |
| | | | | | |
| | | | | | |
| 7 | Enter long-term gain or (loss), if any, from Schedule D-1 (Form 1065), line 8 | | | | 7 |
| 8 | Enter gain from Form 4797, Part I | | | | 8 |
| 9 | Long-term capital gain from installment sales from Form 6252, line 26 or 37 | | | | 9 |
| 10 | Long-term capital gain (loss) from like-kind exchanges from Form 8824 | | | | 10 |
| 11 | Net long-term capital gain or (loss). Combine lines 6 through 10 in column (f) | | | | 11 |

Part III—Summary of Parts I and II

| | | | | |
|-----------|--|-----------|--|--|
| 12 | Combine lines 5 and 11 and enter the net gain (loss) | 12 | | |
| 13 | Enter excess of net short-term capital gain (line 5) over net long-term capital loss (line 11) | 13 | | |
| 14 | Net capital gain or (loss). Subtract line 13 from line 12 | 14 | | |

Part IV—Net Capital Gain (Loss) From Passive Loss Limitation Activities

| | | | | |
|-----------|--|-----------|--|--|
| 15 | Redetermine the amount on line 13 by taking into account only gains and losses from passive loss limitation activities | 15 | | |
| 16 | Excess of net short-term capital gain over net long-term capital loss. Enter the smaller of the amount on line 13 or line 15. Enter here and on page 1, Part I, line 8 | 16 | | |
| 17 | Redetermine the amount on line 14 by taking into account only gains and losses from passive loss limitation activities | 17 | | |
| 18 | Net capital gain or (loss) from passive loss limitation activities. If lines 14 and 17 are both positive or both negative, enter the smaller of line 14 or line 17. Otherwise, enter -0-. Enter here and on Schedule K, line 4a Note. When figuring whether line 14 or line 17 is smaller , treat both numbers as positive. | 18 | | |

Part V—Net Capital Gain (Loss) From Other Activities

| | | | | |
|-----------|--|-----------|--|--|
| 19 | Excess of net short-term capital gain over net long-term capital loss. Subtract line 16 from line 13. Enter here and on page 2, Part II, line 4 | 19 | | |
| 20 | Net capital gain or (loss) from other activities. Subtract line 18 from line 14. Enter here and on Schedule K, line 4b | 20 | | |

Schedule K Partners' Shares of Income, Credits, Deductions, etc.

| (a) Distributive share items | | (b) Total amount | |
|------------------------------|---|------------------|--|
| 1a | Taxable income (loss) from passive loss limitation activities (Part I, line 25) | 1a | |
| b | Amount on line 1a allocated to general partners as: | | |
| | (1) Taxable income (loss) from trade or business activities | 1b(1) | |
| | (2) Taxable income (loss) from rental real estate activities | 1b(2) | |
| | (3) Taxable income (loss) from other rental activities | 1b(3) | |
| c | Total amount on line 1a allocated to general partners. Combine lines 1b(1) through 1b(3) | 1c | |
| d | Taxable income (loss) from passive loss limitation activities allocated to limited partners. Subtract line 1c from line 1a (report on Schedules K-1, box 1) | 1d | |
| 2 | Taxable income (loss) from other activities (Part II, line 13) | 2 | |
| 3 | Qualified dividends from other activities (Part II, line 2b) | 3 | |
| 4a | Net capital gain (loss) from passive loss limitation activities (Schedule D, line 18) | 4a | |
| b | Net capital gain (loss) from other activities (Schedule D, line 20) | 4b | |
| 5 | Net passive alternative minimum tax adjustment | 5 | |
| 6 | Net other alternative minimum tax adjustment | 6 | |
| 7 | Guaranteed payments | 7 | |
| 8 | Income from discharge of indebtedness | 8 | |
| 9 | Tax-exempt interest income | 9 | |
| 10 | General credits (see instructions) | 10 | |
| 11 | Low-income housing credit (see instructions) | 11 | |
| 12 | Rehabilitation credit from rental real estate activities (attach Form 3468) | 12 | |
| 13a | Net earnings (loss) from self-employment | 13a | |
| b | Gross nonfarm income | 13b | |
| 14a | Name of foreign country or U.S. possession ▶ | | |
| b | Gross income from all sources | 14b | |
| c | Gross income sourced at partner level (attach schedule) | 14c | |
| d | Foreign gross income sourced at partnership level: | | |
| | (1) Passive category | 14d(1) | |
| | (2) General category | 14d(2) | |
| | (3) Other (attach schedule) | 14d(3) | |
| e | Deductions allocated and apportioned at partner level: | | |
| | (1) Interest expense | 14e(1) | |
| | (2) Other | 14e(2) | |
| f | Deductions allocated and apportioned at partnership level to foreign source income: | | |
| | (1) Passive category | 14f(1) | |
| | (2) General category | 14f(2) | |
| | (3) Other (attach schedule) | 14f(3) | |
| g | Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/> | 14g | |
| h | Reduction in taxes available for credit (attach schedule) | 14h | |
| 15 | Other items and amounts required to be reported separately to partners (attach schedule) | | |

Analysis of Net Income (Loss)

| 1 Net income (loss). In column (b), add lines 1c through 4b, 7, and 8. From the result, subtract line 14g | | 1 | | | | | |
|--|---------------|--------------------------|----------------------------|------------------|-------------------------|--------------------|--|
| 2 Analysis by partner type: | (i) Corporate | (ii) Individual (active) | (iii) Individual (passive) | (iv) Partnership | (v) Exempt organization | (vi) Nominee/Other | |
| a General partners | | | | | | | |
| b Limited partners | | | | | | | |

Schedule L Balance Sheets per Books

| | Beginning of tax year | | End of tax year | |
|--|-----------------------|-----|-----------------|-----|
| | (a) | (b) | (c) | (d) |
| Assets | | | | |
| 1 Cash | | | | |
| 2a Trade notes and accounts receivable | | | | |
| b Less allowance for bad debts | | | | |
| 3 Inventories | | | | |
| 4 U.S. government obligations | | | | |
| 5 Tax-exempt securities | | | | |
| 6 Other current assets (attach schedule) | | | | |
| 7 Mortgage and real estate loans | | | | |
| 8 Other investments (attach schedule) | | | | |
| 9a Buildings and other depreciable assets | | | | |
| b Less accumulated depreciation | | | | |
| 10a Depletable assets | | | | |
| b Less accumulated depletion | | | | |
| 11 Land (net of any amortization) | | | | |
| 12a Intangible assets (amortizable only) | | | | |
| b Less accumulated amortization | | | | |
| 13 Other assets (attach schedule) | | | | |
| 14 Total assets | | | | |
| Liabilities and Capital | | | | |
| 15 Accounts payable | | | | |
| 16 Mortgages, notes, bonds payable in less than 1 year | | | | |
| 17 Other current liabilities (attach schedule) | | | | |
| 18 All nonrecourse loans | | | | |
| 19 Mortgages, notes, bonds payable in 1 year or more | | | | |
| 20 Other liabilities (attach schedule) | | | | |
| 21 Partners' capital accounts | | | | |
| 22 Total liabilities and capital | | | | |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

| | | | |
|--|--|---|--|
| 1 Net income (loss) per books | | 6 Income recorded on books this year not included on Schedule K, lines 1c through 4b, and 8 (itemize): | |
| 2 Income included on Schedule K, lines 1c through 4b, and 8, not recorded on books this year (itemize): | | a Tax-exempt interest \$ | |
| 3 Guaranteed payments | | | |
| 4 Expenses recorded on books this year not included on Schedule K, lines 1c through 4b, and 14g (itemize): | | 7 Deductions included on Schedule K, lines 1c through 4b, and 14g, not charged against book income this year (itemize): | |
| a Depreciation \$ | | a Depreciation \$ | |
| b Travel and entertainment \$ | | | |
| | | | |
| | | 8 Add lines 6 and 7 | |
| 5 Add lines 1 through 4 | | 9 Income (loss). (Analysis of Net Income (Loss), line 1.) Subtract line 8 from line 5 | |

Schedule M-2 Analysis of Partners' Capital Accounts

| | | | |
|--------------------------------|--|---|--|
| 1 Balance at beginning of year | | 6 Distributions: | |
| 2 Capital contributed: | | a Cash | |
| a Cash | | b Property | |
| b Property | | | |
| 3 Net income (loss) per books | | 7 Other decreases (itemize): | |
| 4 Other increases (itemize): | | | |
| | | 8 Add lines 6 and 7 | |
| | | 9 Balance at end of year. Subtract line 8 from line 5 | |
| 5 Add lines 1 through 4 | | | |

ABC Cement Manufacturing

69-0000007

Form **4562**

**Depreciation and Amortization
(Including Information on Listed Property)**

OMB No. 1545-0172

2010
Attachment
Sequence No. **67**

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

Name(s) shown on return

ABC CEMENT MANUFACTURING

Business or activity to which this form relates

CEMENT MANUFACTURING

Identifying number

69-0000007

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

| | | | |
|----|---|------------------------------|------------------|
| 1 | Maximum amount. See the instructions for a higher limit for certain businesses | 1 | \$250,000 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 | |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 | \$800,000 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 | |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 | |
| 6 | (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
| 7 | Listed property. Enter the amount from line 29 | 7 | |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 | |
| 9 | Tentative deduction. Enter the smaller of line 5 or line 8 | 9 | |
| 10 | Carryover of disallowed deduction from line 13 of your 2009 Form 4562 | 10 | |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions) | 11 | |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 | 12 | |
| 13 | Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12 ▶ | 13 | |

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

| | | | |
|----|---|----|--|
| 14 | Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) | 14 | |
| 15 | Property subject to section 168(f)(1) election | 15 | |
| 16 | Other depreciation (including ACRS) | 16 | |

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

| | | | |
|----|--|----|--------|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2010 | 17 | 26,438 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ <input type="checkbox"/> | | |

Section B – Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

| (a) Classification of property | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only—see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|--------------------------------|--------------------------------------|--|---------------------|----------------|------------|----------------------------|
| 19a 3-year property | | | | | | |
| b 5-year property | | | | | | |
| c 7-year property | | | | | | |
| d 10-year property | | | | | | |
| e 15-year property | | | | | | |
| f 20-year property | | | | | | |
| g 25-year property | | | 25 yrs. | | S/L | |
| h Residential rental property | | | 27.5 yrs. | MM | S/L | |
| | | | 27.5 yrs. | MM | S/L | |
| i Nonresidential real property | | | 39 yrs. | MM | S/L | |
| | | | | MM | S/L | |

Section C – Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

| | | | | | | |
|----------------|--|--|---------|----|-----|--|
| 20a Class life | | | | | S/L | |
| b 12-year | | | 12 yrs. | | S/L | |
| c 40-year | | | 40 yrs. | MM | S/L | |

Part IV Summary (See instructions.)

| | | | |
|----|---|----|--------|
| 21 | Listed property. Enter amount from line 28 | 21 | |
| 22 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions | 22 | 26,438 |
| 23 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs | 23 | |

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

| 24a Do you have evidence to support the business/investment use claimed? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | 24b If "Yes," is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | | |
|--|-------------------------------|---|----------------------------|--|------------------------|--------------------------|-------------------------------|---------------------------------|--|
| (a) Type of property (list vehicles first) | (b) Date placed in service | (c) Business/investment use percentage | (d) Cost or other basis | (e) Basis for depreciation (business/investment use only) | (f) Recovery period | (g) Method/Convention | (h) Depreciation deduction | (i) Elected section 179 cost | |
| 25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) . | | | | | | | 25 | | |
| 26 Property used more than 50% in a qualified business use: | | | | | | | | | |
| | | % | | | | | | | |
| | | % | | | | | | | |
| | | % | | | | | | | |
| 27 Property used 50% or less in a qualified business use: | | | | | | | | | |
| | | % | | | | S/L - | | | |
| | | % | | | | S/L - | | | |
| | | % | | | | S/L - | | | |
| 28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 . | | | | | | | 28 | | |
| 29 Add amounts in column (i), line 26. Enter here and on line 7, page 1 | | | | | | | | 29 | |

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

| 30 Total business/investment miles driven during the year (do not include commuting miles) . | (a) Vehicle 1 | | (b) Vehicle 2 | | (c) Vehicle 3 | | (d) Vehicle 4 | | (e) Vehicle 5 | | (f) Vehicle 6 | |
|--|------------------|----|------------------|----|------------------|----|------------------|----|------------------|----|------------------|----|
| | | | | | | | | | | | | |
| 31 Total commuting miles driven during the year | | | | | | | | | | | | |
| 32 Total other personal (noncommuting) miles driven | | | | | | | | | | | | |
| 33 Total miles driven during the year. Add lines 30 through 32 | | | | | | | | | | | | |
| 34 Was the vehicle available for personal use during off-duty hours? | Yes | No |
| | | | | | | | | | | | | |
| 35 Was the vehicle used primarily by a more than 5% owner or related person? | Yes | No |
| | | | | | | | | | | | | |
| 36 Is another vehicle available for personal use? | Yes | No |
| | | | | | | | | | | | | |

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

| | | |
|--|------------|-----------|
| 37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? | Yes | No |
| 38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners | | |
| 39 Do you treat all use of vehicles by employees as personal use? | | |
| 40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received? | | |
| 41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.) | | |
| Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles. | | |

Part VI Amortization

| (a) Description of costs | (b) Date amortization begins | (c) Amortizable amount | (d) Code section | (e) Amortization period or percentage | (f) Amortization for this year |
|--|---------------------------------|---------------------------|---------------------|--|-----------------------------------|
| 42 Amortization of costs that begins during your 2010 tax year (see instructions): | | | | | |
| | | | | | |
| 43 Amortization of costs that began before your 2010 tax year | | | | | 43 |
| 44 Total. Add amounts in column (f). See the instructions for where to report | | | | | 44 |

ABC Cement Manufacturing

69-0000007

Form **4562**

**Depreciation and Amortization
(Including Information on Listed Property)**

OMB No. 1545-0172

2010
Attachment
Sequence No. **67**

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

Name(s) shown on return

ABC CEMENT MANUFACTURING

Business or activity to which this form relates

CEMENT MANUFACTURING

Identifying number

69-0000007

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

| | | | |
|----|---|------------------------------|------------------|
| 1 | Maximum amount. See the instructions for a higher limit for certain businesses | 1 | \$250,000 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 | 80,500 |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 | \$800,000 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 | |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 | 125,000 |
| 6 | (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
| | DUMP TRUCK | 80,500 | 80,500 |
| 7 | Listed property. Enter the amount from line 29 | 7 | |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 | 80,500 |
| 9 | Tentative deduction. Enter the smaller of line 5 or line 8 | 9 | 80,500 |
| 10 | Carryover of disallowed deduction from line 13 of your 2009 Form 4562 | 10 | |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions) | 11 | 125,000 |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 | 12 | 80,500 |
| 13 | Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12 ▶ | 13 | |

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

| | | | |
|----|---|----|--|
| 14 | Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) | 14 | |
| 15 | Property subject to section 168(f)(1) election | 15 | |
| 16 | Other depreciation (including ACRS) | 16 | |

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

| | | | |
|----|--|----|---------|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2010 | 17 | 280,063 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ <input type="checkbox"/> | | |

Section B – Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

| (a) Classification of property | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only—see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|--------------------------------|--------------------------------------|--|---------------------|----------------|------------|----------------------------|
| 19a | 3-year property | | | | | |
| b | 5-year property | 120,000 | 5 | HY | 200 DB | 24,000 |
| c | 7-year property | 256,500 | 7 | HY | 200 DB | 36,654 |
| d | 10-year property | | | | | |
| e | 15-year property | | | | | |
| f | 20-year property | | | | | |
| g | 25-year property | | 25 yrs. | | S/L | |
| h | Residential rental property | | 27.5 yrs. | MM | S/L | |
| | | | 27.5 yrs. | MM | S/L | |
| i | Nonresidential real property | | 39 yrs. | MM | S/L | |
| | | | | MM | S/L | |

Section C – Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

| | | | | | | |
|-----|------------|--|---------|----|-----|--|
| 20a | Class life | | | | S/L | |
| b | 12-year | | 12 yrs. | | S/L | |
| c | 40-year | | 40 yrs. | MM | S/L | |

Part IV Summary (See instructions.)

| | | | |
|----|---|----|---------|
| 21 | Listed property. Enter amount from line 28 | 21 | |
| 22 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions | 22 | 421,217 |
| 23 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs | 23 | |

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

| 24a Do you have evidence to support the business/investment use claimed? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | 24b If "Yes," is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | | |
|--|-------------------------------|---|----------------------------|--|------------------------|--------------------------|-------------------------------|---------------------------------|--|
| (a) Type of property (list vehicles first) | (b) Date placed in service | (c) Business/investment use percentage | (d) Cost or other basis | (e) Basis for depreciation (business/investment use only) | (f) Recovery period | (g) Method/Convention | (h) Depreciation deduction | (i) Elected section 179 cost | |
| 25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) | | | | | | | 25 | | |
| 26 Property used more than 50% in a qualified business use: | | | | | | | | | |
| | | % | | | | | | | |
| | | % | | | | | | | |
| | | % | | | | | | | |
| 27 Property used 50% or less in a qualified business use: | | | | | | | | | |
| | | % | | | | S/L - | | | |
| | | % | | | | S/L - | | | |
| | | % | | | | S/L - | | | |
| 28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 | | | | | | | 28 | | |
| 29 Add amounts in column (i), line 26. Enter here and on line 7, page 1 | | | | | | | | 29 | |

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

| 30 Total business/investment miles driven during the year (do not include commuting miles) | (a) Vehicle 1 | | (b) Vehicle 2 | | (c) Vehicle 3 | | (d) Vehicle 4 | | (e) Vehicle 5 | | (f) Vehicle 6 | |
|--|------------------|--|------------------|--|------------------|--|------------------|--|------------------|--|------------------|--|
| | | | | | | | | | | | | |
| 31 Total commuting miles driven during the year | | | | | | | | | | | | |
| 32 Total other personal (noncommuting) miles driven | | | | | | | | | | | | |
| 33 Total miles driven during the year. Add lines 30 through 32 | | | | | | | | | | | | |
| 34 Was the vehicle available for personal use during off-duty hours? | Yes No | |
| | | | | | | | | | | | | |
| 35 Was the vehicle used primarily by a more than 5% owner or related person? | | | | | | | | | | | | |
| 36 Is another vehicle available for personal use? | | | | | | | | | | | | |

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

| | | |
|---|-----|----|
| 37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? | Yes | No |
| 38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners | | |
| 39 Do you treat all use of vehicles by employees as personal use? | | |
| 40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received? | | |
| 41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.) | | |
| Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles. | | |

Part VI Amortization

| (a) Description of costs | (b) Date amortization begins | (c) Amortizable amount | (d) Code section | (e) Amortization period or percentage | (f) Amortization for this year |
|--|---------------------------------|---------------------------|---------------------|--|-----------------------------------|
| 42 Amortization of costs that begins during your 2010 tax year (see instructions): | | | | | |
| | | | | | |
| 43 Amortization of costs that began before your 2010 tax year | | | | | 43 |
| 44 Total. Add amounts in column (f). See the instructions for where to report | | | | | 44 |

Rental Real Estate Income and Expenses of a Partnership or an S Corporation

▶ See instructions on back.

▶ Attach to Form 1065, Form 1065-B, or Form 1120S.

Name **ABC CEMENT MANUFACTURING** Employer identification number **69 0000007**

1 Show the kind and location of each property. See page 2 to list additional properties.

- A **WAREHOUSE**
200 METAMORPHIC RD, ANYTOWN, MN 55001
- B
- C
- D

| | | Properties | | | |
|---|----|------------|---|---|---|
| | | A | B | C | D |
| Rental Real Estate Income | | | | | |
| 2 Gross rents | 2 | 615,000 | | | |
| Rental Real Estate Expenses | | | | | |
| 3 Advertising | 3 | 24,000 | | | |
| 4 Auto and travel | 4 | | | | |
| 5 Cleaning and maintenance | 5 | | | | |
| 6 Commissions | 6 | | | | |
| 7 Insurance | 7 | 26,500 | | | |
| 8 Legal and other professional fees | 8 | | | | |
| 9 Interest | 9 | 42,312 | | | |
| 10 Repairs | 10 | | | | |
| 11 Taxes | 11 | 10,750 | | | |
| 12 Utilities | 12 | | | | |
| 13 Wages and salaries | 13 | | | | |
| 14 Depreciation (see instructions) | 14 | 26,438 | | | |
| 15 Other (list) ▶ | 15 | | | | |
| 16 Total expenses for each property. Add lines 3 through 15 | 16 | 130,000 | | | |

| | | | | | |
|--|-----|------------------------------------|--|--|--|
| 17 Total gross rents. Add gross rents from line 2, columns A through H | 17 | 615,000 | | | |
| 18 Total expenses. Add total expenses from line 16, columns A through H | 18 | (130,000) | | | |
| 19 Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities | 19 | | | | |
| 20a Net income (loss) from rental real estate activities from partnerships, estates, and trusts in which this partnership or S corporation is a partner or beneficiary (from Schedule K-1) | 20a | | | | |
| b Identify below the partnerships, estates, or trusts from which net income (loss) is shown on line 20a. Attach a schedule if more space is needed: | | | | | |
| (1) Name | | (2) Employer identification number | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| 21 Net rental real estate income (loss). Combine lines 17 through 20a. Enter the result here and on: | 21 | 485,000 | | | |

1 Show the kind and location of each property.

E -----

F -----

G -----

H -----

| | | Properties | | | | | | | |
|--|----|------------|--|---|--|---|--|---|--|
| | | E | | F | | G | | H | |
| Rental Real Estate Income | | | | | | | | | |
| 2 Gross rents | 2 | | | | | | | | |
| Rental Real Estate Expenses | | | | | | | | | |
| 3 Advertising | 3 | | | | | | | | |
| 4 Auto and travel | 4 | | | | | | | | |
| 5 Cleaning and maintenance | 5 | | | | | | | | |
| 6 Commissions | 6 | | | | | | | | |
| 7 Insurance | 7 | | | | | | | | |
| 8 Legal and other professional fees | 8 | | | | | | | | |
| 9 Interest | 9 | | | | | | | | |
| 10 Repairs | 10 | | | | | | | | |
| 11 Taxes | 11 | | | | | | | | |
| 12 Utilities | 12 | | | | | | | | |
| 13 Wages and salaries | 13 | | | | | | | | |
| 14 Depreciation (see instructions) | 14 | | | | | | | | |
| 15 Other (list) ▶ ----- | 15 | | | | | | | | |
| ----- | | | | | | | | | |
| ----- | | | | | | | | | |
| 16 Total expenses for each property. Add lines 3 through 15 | 16 | | | | | | | | |

Instructions

Section references are to the Internal Revenue Code.

What's New

The IRS will revise this December 2006 version of Form 8825 only when necessary. Continue to use this version of the form for tax years beginning after 2006 until a new revision is issued.

Purpose of form. Partnerships and S corporations use Form 8825 to report income and deductible expenses from rental real estate activities, including net income (loss) from rental real estate activities that flow through from partnerships, estates, or trusts.

Before completing this form, be sure to read:

- Passive Activity Limitations in the instructions for Form 1065 or Form 1120S, or Passive Loss Limitation Activities in the instructions for Form 1065-B, especially for the definition of "rental activity."
- Extraterritorial Income Exclusion in the instructions for Form 1065, 1065-B, or 1120S.

Specific Instructions. Form 8825 provides space for up to eight properties. If there are more than eight properties, attach additional Forms 8825.

The number of columns to be used for reporting income and expenses on this form may differ from the number of rental real estate activities the partnership or S corporation has for purposes of the passive activity limitations. For example, a partnership owns two apartment buildings, each located in a different city. For purposes of the passive activity limitations, the partnership grouped both buildings into a single activity. Although the partnership has only one rental real estate activity for purposes of the

passive activity limitations, it must report the income and deductions for each building in separate columns.

However, if the partnership or S corporation has more than one rental real estate activity for purposes of the passive activity limitations, attach a statement to Schedule K that reports the net income (loss) for each separate activity. Also, attach a statement to each Schedule K-1 that reports each partner's or shareholder's share of the net income (loss) by separate activity (except for limited partners in an electing large partnership). See Passive Activity Reporting Requirements in the instructions for Form 1065, Form 1065-B, or Form 1120S for additional information that must be provided for each activity.

Complete lines 1 through 16 for each property. But complete lines 17 through 21 on only one Form 8825. The figures on lines 17 and 18 should be the combined totals for all forms.

Do not report on Form 8825 any:

- Income or deductions from a trade or business activity or a rental activity other than rental real estate. These items are reported elsewhere.
- Portfolio income or deductions.
- Section 179 expense deduction.
- Other items that must be reported separately to the partners or shareholders.
- Commercial revitalization deductions.

Line 1. Show the kind of property rented out (for example, "apartment building"). Give the street address, city or town, and state.

Line 14. The partnership or S corporation may claim a depreciation deduction each year for

rental property (except for land, which is not depreciable). If the partnership or S corporation placed property in service during the current tax year or claimed depreciation on any vehicle or other listed property, complete and attach Form 4562, Depreciation and Amortization. See Form 4562 and its instructions to figure the depreciation deduction.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: Recordkeeping, 6 hr., 27 min.; Learning about the law or the form, 34 min.; Preparing the form, 1 hr., 37 min.; Copying, assembling, and sending the form to the IRS, 16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

ABC Cement Manufacturing
SCHEDULE C
(Form 1065)

69-0000007
Additional Information for Schedule M-3 Filers

OMB No. 1545-0099

2010

Department of the Treasury
 Internal Revenue Service

▶ **Attach to Form 1065. See separate instructions.**

Name of partnership

ABC CEMENT MANUFACTURING

Employer identification number

69-0000007

| | | Yes | No |
|---|---|--------------------------|-------------------------------------|
| 1 | At any time during the tax year, were there any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2 | Do the amounts reported on Schedule M-3, Part II, lines 7 or 8, column (d), reflect allocations to this partnership from another partnership of income, gain, loss, deduction, or credit that are disproportionate to this partnership's share of capital in such partnership or its ratio for sharing other items of such partnership? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 3 | At any time during the tax year, did the partnership sell, exchange, or transfer any interest in an intangible asset to a related person as defined in sections 267(b) and 707(b)(1)? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 4 | At any time during the tax year, did the partnership acquire any interest in an intangible asset from a related person as defined in sections 267(b) and 707(b)(1)? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5 | At any time during the tax year, did the partnership make any change in accounting principle for financial accounting purposes? See instructions for a definition of change in accounting principle | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 6 | At any time during the tax year, did the partnership make any change in a method of accounting for U.S. income tax purposes? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

For Paperwork Reduction Act Notice, see the Instructions for Form 1065.

Cat. No. 49945S

Schedule C (Form 1065) 2010

Department of the Treasury
 Internal Revenue Service

▶ Attach to Form 1065 or Form 1065-B.
 ▶ See separate instructions.

| | |
|---|--|
| Name of partnership ABC Cement Manufacturing | Employer identification number 69-0000007 |
|---|--|

This Schedule M-3 is being filed because (check all that apply):

- A** The amount of the partnership's total assets at the end of the tax year is equal to \$10 million or more.
- B** The amount of the partnership's adjusted total assets for the year is equal to \$10 million or more. If box B is checked, enter the amount of adjusted total assets for the tax year 17,565,232.
- C** The amount of total receipts for the tax year is equal to \$35 million or more. If box C is checked, enter the total receipts for the tax year 41,827,612.
- D** An entity that is a reportable entity partner with respect to the partnership owns or is deemed to own an interest of 50 percent or more in the partnership's capital, profit, or loss, on any day during the tax year of the partnership.

| Name of Reportable Entity Partner | Identifying Number | Maximum Percentage Owned or Deemed Owned |
|-----------------------------------|--------------------|--|
| | | |
| | | |

E Voluntary Filer

Part I Financial Information and Net Income (Loss) Reconciliation

- 1a** Did the partnership file SEC Form 10-K for its income statement period ending with or within this tax year?
 Yes. Skip lines 1b and 1c and complete lines 2 through 11 with respect to that SEC Form 10-K.
 No. Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.
- b** Did the partnership prepare a certified audited non-tax-basis income statement for that period?
 Yes. Skip line 1c and complete lines 2 through 11 with respect to that income statement.
 No. Go to line 1c.
- c** Did the partnership prepare a non-tax-basis income statement for that period?
 Yes. Complete lines 2 through 11 with respect to that income statement.
 No. Skip lines 2 through 3b and enter the partnership's net income (loss) per its books and records on line 4a.
- 2** Enter the income statement period: Beginning 01 / 01 / 2010 Ending 12 / 31 / 2010
- 3a** Has the partnership's income statement been restated for the income statement period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.
- b** Has the partnership's income statement been restated for any of the five income statement periods preceding the period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.

| | | |
|---|-----------|-----------|
| 4a Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1 | 4a | 7,250,000 |
| b Indicate accounting standard used for line 4a (see instructions): 1 <input checked="" type="checkbox"/> GAAP 2 <input type="checkbox"/> IFRS 3 <input type="checkbox"/> 704(b) 4 <input type="checkbox"/> Tax-basis 5 <input type="checkbox"/> Other: (Specify) ▶ _____ | | |
| 5a Net income from nonincludible foreign entities (attach schedule) | 5a | () |
| b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) | 5b | |
| 6a Net income from nonincludible U.S. entities (attach schedule) | 6a | () |
| b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount) | 6b | |
| 7a Net income (loss) of other foreign disregarded entities (attach schedule) | 7a | |
| b Net income (loss) of other U.S. disregarded entities (attach schedule) | 7b | |
| 8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule) | 8 | |
| 9 Adjustment to reconcile income statement period to tax year (attach schedule) | 9 | |
| 10 Other adjustments to reconcile to amount on line 11 (attach schedule) | 10 | |
| 11 Net income (loss) per income statement of the partnership. Combine lines 4 through 10 | 11 | 7,250,000 |

Note. Part I, line 11, must equal the amount on Part II, line 26, column (a).

12 Enter the total amount (not just the partnership's share) of the assets and liabilities of all entities included or removed on the following lines:

| | Total Assets | Total Liabilities |
|-------------------------------------|--------------|-------------------|
| a Included on Part I, line 4 | 17,565,232 | 6,157,620 |
| b Removed on Part I, line 5 | | |
| c Removed on Part I, line 6 | | |
| d Included on Part I, line 7 | | |

Name of partnership

Employer identification number

Part II Reconciliation of Net Income (Loss) per Income Statement of Partnership with Income (Loss) per Return

| Income (Loss) Items | (a) Income (Loss) per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Income (Loss) per Tax Return |
|--|--|--------------------------------|--------------------------------|--|
| (Attach schedules for lines 1 through 9) | | | | |
| 1 Income (loss) from equity method foreign corporations | | | | |
| 2 Gross foreign dividends not previously taxed | | | | |
| 3 Subpart F, QEF, and similar income inclusions | | | | |
| 4 Gross foreign distributions previously taxed | | | | |
| 5 Income (loss) from equity method U.S. corporations | | | | |
| 6 U.S. dividends | | | | |
| 7 Income (loss) from U.S. partnerships | | | | |
| 8 Income (loss) from foreign partnerships | | | | |
| 9 Income (loss) from other pass-through entities | | | | |
| 10 Items relating to reportable transactions (attach details) | | | | |
| 11 Interest income (attach Form 8916-A) | | | | |
| 12 Total accrual to cash adjustment | | | | |
| 13 Hedging transactions | | | | |
| 14 Mark-to-market income (loss) | | | | |
| 15 Cost of goods sold (attach Form 8916-A) | () | | | () |
| 16 Sale versus lease (for sellers and/or lessors) | | | | |
| 17 Section 481(a) adjustments | | | | |
| 18 Unearned/deferred revenue | | | | |
| 19 Income recognition from long-term contracts | | | | |
| 20 Original issue discount and other imputed interest | | | | |
| 21a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities | | | | |
| b Gross capital gains from Schedule D, excluding amounts from pass-through entities | | | | |
| c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses | | | | |
| d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses | | | | |
| e Abandonment losses | | | | |
| f Worthless stock losses (attach details) | | | | |
| g Other gain/loss on disposition of assets other than inventory | | | | |
| 22 Other income (loss) items with differences (attach schedule) | | | | |
| 23 Total income (loss) items. Combine lines 1 through 22 | | | | |
| 24 Total expense/deduction items. (from Part III, line 31) (see instructions) | (737,801) | 163,450 | 63,348 | (511,003) |
| 25 Other items with no differences | 7,987,801 | | | 7,987,801 |
| 26 Reconciliation totals. Combine lines 23 through 25 | 7,250,000 | 163,450 | 63,348 | 7,476,798 |

Note. Line 26, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1065, page 5, Analysis of Net Income (Loss), line 1.

| | |
|---------------------|--------------------------------|
| Name of partnership | Employer identification number |
|---------------------|--------------------------------|

Part III Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return—Expense/Deduction Items

| | (a) Expense per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Deduction per Tax Return |
|---|--|--------------------------------|--------------------------------|------------------------------------|
| 1 State and local current income tax expense | | | | |
| 2 State and local deferred income tax expense | | | | |
| 3 Foreign current income tax expense (other than foreign withholding taxes) | | | | |
| 4 Foreign deferred income tax expense | | | | |
| 5 Equity-based compensation | | | | |
| 6 Meals and entertainment | 126,696 | | (63,348) | 63,348 |
| 7 Fines and penalties | | | | |
| 8 Judgments, damages, awards, and similar costs | | | | |
| 9 Guaranteed payments | | | | |
| 10 Pension and profit-sharing | | | | |
| 11 Other post-retirement benefits | | | | |
| 12 Deferred compensation | | | | |
| 13 Charitable contribution of cash and tangible property | | | | |
| 14 Charitable contribution of intangible property | | | | |
| 15 Organizational expenses as per Regulations section 1.709-2(a) | | | | |
| 16 Syndication expenses as per Regulations section 1.709-2(b) | | | | |
| 17 Current year acquisition/reorganization investment banking fees | | | | |
| 18 Current year acquisition/reorganization legal and accounting fees | | | | |
| 19 Amortization/impairment of goodwill | | | | |
| 20 Amortization of acquisition, reorganization, and start-up costs | | | | |
| 21 Other amortization or impairment write-offs | | | | |
| 22 Section 198 environmental remediation costs | | | | |
| 23a Depletion—Oil & Gas | | | | |
| b Depletion—Other than Oil & Gas | | | | |
| 24 Intangible drilling & development costs | | | | |
| 25 Depreciation | 611,105 | (163,450) | | 447,655 |
| 26 Bad debt expense | | | | |
| 27 Interest expense (attach Form 8916-A) | | | | |
| 28 Purchase versus lease (for purchasers and/ or lessees) | | | | |
| 29 Research and development costs (attach schedule) | | | | |
| 30 Other expense/deduction items with differences (attach schedule) | | | | |
| 31 Total expense/deduction items. Combine lines 1 through 30. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive | 737,801 | (163,450) | (63,348) | 511,003 |

CORRECTED

PUBLICLY TRADED PARTNERSHIP

| | | | |
|---|--|---|--|
| PARTNERSHIP'S name, street address, city, state, and ZIP code. ABC CEMENT MANUFACTURING 100 CONCRETE LN ANYTOWN, MN 55001 | | 1 Taxable income (loss) from passive activities 74,394 | OMB No. 1545-1626 2010 Schedule K-1 (Form 1065-B) |
| | | 2 Taxable income (loss) from other activities 374 | |
| PARTNERSHIP'S Employer I.D. number 69-0000007 | PARTNER'S identifying number 000-60-0001 | 3 Qualified dividends | |
| PARTNER'S name JOHN MACBETH | | 4a Net capital gain (loss) from passive activities | 4b Net capital gain (loss) from other activities |
| Street address (including apt. no.) 1168 BEECH ST | | 5 Net passive AMT adjustment | 6 Net other AMT adjustment |
| | | 7 General credits | 8 Low-income housing credit |
| City, state, and ZIP code CENTRAL ISLIP, NY 11722 | | 9 Other A1 74,394 B2 74,394 | |
| Partner's share of liabilities: | | | |
| a Nonrecourse \$ ----- | | | |
| b Qualified nonrecourse financing \$ <u>60,000</u> | | | |
| c Other \$ ----- | | | |

Partner's Share of Income (Loss) From an Electing Large Partnership

Copy A

For Internal Revenue Service Center

File with Form 1065-B.

For Paperwork Reduction Act Notice and instructions for completing this form, see the **2010 Instructions for Form 1065-B**, U.S. Return of Income for Electing Large Partnerships.

Schedule K-1 (Form 1065-B)

Cat. No. 25437H

Department of the Treasury - Internal Revenue Service

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CORRECTED

PUBLICLY TRADED PARTNERSHIP

| | | | |
|---|--|---|--|
| PARTNERSHIP'S name, street address, city, state, and ZIP code. ABC CEMENT MANUFACTURING 100 CONCRETE LN ANYTOWN, MN 55001 | | 1 Taxable income (loss) from passive activities 74,394 | OMB No. 1545-1626 2010 Schedule K-1 (Form 1065-B) |
| | | 2 Taxable income (loss) from other activities 374 | |
| PARTNERSHIP'S Employer I.D. number 69-0000007 | PARTNER'S identifying number 000-60-0002 | 3 Qualified dividends | |
| PARTNER'S name JOHN CAPULET | | 4a Net capital gain (loss) from passive activities | 4b Net capital gain (loss) from other activities |
| Street address (including apt. no.) 1175 BEECH ST | | 5 Net passive AMT adjustment | 6 Net other AMT adjustment |
| | | 7 General credits | 8 Low-income housing credit |
| City, state, and ZIP code CENTRAL ISLIP, NY 11722 | | 9 Other | |
| Partner's share of liabilities: | | | |
| a Nonrecourse \$ ----- | | | |
| b Qualified nonrecourse financing \$ 60,000 | | | |
| c Other \$ ----- | | | |

Partner's Share of Income (Loss) From an Electing Large Partnership

Copy A

For Internal Revenue Service Center

File with Form 1065-B.

For Paperwork Reduction Act Notice and instructions for completing this form, see the **2010 Instructions for Form 1065-B**, U.S. Return of Income for Electing Large Partnerships.

Schedule K-1 (Form 1065-B)

Cat. No. 25437H

Department of the Treasury - Internal Revenue Service

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TEST SCENARIO 8**FORMS REQUIRED:** 1065-B, 8308, Schedule K-1(F1065-B) (100), Schedule M-3, Schedule C**ATTACHMENTS:**

Itemized Other Deductions Schedule

BINARY ATTACHMENTS: None**HEADER INFO:****Tax Period:** Calendar Year 2010**Preparer Firm:** Electronic Tax Filers, Inc **69-0000098**
1065 Efile Drive
Anytown, WV 25001**IP Address:** 880.880.880**Multiple Software Packages Used:** Yes or No**Originator:** **EFIN: Self-select**
Type: ERO
Practitioner PIN:
EFIN: Self-select
PIN: Self-select
PIN Entered by – ERO**Signature Option:** PIN Number**Return Type:** 1065-B**Filer:** **EIN: 69-0000008**
Name: Black Coal Industries LLC
Name Control: BLAC
Address: 100 Main St
Anytown, WV 55001**Partner:** **Name: Bubba Christmas**
Title: Chief Executive Officer
Taxpayer PIN: 0200-
Phone: 555-555-5555
Email Address: Anymail@email.com
Date Signed: 03/15/2011**Preparer:** **Name: John Dark**
PTIN: P00000008
Phone: 555-631-1212
Email Address: Anymail@email.com
Date Prepared: 04/01/2011
Self Employed: No**IRS PAYMENT:** N/A

Details for attachments to Form**Attachment 1, Form 1065-B, Page 1, Line 23 (Itemized Other Deductions Schedule)**

| Type | Amount |
|-----------------------------|--------------------|
| Engineering | \$2,168,140 |
| Permits | \$1,400,000 |
| Legal and Accounting | \$1,600,320 |
| Consulting | \$385,914 |

Black Coal Industries, LLC

69-0000008

Form **1065-B**

U.S. Return of Income for Electing Large Partnerships

OMB No. 1545-1626

Department of the Treasury
Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010, and ending _____, 20____.

2010

▶ See separate instructions.

| | | | |
|---|---|---|---|
| A Principal business activity Mining | Use the IRS label. Otherwise, print or type. | Name of partnership Black Coal Industries LLC | D Employer identification number 69-0000008 |
| B Principal product or service Coal | | Number, street, and room or suite no. If a P.O. box, see instructions. 100 Main St | E Date business started 08/03/1998 |
| C Business code no. (see instructions) 212110 | | City or town, state, and ZIP code Anytown, TX 25001 | F Total assets (see instructions) \$ 20,440,320 |

- G** Check applicable boxes: (1) Final return (2) Name change (3) Address change (4) Amended return
- H** Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶ _____
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ 100
- J** Check if Schedule M-3 (Form 1065) is attached ▶

Part I Taxable Income or Loss From Passive Loss Limitation Activities

| | | | | | | | |
|--|--|-------------|--------------------------------------|--|----------------|------------|-------------|
| Income | 1a Gross receipts or sales | 101,256,342 | b Less returns and allowances | | c Bal ▶ | 1c | 101,256,342 |
| | 2 Cost of goods sold (Schedule A, line 8) | | | | | 2 | 58,332,511 |
| | 3 Gross profit. Subtract line 2 from line 1c | | | | | 3 | 42,923,831 |
| | 4 Net rental real estate income (loss) (attach Form 8825) | | | | | 4 | 485,000 |
| | 5 Net income (loss) from other rental activities (attach schedule) | | | | | 5 | |
| | 6 Ordinary income (loss) from other partnerships, estates, and trusts (attach schedule) | | | | | 6 | |
| | 7 Net farm profit (loss) (attach Schedule F (Form 1040)) | | | | | 7 | |
| | 8 Excess of net short-term capital gain over net long-term capital loss (Schedule D, line 16) | | | | | 8 | |
| | 9 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | | | 9 | |
| | 10 Other income (loss) (see instructions) (attach schedule) | | | | | 10 | |
| | 11 Total income (loss). Combine lines 3 through 10 | | | | | 11 | 42,923,831 |
| Deductions | 12 Salaries and wages (other than to partners) (less employment credits) | | | | | 12 | 12,487,136 |
| | 13 Guaranteed payments to partners | | | | | 13 | |
| | 14 Repairs and maintenance | | | | | 14 | 4,842,657 |
| | 15 Bad debts | | | | | 15 | |
| | 16 Rent | | | | | 16 | 1,720,000 |
| | 17 Taxes and licenses | | | | | 17 | 4,106,315 |
| | 18 Interest | | | | | 18 | |
| | 19a Depreciation and section 179 expense deduction (see instructions) | 19a | | | | 19c | |
| | b Less: depreciation reported on Schedule A and elsewhere on return | 19b | | | | 19c | |
| | 20 Depletion | | | | | 20 | 1,520,108 |
| | 21 Retirement plans, etc. | | | | | 21 | |
| | 22 Employee benefit programs | | | | | 22 | 1,218,412 |
| | 23 Other deductions (attach schedule) | | | | | 23 | 5,554,374 |
| | 24 Total deductions. Add the amounts shown in the far right column for lines 12 through 23 | | | | | 24 | 31,449,002 |
| 25 Taxable income (loss) from passive loss limitation activities. Subtract line 24 from line 11 | | | | | 25 | 11,474,829 | |
| Tax and Payments | 26 Tax (see instructions). Check if from: a <input type="checkbox"/> Form 4255 b <input type="checkbox"/> Form 8611 | | | | | 26 | |
| | 27 Other payments. Check if from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 | | | | | 27 | |
| | 28 Amount owed. Enter the excess of line 26 over line 27 | | | | | 28 | |
| | 29 Overpayment. Enter the excess of line 27 over line 26 | | | | | 29 | |

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member manager

Date

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

| | | | | |
|---------------------------------|---|-------------------|---|-------------------|
| Paid Preparer's Use Only | Preparer's signature | Date | Check if self-employed <input type="checkbox"/> | PTIN P00000008 |
| | Firm's name (or yours if self-employed), address, and ZIP code Electronic Tax Filers INC 1065 e-File Dr., Anytown, WV 25001 | EIN 69-0000098 | Phone no. (555) 631-1212 | |

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 26265H

Form **1065-B** (2010)

Part II Taxable Income or Loss From Other Activities

| | | | | |
|------------|---|------------|------------|-----------|
| 1 | Interest | | 1 | 357,610 |
| 2a | Total ordinary dividends | 2a | | |
| b | Qualified dividends | 2b | | |
| c | Nonqualified dividends (subtract line 2b from 2a) | | 2c | |
| 3 | Gross royalties | | 3 | 1,569,721 |
| 4 | Excess of net short-term capital gain over net long-term capital loss (Schedule D, line 19) | | 4 | |
| 5 | Other income (loss) (see instructions) (<i>attach schedule</i>) | | 5 | |
| 6 | Total income (loss). Add lines 1, 2c, 3, 4, and 5 | | 6 | 1,927,331 |
| 7 | Interest expense on investment debts (<i>attach Form 4952</i>) | | 7 | |
| 8 | State and local income taxes (see instructions) | | 8 | |
| 9 | Charitable contributions (see instructions for limitations and required attachment) | | 9 | |
| 10a | Total miscellaneous itemized deductions | 10a | | |
| b | Deductible amount. Multiply line 10a by 30% | | 10b | |
| 11 | Other deductions (<i>attach schedule</i>) | | 11 | |
| 12 | Total deductions. Add lines 7, 8, 9, 10b, and 11 | | 12 | |
| 13 | Taxable income (loss) from other activities. Subtract line 12 from line 6 | | 13 | 1,927,331 |

Schedule A Cost of Goods Sold (see instructions)

| | | | |
|----------|--|----------|------------|
| 1 | Inventory at beginning of year | 1 | 5,650,225 |
| 2 | Purchases less cost of items withdrawn for personal use | 2 | 57,478,827 |
| 3 | Cost of labor | 3 | 1,425,622 |
| 4 | Additional section 263A costs (<i>attach schedule</i>) | 4 | |
| 5 | Other costs (<i>attach schedule</i>) | 5 | |
| 6 | Total. Add lines 1 through 5 | 6 | 64,554,674 |
| 7 | Inventory at end of year | 7 | 6,222,163 |
| 8 | Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2 | 8 | 58,332,511 |

- 9a** Check all methods used for valuing closing inventory:
- (i) Cost as described in Regulations section 1.471-3
 - (ii) Lower of cost or market as described in Regulations section 1.471-4
 - (iii) Other (specify method used and attach explanation) ▶
- b** Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) . . ▶
- c** Check this box if the LIFO inventory method was adopted this tax year for any goods (*if checked, attach Form 970*) . ▶
- d** Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? . . **Yes** **No**
- e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? **Yes** **No**
If "Yes," attach explanation.

Schedule B Other Information (see instructions)

| | Yes | No |
|---|-----|-------------------------------------|
| 1 What type of entity is filing this return? Check the applicable box: | | |
| a <input type="checkbox"/> Domestic general partnership | | |
| b <input checked="" type="checkbox"/> Domestic limited partnership | | |
| c <input checked="" type="checkbox"/> Domestic limited liability company | | |
| d <input type="checkbox"/> Domestic limited liability partnership | | |
| e <input type="checkbox"/> Foreign partnership | | |
| f <input type="checkbox"/> Other ▶ | | |
| 2 Are any partners in this partnership also partnerships? | | <input checked="" type="checkbox"/> |
| 3 During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," see instructions for required attachment | | <input checked="" type="checkbox"/> |
| 4 Does this partnership have any foreign partners? If "Yes," the partnership may have to file Forms 8804, 8805, and 8813. (See instructions.) | | <input checked="" type="checkbox"/> |
| 5 Is this partnership a publicly traded partnership as defined in section 469(k)(2)? | | <input checked="" type="checkbox"/> |
| 6 Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction? | | <input checked="" type="checkbox"/> |
| 7 At any time during calendar year 2010, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country. ▶ | | <input checked="" type="checkbox"/> |
| 8 During the tax year, did the partnership receive a distribution from, or was it the grantor to, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520 | | <input checked="" type="checkbox"/> |
| 9 Enter the number of Forms 8865 , Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ▶ | | |

Schedule D Capital Gains and Losses (Use Schedule D-1 (Form 1065) to list additional transactions for lines 1 and 6)

Part I—Short-Term Capital Gains and Losses—Assets Held 1 Year or Less

| (a) Description of property (e.g., 100 shares of "Z" Co.) | (b) Date acquired (month, day, year) | (c) Date sold (month, day, year) | (d) Sales price (see instructions) | (e) Cost or other basis (see instructions) | (f) Gain or (loss) Subtract (e) from (d) |
|---|---|-------------------------------------|---------------------------------------|---|---|
| 1 | | | | | |
| | | | | | |
| | | | | | |
| 2 | Enter short-term gain or (loss), if any, from Schedule D-1 (Form 1065), line 2 | | | | 2 |
| 3 | Short-term capital gain from installment sales from Form 6252, line 26 or 37 | | | | 3 |
| 4 | Short-term capital gain (loss) from like-kind exchanges from Form 8824 | | | | 4 |
| 5 | Net short-term capital gain or (loss). Combine lines 1 through 4 in column (f) | | | | 5 |

Part II—Long-Term Capital Gains and Losses—Assets Held More Than 1 Year

| (a) Description of property (e.g., 100 shares of "Z" Co.) | (b) Date acquired (month, day, year) | (c) Date sold (month, day, year) | (d) Sales price (see instructions) | (e) Cost or other basis (see instructions) | (f) Gain or (loss) Subtract (e) from (d) |
|---|---|-------------------------------------|---------------------------------------|---|---|
| 6 | | | | | |
| | | | | | |
| | | | | | |
| 7 | Enter long-term gain or (loss), if any, from Schedule D-1 (Form 1065), line 8 | | | | 7 |
| 8 | Enter gain from Form 4797, Part I | | | | 8 |
| 9 | Long-term capital gain from installment sales from Form 6252, line 26 or 37 | | | | 9 |
| 10 | Long-term capital gain (loss) from like-kind exchanges from Form 8824 | | | | 10 |
| 11 | Net long-term capital gain or (loss). Combine lines 6 through 10 in column (f) | | | | 11 |

Part III—Summary of Parts I and II

| | | | | |
|-----------|--|-----------|--|--|
| 12 | Combine lines 5 and 11 and enter the net gain (loss) | 12 | | |
| 13 | Enter excess of net short-term capital gain (line 5) over net long-term capital loss (line 11) | 13 | | |
| 14 | Net capital gain or (loss). Subtract line 13 from line 12 | 14 | | |

Part IV—Net Capital Gain (Loss) From Passive Loss Limitation Activities

| | | | | |
|-----------|--|-----------|--|--|
| 15 | Redetermine the amount on line 13 by taking into account only gains and losses from passive loss limitation activities | 15 | | |
| 16 | Excess of net short-term capital gain over net long-term capital loss. Enter the smaller of the amount on line 13 or line 15. Enter here and on page 1, Part I, line 8 | 16 | | |
| 17 | Redetermine the amount on line 14 by taking into account only gains and losses from passive loss limitation activities | 17 | | |
| 18 | Net capital gain or (loss) from passive loss limitation activities. If lines 14 and 17 are both positive or both negative, enter the smaller of line 14 or line 17. Otherwise, enter -0-. Enter here and on Schedule K, line 4a Note. When figuring whether line 14 or line 17 is smaller , treat both numbers as positive. | 18 | | |

Part V—Net Capital Gain (Loss) From Other Activities

| | | | | |
|-----------|--|-----------|--|--|
| 19 | Excess of net short-term capital gain over net long-term capital loss. Subtract line 16 from line 13. Enter here and on page 2, Part II, line 4 | 19 | | |
| 20 | Net capital gain or (loss) from other activities. Subtract line 18 from line 14. Enter here and on Schedule K, line 4b | 20 | | |

Schedule K Partners' Shares of Income, Credits, Deductions, etc.

| (a) Distributive share items | | | | (b) Total amount | |
|------------------------------|---|--|---------------|------------------|------------|
| 1a | Taxable income (loss) from passive loss limitation activities (Part I, line 25) | | | 1a | 11,474,829 |
| b | Amount on line 1a allocated to general partners as: | | | | |
| | (1) | Taxable income (loss) from trade or business activities | 1b(1) | | |
| | (2) | Taxable income (loss) from rental real estate activities | 1b(2) | | |
| | (3) | Taxable income (loss) from other rental activities | 1b(3) | | |
| c | Total amount on line 1a allocated to general partners. Combine lines 1b(1) through 1b(3) | | | 1c | |
| d | Taxable income (loss) from passive loss limitation activities allocated to limited partners. Subtract line 1c from line 1a (report on Schedules K-1, box 1) | | | 1d | 11,474,829 |
| 2 | Taxable income (loss) from other activities (Part II, line 13) | | | 2 | 1,927,331 |
| 3 | Qualified dividends from other activities (Part II, line 2b) | | | 3 | |
| 4a | Net capital gain (loss) from passive loss limitation activities (Schedule D, line 18) | | | 4a | |
| b | Net capital gain (loss) from other activities (Schedule D, line 20) | | | 4b | |
| 5 | Net passive alternative minimum tax adjustment | | | 5 | |
| 6 | Net other alternative minimum tax adjustment | | | 6 | |
| 7 | Guaranteed payments | | | 7 | |
| 8 | Income from discharge of indebtedness | | | 8 | |
| 9 | Tax-exempt interest income | | | 9 | |
| 10 | General credits (see instructions) | | | 10 | |
| 11 | Low-income housing credit (see instructions) | | | 11 | |
| 12 | Rehabilitation credit from rental real estate activities (attach Form 3468) | | | 12 | |
| 13a | Net earnings (loss) from self-employment | | | 13a | |
| b | Gross nonfarm income | | | 13b | |
| 14a | Name of foreign country or U.S. possession ▶ | | | | |
| b | Gross income from all sources | | | 14b | |
| c | Gross income sourced at partner level (attach schedule) | | | 14c | |
| d | Foreign gross income sourced at partnership level: | | | | |
| | (1) | Passive category | 14d(1) | | |
| | (2) | General category | 14d(2) | | |
| | (3) | Other (attach schedule) | 14d(3) | | |
| e | Deductions allocated and apportioned at partner level: | | | | |
| | (1) | Interest expense | 14e(1) | | |
| | (2) | Other | 14e(2) | | |
| f | Deductions allocated and apportioned at partnership level to foreign source income: | | | | |
| | (1) | Passive category | 14f(1) | | |
| | (2) | General category | 14f(2) | | |
| | (3) | Other (attach schedule) | 14f(3) | | |
| g | Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/> | | | 14g | |
| h | Reduction in taxes available for credit (attach schedule) | | | 14h | |
| 15 | Other items and amounts required to be reported separately to partners (attach schedule) | | | | |

Analysis of Net Income (Loss)

| | | | | | | | | |
|----------|---|--------------------------|----------------------------|------------------|-------------------------|--------------------|----------|------------|
| 1 | Net income (loss). In column (b), add lines 1c through 4b, 7, and 8. From the result, subtract line 14g | | | | | | 1 | 13,402,160 |
| 2 | Analysis by partner type: | | | | | | | |
| a | (i) Corporate | (ii) Individual (active) | (iii) Individual (passive) | (iv) Partnership | (v) Exempt organization | (vi) Nominee/Other | | |
| b | | | 13,402,160 | | | | | |

Schedule L Balance Sheets per Books

| | Beginning of tax year | | End of tax year | |
|--|-----------------------|------------|-----------------|------------|
| | (a) | (b) | (c) | (d) |
| Assets | | | | |
| 1 Cash | | 2,468,821 | | 2,612,147 |
| 2a Trade notes and accounts receivable | | | | |
| b Less allowance for bad debts | | | | |
| 3 Inventories | | 5,650,225 | | 6,222,163 |
| 4 U.S. government obligations | | | | |
| 5 Tax-exempt securities | | | | |
| 6 Other current assets (attach schedule) | | | | |
| 7 Mortgage and real estate loans | | | | |
| 8 Other investments (attach schedule) | | | | |
| 9a Buildings and other depreciable assets | | | | |
| b Less accumulated depreciation | | | | |
| 10a Depletable assets | 4,227,116 | | 7,297,740 | |
| b Less accumulated depletion | 1,392,032 | 2,835,084 | 2,912,140 | 4,385,600 |
| 11 Land (net of any amortization) | | 7,220,410 | | 7,220,410 |
| 12a Intangible assets (amortizable only) | | | | |
| b Less accumulated amortization | | | | |
| 13 Other assets (attach schedule) | | | | |
| 14 Total assets | | 18,174,540 | | 20,440,320 |
| Liabilities and Capital | | | | |
| 15 Accounts payable | | 2,147,882 | | 2,110,320 |
| 16 Mortgages, notes, bonds payable in less than 1 year | | | | |
| 17 Other current liabilities (attach schedule) | | | | |
| 18 All nonrecourse loans | | 10,376,658 | | 5,263,460 |
| 19 Mortgages, notes, bonds payable in 1 year or more | | | | |
| 20 Other liabilities (attach schedule) | | | | |
| 21 Partners' capital accounts | | 5,650,000 | | 13,066,540 |
| 22 Total liabilities and capital | | 18,174,540 | | 20,440,320 |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

| | | | |
|--|--|---|--|
| 1 Net income (loss) per books | | 6 Income recorded on books this year not included on Schedule K, lines 1c through 4b, and 8 (itemize): | |
| 2 Income included on Schedule K, lines 1c through 4b, and 8, not recorded on books this year (itemize): | | a Tax-exempt interest \$ | |
| 3 Guaranteed payments | | | |
| 4 Expenses recorded on books this year not included on Schedule K, lines 1c through 4b, and 14g (itemize): | | 7 Deductions included on Schedule K, lines 1c through 4b, and 14g, not charged against book income this year (itemize): | |
| a Depreciation \$ | | a Depreciation \$ | |
| b Travel and entertainment \$ | | | |
| | | 8 Add lines 6 and 7 | |
| 5 Add lines 1 through 4 | | 9 Income (loss). (Analysis of Net Income (Loss), line 1.) Subtract line 8 from line 5 | |

Schedule M-2 Analysis of Partners' Capital Accounts

| | | | |
|--------------------------------|------------|---|------------|
| 1 Balance at beginning of year | 5,650,000 | 6 Distributions: | |
| 2 Capital contributed: | | a Cash | 5,000,000 |
| a Cash | | b Property | |
| b Property | | 7 Other decreases (itemize): | |
| 3 Net income (loss) per books | 12,416,540 | | |
| 4 Other increases (itemize): | | 8 Add lines 6 and 7 | 5,000,000 |
| | | 9 Balance at end of year. Subtract line 8 from line 5 | |
| 5 Add lines 1 through 4 | 18,066,540 | | 13,066,540 |

Form **8308**

(Rev. October 2005)

Department of the Treasury
Internal Revenue Service**Report of a Sale or Exchange of
Certain Partnership Interests**

OMB No. 1545-0941

▶ Please print or type.

| | | |
|---|--|---|
| Name of partnership BLACK COAL INDUSTRIES | Telephone number (555) 555-5555 | Employer identification number 69-0000008 |
|---|--|---|

Number, street, and room or suite no. If a P.O. box, see instructions.

100 MAIN ST

City or town, state, and ZIP code

ANYTOWN, WV 25001**Part I** **Transferor Information** (Beneficial owner of the partnership interest immediately before the transfer of that interest)

| | |
|----------------------------|--|
| Name BRONCO JUNO | Identifying number 000-70-0002 |
|----------------------------|--|

Number and street (including apt. no.)

300 MAIN ST

City or town, state, and ZIP code

ANYTOWN, WV 25001**Notice to Transferors:** *The information on this form has been supplied to the Internal Revenue Service. The transferor in a section 751(a) exchange is required to treat a portion of the gain realized from the exchange as ordinary income. For more details, see Pub. 541, Partnerships.***Statement by Transferor:** *The transferor in a section 751(a) exchange is required under Regulations section 1.751-1(a)(3) to attach a statement relating to the sale or exchange to his or her return. See Instructions to Transferors for more details.***Part II** **Transferee Information** (Beneficial owner of the partnership interest immediately after the transfer of that interest)

| | |
|--------------------------------|--|
| Name BUBBA CHRISTMAS | Identifying number 000-70-0001 |
|--------------------------------|--|

Number and street (including apt. no.)

200 MAIN ST

City or town, state, and ZIP code

ANYTOWN, WV 25001**Part III** **Date of Sale or Exchange of Partnership Interest** ▶ **06 / 30 / 2009****Sign Here Only if You
Are Filing This Form by
Itself and Not With Form
1065 or Form 1065-B**

Under penalties of perjury, I declare that I have examined this return, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete.



Signature of general partner or limited liability company member



Date

General Instructions*Section references are to the Internal Revenue Code unless otherwise noted.***Purpose of Form.** Form 8308 is filed by a partnership to report the sale or exchange by a partner of all or part of a partnership interest where any money or other property received in exchange for the interest is attributable to unrealized receivables or inventory items (that is, where there has been a section 751(a) exchange).**Who Must File.** A partnership must file a separate Form 8308 for each section 751(a) exchange of an interest in such partnership. See Regulations section 1.6050K-1.**Note:** *Form 8308 does not have to be filed if, under section 6045, Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, is required to be filed with respect to the sale or exchange.*

A partnership must file Form 8308 once the partnership has notice of the section 751(a) exchange. The partnership has such notice when either:

1. The partnership receives written notification of the exchange from the transferor that includes the names and addresses of both parties to the exchange, the identifying numbers of the transferor and (if known) of the transferee, and the date of the exchange; or

2. The partnership has knowledge that there has been a transfer of a partnership interest and, at the time of the transfer, the partnership had any unrealized receivables or inventory items.

No returns or statements are required under section 6050K if the transfer was not a section 751(a) exchange. For example, a transfer which in its entirety constitutes a gift for federal income tax purposes is not a section 751(a) exchange.

A partnership may rely on a written statement from the transferor that the transfer was not a section 751(a) exchange unless the partnership has knowledge to the contrary. If a partnership is in doubt whether partnership property constitutes unrealized receivables or inventory items or whether a transfer constitutes a section 751(a) exchange, the partnership may file Form 8308 to avoid the risk of incurring a penalty for failure to file.

When To File. Generally, file Form 8308 as an attachment to Form 1065 or Form 1065-B for the tax year of the partnership that includes the last day of the calendar year in which the section 751(a) exchange took place. Form 8308 is due at the time for filing the partnership return, including extensions.

If, however, a partnership is notified of a section 751(a) exchange after it has filed its partnership return, file Form 8308 separately, within 30 days of notification, with the service center where Form 1065 or Form 1065-B was filed.

Copies of Form 8308 To Be Furnished to Transferor and Transferee. All partnerships required to file Form 8308 must furnish a copy of the form to each transferor and transferee by January 31 of the year following the calendar year in which the section 751(a) exchange occurred or, if later, 30 days after the partnership has notice of the exchange.

If the partnership does not know the identity of the beneficial owner of an interest in the partnership, the record holder of the interest is treated as the transferor or transferee.

Additional Information for Schedule M-3 Filers

2010

Department of the Treasury
 Internal Revenue Service

▶ **Attach to Form 1065. See separate instructions.**

Name of partnership

BLACK COAL INDUSTRIES LLC

Employer identification number

69-0000007

| | | Yes | No |
|----------|---|--------------------------|-------------------------------------|
| 1 | At any time during the tax year, were there any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2 | Do the amounts reported on Schedule M-3, Part II, lines 7 or 8, column (d), reflect allocations to this partnership from another partnership of income, gain, loss, deduction, or credit that are disproportionate to this partnership's share of capital in such partnership or its ratio for sharing other items of such partnership? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 3 | At any time during the tax year, did the partnership sell, exchange, or transfer any interest in an intangible asset to a related person as defined in sections 267(b) and 707(b)(1)? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 4 | At any time during the tax year, did the partnership acquire any interest in an intangible asset from a related person as defined in sections 267(b) and 707(b)(1)? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5 | At any time during the tax year, did the partnership make any change in accounting principle for financial accounting purposes? See instructions for a definition of change in accounting principle | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 6 | At any time during the tax year, did the partnership make any change in a method of accounting for U.S. income tax purposes? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

For Paperwork Reduction Act Notice, see the Instructions for Form 1065.

Cat. No. 49945S

Schedule C (Form 1065) 2010

69-0000008
Net Income (Loss) Reconciliation
for Certain Partnerships

2010

Department of the Treasury
 Internal Revenue Service

▶ Attach to Form 1065 or Form 1065-B.
 ▶ See separate instructions.

Name of partnership

Black Coal Industries, LLC

Employer identification number

69-0000008

This Schedule M-3 is being filed because (check all that apply):

- A** The amount of the partnership's total assets at the end of the tax year is equal to \$10 million or more.
- B** The amount of the partnership's adjusted total assets for the year is equal to \$10 million or more. If box B is checked, enter the amount of adjusted total assets for the tax year 25,440,320.
- C** The amount of total receipts for the tax year is equal to \$35 million or more. If box C is checked, enter the total receipts for the tax year 103,183,673.
- D** An entity that is a reportable entity partner with respect to the partnership owns or is deemed to own an interest of 50 percent or more in the partnership's capital, profit, or loss, on any day during the tax year of the partnership.

| Name of Reportable Entity Partner | Identifying Number | Maximum Percentage Owned or Deemed Owned |
|-----------------------------------|--------------------|--|
| | | |
| | | |

E Voluntary Filer

Part I Financial Information and Net Income (Loss) Reconciliation

- 1a** Did the partnership file SEC Form 10-K for its income statement period ending with or within this tax year?
 Yes. Skip lines 1b and 1c and complete lines 2 through 11 with respect to that SEC Form 10-K.
 No. Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.
- b** Did the partnership prepare a certified audited non-tax-basis income statement for that period?
 Yes. Skip line 1c and complete lines 2 through 11 with respect to that income statement.
 No. Go to line 1c.
- c** Did the partnership prepare a non-tax-basis income statement for that period?
 Yes. Complete lines 2 through 11 with respect to that income statement.
 No. Skip lines 2 through 3b and enter the partnership's net income (loss) per its books and records on line 4a.
- 2** Enter the income statement period: Beginning 01 / 01 / 2010 Ending 12 / 31 / 2010
- 3a** Has the partnership's income statement been restated for the income statement period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.
- b** Has the partnership's income statement been restated for any of the five income statement periods preceding the period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.

| | | |
|---|-----------|------------|
| 4a Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1 | 4a | 12,416,540 |
| b Indicate accounting standard used for line 4a (see instructions): 1 <input checked="" type="checkbox"/> GAAP 2 <input type="checkbox"/> IFRS 3 <input type="checkbox"/> 704(b) 4 <input type="checkbox"/> Tax-basis 5 <input type="checkbox"/> Other: (Specify) ▶ _____ | | |
| 5a Net income from nonincludible foreign entities (attach schedule) | 5a | () |
| b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) | 5b | |
| 6a Net income from nonincludible U.S. entities (attach schedule) | 6a | () |
| b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount) | 6b | |
| 7a Net income (loss) of other foreign disregarded entities (attach schedule) | 7a | |
| b Net income (loss) of other U.S. disregarded entities (attach schedule) | 7b | |
| 8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule) | 8 | |
| 9 Adjustment to reconcile income statement period to tax year (attach schedule) | 9 | |
| 10 Other adjustments to reconcile to amount on line 11 (attach schedule) | 10 | |
| 11 Net income (loss) per income statement of the partnership. Combine lines 4 through 10 Note. Part I, line 11, must equal the amount on Part II, line 26, column (a). | 11 | 12,416,540 |

12 Enter the total amount (not just the partnership's share) of the assets and liabilities of all entities included or removed on the following lines:

| | Total Assets | Total Liabilities |
|-------------------------------------|--------------|-------------------|
| a Included on Part I, line 4 | 20,440,320 | 7,373,780 |
| b Removed on Part I, line 5 | | |
| c Removed on Part I, line 6 | | |
| d Included on Part I, line 7 | | |

| | |
|--|---|
| Name of partnership Black Coal Industries, LLC | Employer identification number 69-0000008 |
|--|---|

Part II Reconciliation of Net Income (Loss) per Income Statement of Partnership with Income (Loss) per Return

| | (a) Income (Loss) per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Income (Loss) per Tax Return |
|--|--|--------------------------------|--------------------------------|--|
| (Attach schedules for lines 1 through 9) | | | | |
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |
| 9 | | | | |
| 10 | | | | |
| 11 | | | | |
| 12 | | | | |
| 13 | | | | |
| 14 | | | | |
| 15 | () | | | () |
| 16 | | | | |
| 17 | | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | | | | |
| 21a | | | | |
| b | | | | |
| c | | | | |
| d | | | | |
| e | | | | |
| f | | | | |
| g | | | | |
| 22 | | | | |
| 23 | | | | |
| 24 | | | | |
| 25 | (3,491,348) | | 985,620 | (2,505,728) |
| 26 | 15,907,888 | | | 15,907,888 |
| 26 | 12,416,540 | | 985,620 | 13,402,160 |

Note. Line 26, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1065, page 5, Analysis of Net Income (Loss), line 1.

Name of partnership

Employer identification number

Part III Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return—Expense/Deduction Items

| Expense/Deduction Items | (a) Expense per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Deduction per Tax Return |
|---|--|--------------------------------|--------------------------------|------------------------------------|
| 1 State and local current income tax expense | | | | |
| 2 State and local deferred income tax expense | | | | |
| 3 Foreign current income tax expense (other than foreign withholding taxes) | | | | |
| 4 Foreign deferred income tax expense | | | | |
| 5 Equity-based compensation | | | | |
| 6 Meals and entertainment | | | | |
| 7 Fines and penalties | | | | |
| 8 Judgments, damages, awards, and similar costs | | | | |
| 9 Guaranteed payments | | | | |
| 10 Pension and profit-sharing | | | | |
| 11 Other post-retirement benefits | | | | |
| 12 Deferred compensation | | | | |
| 13 Charitable contribution of cash and tangible property | | | | |
| 14 Charitable contribution of intangible property | | | | |
| 15 Organizational expenses as per Regulations section 1.709-2(a) | | | | |
| 16 Syndication expenses as per Regulations section 1.709-2(b) | | | | |
| 17 Current year acquisition/reorganization investment banking fees | | | | |
| 18 Current year acquisition/reorganization legal and accounting fees | | | | |
| 19 Amortization/impairment of goodwill | | | | |
| 20 Amortization of acquisition, reorganization, and start-up costs | | | | |
| 21 Other amortization or impairment write-offs | | | | |
| 22 Section 198 environmental remediation costs | | | | |
| 23a Depletion—Oil & Gas | | | | |
| b Depletion—Other than Oil & Gas | | | | |
| 24 Intangible drilling & development costs | | | | |
| 25 Depreciation | | | | |
| 26 Bad debt expense | | | | |
| 27 Interest expense (attach Form 8916-A) | | | | |
| 28 Purchase versus lease (for purchasers and/ or lessees) | | | | |
| 29 Research and development costs (attach schedule) | | | | |
| 30 Other expense/deduction items with differences (attach schedule) | | | | |
| 31 Total expense/deduction items. Combine lines 1 through 30. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive | | | | |

CORRECTED

PUBLICLY TRADED PARTNERSHIP

| | | | |
|--|--|--|--|
| PARTNERSHIP'S name, street address, city, state, and ZIP code. BLACK COAL INDUSTRIES LLC 100 MAIN ST ANYTOWN, WV 25001 | | 1 Taxable income (loss) from passive activities 114,749 | OMB No. 1545-1626 2010 Schedule K-1 (Form 1065-B) |
| | | 2 Taxable income (loss) from other activities 19,274 | |
| PARTNERSHIP'S Employer I.D. number 69-0000008 | PARTNER'S identifying number 000-70-0001 | 3 Qualified dividends | |
| PARTNER'S name BUBBA CHRISTMAS | | 4a Net capital gain (loss) from passive activities | 4b Net capital gain (loss) from other activities |
| Street address (including apt. no.) 200 MAIN ST | | 5 Net passive AMT adjustment | 6 Net other AMT adjustment |
| | | 7 General credits | 8 Low-income housing credit |
| City, state, and ZIP code ANYTOWN, WV 25001 | | 9 Other | |
| Partner's share of liabilities: | | | |
| a Nonrecourse \$ 52,635 | | | |
| b Qualified nonrecourse financing \$ _____ | | | |
| c Other \$ _____ | | | |

Partner's Share of Income (Loss) From an Electing Large Partnership

Copy A

For Internal Revenue Service Center

File with Form 1065-B.

For Paperwork Reduction Act Notice and instructions for completing this form, see the **2010 Instructions for Form 1065-B**, U.S. Return of Income for Electing Large Partnerships.

Schedule K-1 (Form 1065-B)

Cat. No. 25437H

Department of the Treasury - Internal Revenue Service

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CORRECTED

PUBLICLY TRADED PARTNERSHIP

| | | | | |
|--|--|--|--|--|
| PARTNERSHIP'S name, street address, city, state, and ZIP code. BLACK COAL INDUSTRIES LLC 100 MAIN ST ANYTOWN, WV 25001 | | 1 Taxable income (loss) from passive activities 114,749 | OMB No. 1545-1626 2010 Schedule K-1 (Form 1065-B) | <p>Partner's Share of Income (Loss) From an Electing Large Partnership</p> <p>Copy A</p> <p>For Internal Revenue Service Center</p> <p>File with Form 1065-B.</p> <p>For Paperwork Reduction Act Notice and instructions for completing this form, see the 2010 Instructions for Form 1065-B, U.S. Return of Income for Electing Large Partnerships.</p> |
| | | 2 Taxable income (loss) from other activities 19,274 | | |
| PARTNERSHIP'S Employer I.D. number 69-0000008 | PARTNER'S identifying number 000-70-0002 | 3 Qualified dividends | | |
| PARTNER'S name BRONCO JUNO | | 4a Net capital gain (loss) from passive activities | 4b Net capital gain (loss) from other activities | |
| Street address (including apt. no.) 300 MAIN ST | | 5 Net passive AMT adjustment | 6 Net other AMT adjustment | |
| | | 7 General credits | 8 Low-income housing credit | |
| City, state, and ZIP code ANYTOWN, WV 25001 | | 9 Other | | |
| Partner's share of liabilities: | | | | |
| a Nonrecourse \$ 52,635 | | | | |
| b Qualified nonrecourse financing \$ ----- | | | | |
| c Other \$ ----- | | | | |

Schedule K-1 (Form 1065-B)

Cat. No. 25437H

Department of the Treasury - Internal Revenue Service

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CORRECTED

PUBLICLY TRADED PARTNERSHIP

| | | | |
|--|--|--|--|
| PARTNERSHIP'S name, street address, city, state, and ZIP code. BLACK COAL INDUSTRIES LLC 100 MAIN ST ANYTOWN, WV 25001 | | 1 Taxable income (loss) from passive activities 114,748 | OMB No. 1545-1626 2010 Schedule K-1 (Form 1065-B) |
| | | 2 Taxable income (loss) from other activities 19,273 | |
| PARTNERSHIP'S Employer I.D. number 69-0000008 | PARTNER'S identifying number 000-70-1001 | 3 Qualified dividends | |
| PARTNER'S name TAXPAYER B1 | | 4a Net capital gain (loss) from passive activities | 4b Net capital gain (loss) from other activities |
| Street address (including apt. no.) 1001 MAIN ST | | 5 Net passive AMT adjustment | 6 Net other AMT adjustment |
| | | 7 General credits | 8 Low-income housing credit |
| City, state, and ZIP code ANYTOWN, WV 25001 | | 9 Other | |
| Partner's share of liabilities: | | | |
| a Nonrecourse \$ 52,635 | | | |
| b Qualified nonrecourse financing \$ _____ | | | |
| c Other \$ _____ | | | |

Partner's Share of Income (Loss) From an Electing Large Partnership

Copy A

For Internal Revenue Service Center

File with Form 1065-B.

For Paperwork Reduction Act Notice and instructions for completing this form, see the **2010 Instructions for Form 1065-B**, U.S. Return of Income for Electing Large Partnerships.

Schedule K-1 (Form 1065-B)

Cat. No. 25437H

Department of the Treasury - Internal Revenue Service

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TEST SCENARIO 9 (K-1 Aggregator)

Test Scenario 9 uses the Form 1065 and related forms and schedules from Test Scenario 1, with these exceptions:

- The number of K-1's is 101
- The ordinary Business Income/Loss Statement attached to Schedule K-1 will apply to all K-1's.

Test Scenario 9 shows three K-1's: Sam Starling
 Barton and Jenkins Enterprise
 Taxpayer A1 (990-00-0001)

Create the other 98 K-1's using this information:

- The partner's identifying number will increase by 1 (990-00-0002, 990-00-0003, 990-00-0004...through 990-10-0099)
- The partner's name will increase by 1 (Taxpayer A2, Taxpayer A3, Taxpayer A4...through Taxpayer A99)
- Use the same address as Taxpayer A1
- The 98 partners are limited partners, domestic partners, and individuals
- Use the same profit/loss/capitol percentages as Taxpayer A1

The Business Income Loss Statements attached to the K-1's will be:

Ordinary Business Income (Loss) Statement (Schedule K-1 (Form 1065), Part III, Line 1)

| Taxpayer A1 through Taxpayer A99 | |
|---|-----|
| Education | 200 |
| Legal Services | 203 |

Ordinary Business Income (Loss) Statement (Schedule K-1 (Form 1065), Part III, Line 1)

| Barton and Jenkins Enterprise | |
|--------------------------------------|------------|
| Education | 20,000 |
| Legal Services | 32,252,560 |

FORMS REQUIRED:

1065, 4562 (2), 4797, 8825, 8844, 8882, Schedule K-1(F1065B) (101), Form 8453-PE
DEPENDENCIES, Schedule M-3, Schedule C

ATTACHMENTS:

Itemized Other Deductions Statement
Other Credits and Credit Recapture Statement
Schedule L Other Assets Statement
Schedule L Other Current Liabilities Statement
Ordinary Business Income (Loss) Statement (see above)

BINARY ATTACHMENTS: Scanned Form 8453-PE (8453 Signature Document)

HEADER INFO:

Tax Period: Calendar Year 2009

Preparer Firm: Electronic Tax Filers, Inc **69-000098**
1065 Efile Drive
Anytown, NV 89501

IP Address: 990.990.990

Multiple Software Packages Used: Yes or No

Originator: **EFIN: Self-select**
 Type: ERO
 Practitioner PIN: None

 PIN Entered by – N/A

Signature Option: Binary Attachment 8453 Signature Document

Return Type: 1065

Filer: **EIN: 69-0000009**
 Name: Sam Starling LLP
 Name Control: SAMS
 Address: 631 N McKinley Dr
 Reno, NV 89510

Partner: **Name: Sam Starling**
 Title: President
 Taxpayer PIN:
 Phone: 555-555-5555
 Email Address: Anymail@email.com
 Date Signed: 04/01/2010

Preparer: **Name: Jesse James**
 SSN: 000-10-0001
 Phone: 555-631-1212
 Email Address: Anymail@email.com
 Date Prepared: 04/01/2010

Self Employed: No

IRS PAYMENT: N/A

Details for attachments to Form

Itemized Other Deductions Statement (Form 1065, Page 1, Line 20)

| | |
|---------------------------------|-------------------|
| Travel and Entertainment | 5,600,000 |
| Other | 28,750,000 |
| Utilities | 10,000,000 |
| Fees | 6,387,848 |

Other Credits and Credit Recapture Statement (Form 1065, Page 3, Schedule K, Line 15f)

| | |
|--------------------|---------------|
| Childcare | 35,600 |
| Empowerment | 40,000 |

Schedule L Other Assets Statement (Form 1065, Page 4, Schedule L, Line 13b and 13d)

| Type | BOY Amount | EOY Amount |
|--------------------------|-------------------|-------------------|
| Client Receivable | 7,148,515 | 10,916,115 |
| Other | 6,030,400 | 4,227,867 |

Schedule L Other Current Liabilities Statement (Form 1065, Page 4, Schedule L, Line 17b and 17d)

| Type | BOY Amount | EOY Amount |
|----------------------------------|-------------------|-------------------|
| Other Current Liabilities | 2,315,178 | 4,138,515 |
| Other Accrued Liabilities | 3,162,974 | 2,045,400 |

69-0000009
U.S. Return of Partnership Income

OMB No. 1545-0099

For calendar year 2010, or tax year beginning _____, 2010, ending _____, 20_____
 ▶ See separate instructions.

2010

| | | | |
|---|---|---|--|
| A Principal business activity Legal Services | Use the IRS label. Otherwise, print or type. | Name of partnership Sam Starling, LLP | D Employer identification number 69-0000009 |
| B Principal product or service Legal Services | | Number, street, and room or suite no. If a P.O. box, see the instructions. 631 N McKinley Street | E Date business started 10/01/1977 |
| C Business code number 541110 | | City or town, state, and ZIP code Reno, NV 89510 | F Total assets (see the instructions) \$ 108,367,919 |

- G** Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return
 (6) Technical termination - also check (1) or (2)
- H** Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ 101
- J** Check if Schedules C and M-3 are attached

Caution. Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

| | | | | | | |
|--|--|------------|-------------|-----------|-------------|-------------|
| Income | 1a Gross receipts or sales | 1a | 323,455,613 | | | |
| | b Less returns and allowances | 1b | | | 1c | 323,455,613 |
| | 2 Cost of goods sold (Schedule A, line 8) | | | | 2 | |
| | 3 Gross profit. Subtract line 2 from line 1c | | | | 3 | 323,455,613 |
| | 4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) | | | | 4 | |
| | 5 Net farm profit (loss) (attach Schedule F (Form 1040)) | | | | 5 | |
| | 6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | | 6 | 10,000 |
| | 7 Other income (loss) (attach statement) | | | | 7 | |
| 8 Total income (loss). Combine lines 3 through 7 | | | | 8 | 323,465,613 | |
| Deductions <small>(see the instructions for limitations)</small> | 9 Salaries and wages (other than to partners) (less employment credits) | | | | 9 | 110,535,025 |
| | 10 Guaranteed payments to partners | | | | 10 | 22,675,031 |
| | 11 Repairs and maintenance | | | | 11 | 2,042,164 |
| | 12 Bad debts | | | | 12 | |
| | 13 Rent | | | | 13 | 25,922,173 |
| | 14 Taxes and licenses | | | | 14 | 12,226,452 |
| | 15 Interest | | | | 15 | 14,622 |
| | 16a Depreciation (if required, attach Form 4562) | 16a | 7,292,891 | | | |
| | b Less depreciation reported on Schedule A and elsewhere on return | 16b | 18,275 | | 16c | 7,274,616 |
| | 17 Depletion (Do not deduct oil and gas depletion.) | | | | 17 | |
| | 18 Retirement plans, etc. | | | | 18 | 4,255,918 |
| | 19 Employee benefit programs | | | | 19 | 7,100,361 |
| | 20 Other deductions (attach statement) | | | | 20 | 50,737,848 |
| | 21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20. | | | | 21 | 242,784,210 |
| 22 Ordinary business income (loss). Subtract line 21 from line 8 | | | | 22 | 80,681,403 | |

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member manager: _____ Date: 04/01/2011

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer's Use Only

| | | | |
|--|------------------|---|-------------------|
| Preparer's signature Jesse James | Date | Check if self-employed <input type="checkbox"/> | PTIN P00000009 |
| Firm's name (or yours if self-employed), address, and ZIP code ELECTRIC TAX FILERS INC 1065 EFILE DRIVE, ANYTOWN, NV 89501 | EIN ▶ 69-0000098 | Phone no. 555-631-1212 | |

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11390Z

Form **1065** (2010)

Schedule A Cost of Goods Sold (see the instructions)

| | | | | |
|----------|--|----------|--|--|
| 1 | Inventory at beginning of year | 1 | | |
| 2 | Purchases less cost of items withdrawn for personal use | 2 | | |
| 3 | Cost of labor | 3 | | |
| 4 | Additional section 263A costs (<i>attach statement</i>) | 4 | | |
| 5 | Other costs (<i>attach statement</i>) | 5 | | |
| 6 | Total. Add lines 1 through 5 | 6 | | |
| 7 | Inventory at end of year | 7 | | |
| 8 | Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2 | 8 | | |

9a Check all methods used for valuing closing inventory:

- (i) Cost as described in Regulations section 1.471-3
- (ii) Lower of cost or market as described in Regulations section 1.471-4
- (iii) Other (specify method used and attach explanation) ▶

- b** Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) . . . ▶
- c** Check this box if the LIFO inventory method was adopted this tax year for any goods (*if checked, attach Form 970*) . . ▶
- d** Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? **Yes** **No**
- e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? . . **Yes** **No**
If "Yes," attach explanation.

Schedule B Other Information

| | | Yes | No |
|----------|---|-----|----|
| 1 | What type of entity is filing this return? Check the applicable box: | | |
| a | <input type="checkbox"/> Domestic general partnership | | |
| b | <input type="checkbox"/> Domestic limited partnership | | |
| c | <input type="checkbox"/> Domestic limited liability company | | |
| d | <input checked="" type="checkbox"/> Domestic limited liability partnership | | |
| e | <input type="checkbox"/> Foreign partnership | | |
| f | <input type="checkbox"/> Other ▶ | | |
| 2 | At any time during the tax year, was any partner in the partnership a disregarded entity, a partnership (including an entity treated as a partnership), a trust, an S corporation, an estate (other than an estate of a deceased partner), or a nominee or similar person? | X | |
| 3 | At the end of the tax year: | | |
| a | Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership | | X |
| b | Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership | | X |
| 4 | At the end of the tax year, did the partnership: | | |
| a | Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below | | X |

| (i) Name of Corporation | (ii) Employer Identification Number (if any) | (iii) Country of Incorporation | (iv) Percentage Owned in Voting Stock |
|-------------------------|--|--------------------------------|---------------------------------------|
| | | | |
| | | | |
| | | | |
| | | | |

- b** Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below **Yes** **No**

| (i) Name of Entity | (ii) Employer Identification Number (if any) | (iii) Type of Entity | (iv) Country of Organization | (v) Maximum Percentage Owned in Profit, Loss, or Capital |
|--------------------|--|----------------------|------------------------------|--|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| | | Yes | No |
|------------|---|-----|----|
| 5 | Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details | | X |
| 6 | Does the partnership satisfy all four of the following conditions? | | |
| a | The partnership's total receipts for the tax year were less than \$250,000. | | |
| b | The partnership's total assets at the end of the tax year were less than \$1 million. | | |
| c | Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. | | |
| d | The partnership is not filing and is not required to file Schedule M-3 If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item L on Schedule K-1. | | X |
| 7 | Is this partnership a publicly traded partnership as defined in section 469(k)(2)? | | X |
| 8 | During the tax year, did the partnership have any debt that was cancelled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt? | | X |
| 9 | Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction? | | X |
| 10 | At any time during calendar year 2010, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If "Yes," enter the name of the foreign country. ► | | X |
| 11 | At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. See instructions | | X |
| 12a | Is the partnership making, or had it previously made (and not revoked), a section 754 election? See instructions for details regarding a section 754 election. | | X |
| b | Did the partnership make for this tax year an optional basis adjustment under section 743(b) or 734(b)? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions | | X |
| c | Is the partnership required to adjust the basis of partnership assets under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions. | | X |
| 13 | Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than entities wholly-owned by the partnership throughout the tax year) <input type="checkbox"/> | | |
| 14 | At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property? | | X |
| 15 | If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, enter the number of Forms 8858 attached. See instructions ► | | |
| 16 | Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership. ► 1 | X | |
| 17 | Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ► | | |

Designation of Tax Matters Partner (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

| | | | |
|---|-----------------------------------|---------------------------|----------------|
| Name of designated TMP | ► Barton Mefiler | Identifying number of TMP | ► 000-01-0001 |
| If the TMP is an entity, name of TMP representative | ► Barton and Jenkins Enterprise | Phone number of TMP | ► 555-555-1212 |
| Address of designated TMP | ► RR 510 W Anchorare, AK 99502 | | |

| Schedule K Partners' Distributive Share Items | | Total amount | |
|---|--|--------------|------------|
| Income (Loss) | 1 Ordinary business income (loss) (page 1, line 22) | 1 | 80,681,403 |
| | 2 Net rental real estate income (loss) (attach Form 8825) | 2 | 203,125 |
| | 3a Other gross rental income (loss) | 3a | |
| | b Expenses from other rental activities (attach statement) | 3b | |
| | c Other net rental income (loss). Subtract line 3b from line 3a | 3c | |
| | 4 Guaranteed payments | 4 | 22,675,031 |
| | 5 Interest income | 5 | 92,650 |
| | 6 Dividends: a Ordinary dividends | 6a | |
| | b Qualified dividends | 6b | |
| | 7 Royalties | 7 | |
| | 8 Net short-term capital gain (loss) (attach Schedule D (Form 1065)) | 8 | |
| 9a Net long-term capital gain (loss) (attach Schedule D (Form 1065)) | 9a | | |
| b Collectibles (28%) gain (loss) | 9b | | |
| c Unrecaptured section 1250 gain (attach statement) | 9c | | |
| 10 Net section 1231 gain (loss) (attach Form 4797) | 10 | | |
| 11 Other income (loss) (see instructions) Type ▶ | 11 | | |
| Deductions | 12 Section 179 deduction (attach Form 4562) | 12 | |
| | 13a Contributions | 13a | |
| | b Investment interest expense | 13b | |
| | c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶ | 13c(2) | |
| d Other deductions (see instructions) Type ▶ | 13d | | |
| Self-Employment | 14a Net earnings (loss) from self-employment | 14a | 55,024,842 |
| | b Gross farming or fishing income | 14b | |
| | c Gross nonfarm income | 14c | 55,024,842 |
| Credits | 15a Low-income housing credit (section 42(j)(5)) | 15a | |
| | b Low-income housing credit (other) | 15b | |
| | c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468) | 15c | |
| | d Other rental real estate credits (see instructions) Type ▶ | 15d | |
| | e Other rental credits (see instructions) Type ▶ | 15e | |
| | f Other credits (see instructions) Type ▶ | 15f | 75,600 |
| Foreign Transactions | 16a Name of country or U.S. possession ▶ | | |
| | b Gross income from all sources | 16b | |
| | c Gross income sourced at partner level | 16c | |
| | Foreign gross income sourced at partnership level | | |
| | d Passive category ▶ e General category ▶ f Other ▶ | 16f | |
| | Deductions allocated and apportioned at partner level | | |
| | g Interest expense ▶ h Other ▶ | 16h | |
| | Deductions allocated and apportioned at partnership level to foreign source income | | |
| | i Passive category ▶ j General category ▶ k Other ▶ | 16k | |
| l Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/> | 16l | | |
| m Reduction in taxes available for credit (attach statement) | 16m | | |
| n Other foreign tax information (attach statement) | | | |
| Alternative Minimum Tax (AMT) Items | 17a Post-1986 depreciation adjustment | 17a | 199,456 |
| | b Adjusted gain or loss | 17b | |
| | c Depletion (other than oil and gas) | 17c | |
| | d Oil, gas, and geothermal properties—gross income | 17d | |
| | e Oil, gas, and geothermal properties—deductions | 17e | |
| | f Other AMT items (attach statement) | 17f | |
| Other Information | 18a Tax-exempt interest income | 18a | |
| | b Other tax-exempt income | 18b | |
| | c Nondeductible expenses | 18c | 775,128 |
| | 19a Distributions of cash and marketable securities | 19a | 75,140,310 |
| | b Distributions of other property | 19b | |
| | 20a Investment income | 20a | 92,650 |
| b Investment expenses | 20b | | |
| c Other items and amounts (attach statement) | | | |

Analysis of Net Income (Loss)

| | | | | | | | |
|---|---|--------------------------|----------------------------|------------------|-------------------------|--------------------|-------------|
| 1 | Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l | | | | | 1 | 103,652,209 |
| 2 | Analysis by partner type: | | | | | | |
| | (i) Corporate | (ii) Individual (active) | (iii) Individual (passive) | (iv) Partnership | (v) Exempt organization | (vi) Nominee/Other | |
| a | General partners | | | 55,065,902 | | | |
| b | Limited partners | | 48,586,307 | | | | |

| Schedule L Balance Sheets per Books | | Beginning of tax year | | End of tax year | |
|-------------------------------------|---|-----------------------|------------|-----------------|-------------|
| | | (a) | (b) | (c) | (d) |
| Assets | | | | | |
| 1 | Cash | | 15,374,582 | | 41,036,739 |
| 2a | Trade notes and accounts receivable | | | | |
| b | Less allowance for bad debts | | | | |
| 3 | Inventories | | | | |
| 4 | U.S. government obligations | | | | |
| 5 | Tax-exempt securities | | | | |
| 6 | Other current assets (attach statement) | | | | |
| 7 | Mortgage and real estate loans | | | | |
| 8 | Other investments (attach statement) | | | | |
| 9a | Buildings and other depreciable assets | 64,937,028 | | 79,134,516 | |
| b | Less accumulated depreciation | 32,123,456 | 32,813,572 | 26,947,318 | 52,187,198 |
| 10a | Depletable assets | | | | |
| b | Less accumulated depletion | | | | |
| 11 | Land (net of any amortization) | | | | |
| 12a | Intangible assets (amortizable only) | | | | |
| b | Less accumulated amortization | | | | |
| 13 | Other assets (attach statement) | | 13,178,915 | | 15,143,982 |
| 14 | Total assets | | 61,367,069 | | 108,367,919 |
| Liabilities and Capital | | | | | |
| 15 | Accounts payable | | | | |
| 16 | Mortgages, notes, bonds payable in less than 1 year | | | | |
| 17 | Other current liabilities (attach statement) | | 5,478,152 | | 6,183,915 |
| 18 | All nonrecourse loans | | 11,000,000 | | 11,000,000 |
| 19 | Mortgages, notes, bonds payable in 1 year or more | | | | |
| 20 | Other liabilities (attach statement) | | | | |
| 21 | Partners' capital accounts | | 44,888,917 | | 91,184,004 |
| 22 | Total liabilities and capital | | 61,367,069 | | 108,367,919 |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

| | | | | | |
|---|--|--|---|---|--|
| 1 | Net income (loss) per books | | 6 | Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize): | |
| 2 | Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize): | | a | Tax-exempt interest \$ | |
| 3 | Guaranteed payments (other than health insurance) | | 7 | Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize): | |
| 4 | Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize): | | a | Depreciation \$ | |
| a | Depreciation \$ | | | | |
| b | Travel and entertainment \$ | | 8 | Add lines 6 and 7 | |
| 5 | Add lines 1 through 4 | | 9 | Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5 | |

Schedule M-2 Analysis of Partners' Capital Accounts

| | | | | | |
|---|------------------------------|-------------|---|---|------------|
| 1 | Balance at beginning of year | 44,888,917 | 6 | Distributions: a Cash | 75,140,310 |
| 2 | Capital contributed: a Cash | | b | Property | |
| | b Property | | 7 | Other decreases (itemize): | |
| 3 | Net income (loss) per books | 121,435,397 | | | |
| 4 | Other increases (itemize): | | 8 | Add lines 6 and 7 | 75,140,310 |
| 5 | Add lines 1 through 4 | 166,324,314 | 9 | Balance at end of year. Subtract line 8 from line 5 | 91,184,004 |

Form **4562**

Depreciation and Amortization (Including Information on Listed Property)

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

2010
Attachment
Sequence No. **67**

Name(s) shown on return
Sam Starling, LLP

Business or activity to which this form relates
Legal Services

Identifying number
69-0000009

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

| | | | |
|----|---|------------------------------|------------------|
| 1 | Maximum amount. See the instructions for a higher limit for certain businesses | 1 | \$250,000 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 | |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 | \$800,000 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 | |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 | |
| 6 | (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
| 7 | Listed property. Enter the amount from line 29 | 7 | |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 | |
| 9 | Tentative deduction. Enter the smaller of line 5 or line 8 | 9 | |
| 10 | Carryover of disallowed deduction from line 13 of your 2009 Form 4562 | 10 | |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions) | 11 | |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 | 12 | |
| 13 | Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12 ▶ | 13 | |

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

| | | | |
|----|---|----|-----------|
| 14 | Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) | 14 | 3,258,175 |
| 15 | Property subject to section 168(f)(1) election | 15 | |
| 16 | Other depreciation (including ACRS) | 16 | 6,25,392 |

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

| | | | |
|----|--|----|-----------|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2010 | 17 | 2,745,142 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ <input type="checkbox"/> | | |

Section B – Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

| (a) Classification of property | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only—see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|--------------------------------|--------------------------------------|--|---------------------|----------------|------------|----------------------------|
| 19a | 3-year property | | | | | |
| b | 5-year property | 1,428,700 | 5 | HY | DB | 285,740 |
| c | 7-year property | 2,275,000 | 7 | HY | DB | 325,098 |
| d | 10-year property | | | | | |
| e | 15-year property | | | | | |
| f | 20-year property | | | | | |
| g | 25-year property | | 25 yrs. | | S/L | |
| h | Residential rental property | | 27.5 yrs. | MM | S/L | |
| | | | 27.5 yrs. | MM | S/L | |
| i | Nonresidential real property | 1,425,000 | 39 | MM | S/L | 35,069 |

Section C – Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

| | | | | | | |
|-----|------------|--|---------|----|-----|--|
| 20a | Class life | | | | S/L | |
| b | 12-year | | 12 yrs. | | S/L | |
| c | 40-year | | 40 yrs. | MM | S/L | |

Part IV Summary (See instructions.)

| | | | |
|----|---|----|-----------|
| 21 | Listed property. Enter amount from line 28 | 21 | |
| 22 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions | 22 | 7,274,616 |
| 23 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs | 23 | |

Form 4562 (2010)

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No 24b If "Yes," is the evidence written? Yes No

Table with 10 columns: (a) Type of property, (b) Date placed in service, (c) Business/investment use percentage, (d) Cost or other basis, (e) Basis for depreciation, (f) Recovery period, (g) Method/Convention, (h) Depreciation deduction, (i) Elected section 179 cost. Includes rows 25-29.

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

Table with 6 columns: (a) Vehicle 1, (b) Vehicle 2, (c) Vehicle 3, (d) Vehicle 4, (e) Vehicle 5, (f) Vehicle 6. Includes rows 30-36.

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

Table with 2 columns: Yes, No. Includes rows 37-41.

Part VI Amortization

Table with 6 columns: (a) Description of costs, (b) Date amortization begins, (c) Amortizable amount, (d) Code section, (e) Amortization period or percentage, (f) Amortization for this year. Includes rows 42-44.

Form **4562**

Depreciation and Amortization (Including Information on Listed Property)

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

2010
Attachment
Sequence No. **67**

Name(s) shown on return
Sam Starling, LLP

Business or activity to which this form relates
Rental

Identifying number
69-0000009

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

| | | | |
|----|---|------------------------------|------------------|
| 1 | Maximum amount. See the instructions for a higher limit for certain businesses | 1 | \$250,000 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 | |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 | \$800,000 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 | |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 | |
| 6 | (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
| 7 | Listed property. Enter the amount from line 29 | 7 | |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 | |
| 9 | Tentative deduction. Enter the smaller of line 5 or line 8 | 9 | |
| 10 | Carryover of disallowed deduction from line 13 of your 2009 Form 4562 | 10 | |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions) | 11 | |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 | 12 | |
| 13 | Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12 ▶ | 13 | |

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

| | | | |
|----|---|----|--|
| 14 | Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) | 14 | |
| 15 | Property subject to section 168(f)(1) election | 15 | |
| 16 | Other depreciation (including ACRS) | 16 | |

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

| | | | |
|----|--|----|--------|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2010 | 17 | 18,275 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/> | | |

Section B—Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

| (a) Classification of property | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only—see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|--------------------------------|--------------------------------------|--|---------------------|----------------|------------|----------------------------|
| 19a | 3-year property | | | | | |
| b | 5-year property | | | | | |
| c | 7-year property | | | | | |
| d | 10-year property | | | | | |
| e | 15-year property | | | | | |
| f | 20-year property | | | | | |
| g | 25-year property | | 25 yrs. | | S/L | |
| h | Residential rental property | | 27.5 yrs. | MM | S/L | |
| | | | 27.5 yrs. | MM | S/L | |
| i | Nonresidential real property | | 39 yrs. | MM | S/L | |
| | | | | MM | S/L | |

Section C—Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

| | | | | | | |
|-----|------------|--|---------|----|-----|--|
| 20a | Class life | | | | S/L | |
| b | 12-year | | 12 yrs. | | S/L | |
| c | 40-year | | 40 yrs. | MM | S/L | |

Part IV Summary (See instructions.)

| | | | |
|----|---|----|--------|
| 21 | Listed property. Enter amount from line 28 | 21 | |
| 22 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions | 22 | 18,275 |
| 23 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs | 23 | |

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No 24b If "Yes," is the evidence written? Yes No

Table with 10 columns: (a) Type of property, (b) Date placed in service, (c) Business/investment use percentage, (d) Cost or other basis, (e) Basis for depreciation, (f) Recovery period, (g) Method/Convention, (h) Depreciation deduction, (i) Elected section 179 cost. Includes rows 25-29.

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

Table with 6 columns: (a) Vehicle 1, (b) Vehicle 2, (c) Vehicle 3, (d) Vehicle 4, (e) Vehicle 5, (f) Vehicle 6. Includes rows 30-36 with questions about miles driven and personal use.

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

Table with 2 columns: Yes, No. Includes rows 37-41 with questions about written policies and requirements for qualified automobile demonstration use.

Part VI Amortization

Table with 6 columns: (a) Description of costs, (b) Date amortization begins, (c) Amortizable amount, (d) Code section, (e) Amortization period or percentage, (f) Amortization for this year. Includes rows 42-44.

Name(s) shown on return **Sam Starling, LLP** Identifying number **69-0000009**

1 Enter the gross proceeds from sales or exchanges reported to you for 2010 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) **1**

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)

| 2 | (a) Description of property | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) | (d) Gross sales price | (e) Depreciation allowed or allowable since acquisition | (f) Cost or other basis, plus improvements and expense of sale | (g) Gain or (loss) Subtract (f) from the sum of (d) and (e) |
|---|-----------------------------|-----------------------------------|-------------------------------|-----------------------|---|--|---|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

3 Gain, if any, from Form 4684, line 42 **3**
4 Section 1231 gain from installment sales from Form 6252, line 26 or 37 **4**
5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824 **5**
6 Gain, if any, from line 32, from other than casualty or theft. **6**
7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: **7**

Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.
Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.

8 Nonrecaptured net section 1231 losses from prior years (see instructions) **8**
9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions) **9**

Part II Ordinary Gains and Losses (see instructions)

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | | | | |
| | | | | | | |
| | | | | | | |

11 Loss, if any, from line 7 **11** ()
12 Gain, if any, from line 7 or amount from line 8, if applicable **12**
13 Gain, if any, from line 31 **13** 10,000
14 Net gain or (loss) from Form 4684, lines 34 and 41a **14**
15 Ordinary gain from installment sales from Form 6252, line 25 or 36 **15**
16 Ordinary gain or (loss) from like-kind exchanges from Form 8824. **16**
17 Combine lines 10 through 16 **17** 10,000

18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:
a If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions **18a**
b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14 **18b**

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255
(see instructions)

| 19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property: | | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) | | |
|---|---|--------------------------------------|----------------------------------|------------|------------|
| A | Furniture and Fixtures | 10/01/2009 | 01/19/2010 | | |
| B | | | | | |
| C | | | | | |
| D | | | | | |
| These columns relate to the properties on lines 19A through 19D. ▶ | | Property A | Property B | Property C | Property D |
| 20 | Gross sales price (Note: See line 1 before completing.) | 20 | 10,000 | | |
| 21 | Cost or other basis plus expense of sale | 21 | 10,000 | | |
| 22 | Depreciation (or depletion) allowed or allowable. | 22 | 10,000 | | |
| 23 | Adjusted basis. Subtract line 22 from line 21. | 23 | | | |
| 24 | Total gain. Subtract line 23 from line 20 | 24 | 10,000 | | |
| 25 If section 1245 property: | | | | | |
| a | Depreciation allowed or allowable from line 22 | 25a | 10,000 | | |
| b | Enter the smaller of line 24 or 25a | 25b | 10,000 | | |
| 26 If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291. | | | | | |
| a | Additional depreciation after 1975 (see instructions) | 26a | | | |
| b | Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions) | 26b | | | |
| c | Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e | 26c | | | |
| d | Additional depreciation after 1969 and before 1976. | 26d | | | |
| e | Enter the smaller of line 26c or 26d | 26e | | | |
| f | Section 291 amount (corporations only) | 26f | | | |
| g | Add lines 26b, 26e, and 26f. | 26g | | | |
| 27 If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership). | | | | | |
| a | Soil, water, and land clearing expenses | 27a | | | |
| b | Line 27a multiplied by applicable percentage (see instructions) | 27b | | | |
| c | Enter the smaller of line 24 or 27b | 27c | | | |
| 28 If section 1254 property: | | | | | |
| a | Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion (see instructions) | 28a | | | |
| b | Enter the smaller of line 24 or 28a | 28b | | | |
| 29 If section 1255 property: | | | | | |
| a | Applicable percentage of payments excluded from income under section 126 (see instructions) | 29a | | | |
| b | Enter the smaller of line 24 or 29a (see instructions) | 29b | | | |

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

| | | | |
|----|---|----|--------|
| 30 | Total gains for all properties. Add property columns A through D, line 24 | 30 | 10,000 |
| 31 | Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13 | 31 | 10,000 |
| 32 | Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 36. Enter the portion from other than casualty or theft on Form 4797, line 6 | 32 | |

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(see instructions)

| | | (a) Section 179 | (b) Section 280F(b)(2) |
|----|---|-----------------|------------------------|
| 33 | Section 179 expense deduction or depreciation allowable in prior years. | 33 | |
| 34 | Recomputed depreciation (see instructions) | 34 | |
| 35 | Recapture amount. Subtract line 34 from line 33. See the instructions for where to report | 35 | |

Rental Real Estate Income and Expenses of a Partnership or an S Corporation

▶ See instructions on back.
▶ Attach to Form 1065, Form 1065-B, or Form 1120S.

Name **Sam Starling, LLP** Employer identification number **69 0000009**

1 Show the kind and location of each property. See page 2 to list additional properties.

- A **Rental**
- B
- C
- D

| | | Properties | | | |
|---|----|------------|---|---|---|
| | | A | B | C | D |
| Rental Real Estate Income | | | | | |
| 2 Gross rents | 2 | 1,234,900 | | | |
| Rental Real Estate Expenses | | | | | |
| 3 Advertising | 3 | | | | |
| 4 Auto and travel | 4 | | | | |
| 5 Cleaning and maintenance | 5 | | | | |
| 6 Commissions | 6 | | | | |
| 7 Insurance | 7 | | | | |
| 8 Legal and other professional fees | 8 | | | | |
| 9 Interest | 9 | | | | |
| 10 Repairs | 10 | | | | |
| 11 Taxes | 11 | | | | |
| 12 Utilities | 12 | | | | |
| 13 Wages and salaries | 13 | | | | |
| 14 Depreciation (see instructions) | 14 | 18,275 | | | |
| 15 Other (list) ▶ | 15 | 1,013,500 | | | |
| | | | | | |
| | | | | | |
| 16 Total expenses for each property. Add lines 3 through 15 | 16 | 1,031,775 | | | |

| | | | | | |
|--|-----|---------------|--|--|--|
| 17 Total gross rents. Add gross rents from line 2, columns A through H | 17 | 1,234,900 | | | |
| 18 Total expenses. Add total expenses from line 16, columns A through H | 18 | (1,031,775) | | | |
| 19 Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities | 19 | | | | |
| 20a Net income (loss) from rental real estate activities from partnerships, estates, and trusts in which this partnership or S corporation is a partner or beneficiary (from Schedule K-1) | 20a | | | | |
| b Identify below the partnerships, estates, or trusts from which net income (loss) is shown on line 20a. Attach a schedule if more space is needed: | | | | | |
| (1) Name | | | | | |
| (2) Employer identification number | | | | | |
| 21 Net rental real estate income (loss). Combine lines 17 through 20a. Enter the result here and on: | 21 | 203,125 | | | |

1 Show the kind and location of each property.

E -----

F -----

G -----

H -----

| | | Properties | | | | | | | |
|--|----|------------|--|---|--|---|--|---|--|
| | | E | | F | | G | | H | |
| Rental Real Estate Income | | | | | | | | | |
| 2 Gross rents | 2 | | | | | | | | |
| Rental Real Estate Expenses | | | | | | | | | |
| 3 Advertising | 3 | | | | | | | | |
| 4 Auto and travel | 4 | | | | | | | | |
| 5 Cleaning and maintenance | 5 | | | | | | | | |
| 6 Commissions | 6 | | | | | | | | |
| 7 Insurance | 7 | | | | | | | | |
| 8 Legal and other professional fees | 8 | | | | | | | | |
| 9 Interest | 9 | | | | | | | | |
| 10 Repairs | 10 | | | | | | | | |
| 11 Taxes | 11 | | | | | | | | |
| 12 Utilities | 12 | | | | | | | | |
| 13 Wages and salaries | 13 | | | | | | | | |
| 14 Depreciation (see instructions) | 14 | | | | | | | | |
| 15 Other (list) ▶ ----- | 15 | | | | | | | | |
| ----- | | | | | | | | | |
| ----- | | | | | | | | | |
| 16 Total expenses for each property. Add lines 3 through 15 | 16 | | | | | | | | |

Instructions

Section references are to the Internal Revenue Code.

What's New

The IRS will revise this December 2006 version of Form 8825 only when necessary. Continue to use this version of the form for tax years beginning after 2006 until a new revision is issued.

Purpose of form. Partnerships and S corporations use Form 8825 to report income and deductible expenses from rental real estate activities, including net income (loss) from rental real estate activities that flow through from partnerships, estates, or trusts.

Before completing this form, be sure to read:

- *Passive Activity Limitations* in the instructions for Form 1065 or Form 1120S, or *Passive Loss Limitation Activities* in the instructions for Form 1065-B, especially for the definition of "rental activity."
- *Extraterritorial Income Exclusion* in the instructions for Form 1065, 1065-B, or 1120S.

Specific Instructions. Form 8825 provides space for up to eight properties. If there are more than eight properties, attach additional Forms 8825.

The number of columns to be used for reporting income and expenses on this form may differ from the number of rental real estate activities the partnership or S corporation has for purposes of the passive activity limitations. For example, a partnership owns two apartment buildings, each located in a different city. For purposes of the passive activity limitations, the partnership grouped both buildings into a single activity. Although the partnership has only one rental real estate activity for purposes of the

passive activity limitations, it must report the income and deductions for each building in separate columns.

However, if the partnership or S corporation has more than one rental real estate activity for purposes of the passive activity limitations, attach a statement to Schedule K that reports the net income (loss) for each separate activity. Also, attach a statement to each Schedule K-1 that reports each partner's or shareholder's share of the net income (loss) by separate activity (except for limited partners in an electing large partnership). See *Passive Activity Reporting Requirements* in the instructions for Form 1065, Form 1065-B, or Form 1120S for additional information that must be provided for each activity.

Complete lines 1 through 16 for each property. But complete lines 17 through 21 on only one Form 8825. The figures on lines 17 and 18 should be the combined totals for all forms.

Do not report on Form 8825 any:

- Income or deductions from a trade or business activity or a rental activity other than rental real estate. These items are reported elsewhere.
- Portfolio income or deductions.
- Section 179 expense deduction.
- Other items that must be reported separately to the partners or shareholders.
- Commercial revitalization deductions.

Line 1. Show the kind of property rented out (for example, "apartment building"). Give the street address, city or town, and state.

Line 14. The partnership or S corporation may claim a depreciation deduction each year for

rental property (except for land, which is not depreciable). If the partnership or S corporation placed property in service during the current tax year or claimed depreciation on any vehicle or other listed property, complete and attach Form 4562, Depreciation and Amortization. See Form 4562 and its instructions to figure the depreciation deduction.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: Recordkeeping, 6 hr., 27 min.; Learning about the law or the form, 34 min.; Preparing the form, 1 hr., 37 min.; Copying, assembling, and sending the form to the IRS, 16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

69-0000009
**Empowerment Zone and Renewal
 Community Employment Credit**

▶ **Attach to your tax return.**

| Name(s) shown on return | | Identifying number | |
|--------------------------|---|--------------------|---------------|
| Sam Starling, LLP | | 69-0000009 | |
| 1 | Enter the total qualified wages paid or incurred during calendar year 2009 only (see instructions) | | |
| a | Qualified empowerment zone wages \$ <u>200,000</u> X 20% (.20) | 1a | 40,000 |
| b | Qualified renewal community wages \$ _____ X 15% (.15) | 1b | |
| 2 | Add lines 1a and 1b. See instructions for the adjustment you must make to salaries and wages | 2 | 40,000 |
| 3 | Empowerment zone and renewal community employment credit from partnerships, S corporations, cooperatives, estates, and trusts | 3 | |
| 4 | Add lines 2 and 3. Partnerships and S corporations, report this amount on Schedule K; all others, go to line 5 | 4 | 40,000 |
| 5 | Empowerment zone and renewal community employment credit included on line 4 from passive activities (see instructions) | 5 | |
| 6 | Subtract line 5 from line 4 | 6 | |
| 7 | Passive activity credit allowed for 2009 (see instructions) | 7 | |
| 8 | Carryforward of empowerment zone and renewal community employment credit to 2009 | 8 | |
| 9 | Carryback of empowerment zone and renewal community employment credit from 2010 (see instructions) | 9 | |
| 10 | Add lines 6 through 9. Cooperatives, estates, and trusts, go to line 11. All others, report this amount on Form 3800, line 24 | 10 | |
| 11 | Amount allocated to the patrons of the cooperative or the beneficiaries of the estate or trust (see instructions) | 11 | |
| 12 | Cooperatives, estates, and trusts. Subtract line 11 from line 10. Report this amount on Form 3800, line 24 | 12 | |

**Credit for Employer-Provided Childcare
 Facilities and Services**

▶ Attach to your tax return.

| Name(s) shown on return | | Identifying number | |
|-------------------------|--|--------------------|--------|
| Sam Starling, LLP | | 69-0000009 | |
| 1 | Qualified childcare facility expenditures paid or incurred | 1 | |
| 2 | Enter 25% (.25) of line 1 | 2 | |
| 3 | Qualified childcare resource and referral expenditures paid or incurred | 3 | |
| 4 | Enter 10% (.10) of line 3 | 4 | |
| 5 | Credit for employer-provided childcare facilities and services from partnerships, S corporations, estates, and trusts | 5 | 35,000 |
| 6 | Add lines 2, 4, and 5 | 6 | 35,000 |
| 7 | Enter the smaller of line 6 or \$150,000 . Estates and trusts, go to line 8. All others report this amount as follows: partnerships and S corporations, report this amount on Schedule K; all others, report the credit on the applicable line of Form 3800, (e.g., line 1n of the 2006 Form 3800) | 7 | 35,000 |
| 8 | Amount allocated to beneficiaries of the estate or trust (see instructions) | 8 | |
| 9 | Estates and trusts. Subtract line 8 from line 7. Report the credit on the applicable line of Form 3800 (e.g., line 1n of the 2006 Form 3800) | 9 | |

General Instructions

Section references are to the Internal Revenue Code.

What's New

- The tax liability limit is no longer figured on this form. Instead, it must be figured on Form 3800, General Business Credit.
- Taxpayers that are not partnerships, S corporations, estates, or trusts, and whose only source of this credit is from those pass-through entities, are not required to complete or file this form. Instead, they can report this credit directly on line 1n of Form 3800.
- The IRS will revise this December 2006 version of the form only when necessary. Continue to use this version for tax years beginning after 2005 until a new revision is issued.

Purpose of Form

Employers use Form 8882 to claim the credit for qualified childcare facility and resource and referral expenditures. The credit is part of the general business credit. You may claim the credit any time within 3 years from the due date of your return on either an original or amended return.

For details, see section 45F.

How To Figure the Credit

The credit is 25% of the qualified childcare facility expenditures plus 10% of the qualified childcare resource and referral expenditures paid or incurred during the tax year. The credit is limited to \$150,000 per tax year.

Qualified childcare expenditures are amounts paid or incurred:

- To acquire, construct, rehabilitate, or expand property that:
 1. Is to be used as part of a qualified childcare facility of the taxpayer,
 2. Is depreciable (or amortizable) property, and
 3. Is not part of the principal residence of the taxpayer or any employee of the taxpayer;
- For the operating expenses of a qualified childcare facility of the taxpayer, including expenses for training of employees, scholarship programs, and providing increased compensation to employees with higher levels of childcare training; or
- Under a contract with a qualified childcare facility to provide childcare services to employees of the taxpayer.

Note. Any expenses for childcare included in qualified childcare facility expenditures may not exceed the fair market value of such care.

A *qualified childcare facility* is a facility that meets the requirements of all applicable laws and regulations of the state or local government in which it is located, including the licensing of the facility as a childcare facility. The following conditions must also be met.

- The principal use of the facility must be to provide childcare (unless the facility is also the personal residence of the person operating the facility).
- Enrollment in the facility must be open to employees of the taxpayer during the tax year.

Department of the Treasury
 Internal Revenue Service

▶ **Attach to Form 1065. See separate instructions.**

Name of partnership

Sam Starling, LLP

Employer identification number

69-0000009

| | | Yes | No |
|---|---|-----|----|
| 1 | At any time during the tax year, were there any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8? | | X |
| 2 | Do the amounts reported on Schedule M-3, Part II, lines 7 or 8, column (d), reflect allocations to this partnership from another partnership of income, gain, loss, deduction, or credit that are disproportionate to this partnership's share of capital in such partnership or its ratio for sharing other items of such partnership? | | X |
| 3 | At any time during the tax year, did the partnership sell, exchange, or transfer any interest in an intangible asset to a related person as defined in sections 267(b) and 707(b)(1)? | | X |
| 4 | At any time during the tax year, did the partnership acquire any interest in an intangible asset from a related person as defined in sections 267(b) and 707(b)(1)? | | X |
| 5 | At any time during the tax year, did the partnership make any change in accounting principle for financial accounting purposes? See instructions for a definition of change in accounting principle | | X |
| 6 | At any time during the tax year, did the partnership make any change in a method of accounting for U.S. income tax purposes? | | X |

For Paperwork Reduction Act Notice, see the Instructions for Form 1065.

Cat. No. 49945S

Schedule C (Form 1065) 2010

Sam Starling, LLP

Employer identification number
 69-0000009

This Schedule M-3 is being filed because (check all that apply):

- A** The amount of the partnership's total assets at the end of the tax year is equal to \$10 million or more.
- B** The amount of the partnership's adjusted total assets for the year is equal to \$10 million or more. If box B is checked, enter the amount of adjusted total assets for the tax year 183,508,229.
- C** The amount of total receipts for the tax year is equal to \$35 million or more. If box C is checked, enter the total receipts for the tax year 323,558,263.
- D** An entity that is a reportable entity partner with respect to the partnership owns or is deemed to own an interest of 50 percent or more in the partnership's capital, profit, or loss, on any day during the tax year of the partnership.

| Name of Reportable Entity Partner | Identifying Number | Maximum Percentage Owned or Deemed Owned |
|-----------------------------------|--------------------|--|
| | | |
| | | |

E Voluntary Filer

Part I Financial Information and Net Income (Loss) Reconciliation

- 1a** Did the partnership file SEC Form 10-K for its income statement period ending with or within this tax year?
 Yes. Skip lines 1b and 1c and complete lines 2 through 11 with respect to that SEC Form 10-K.
 No. Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.
- b** Did the partnership prepare a certified audited non-tax-basis income statement for that period?
 Yes. Skip line 1c and complete lines 2 through 11 with respect to that income statement.
 No. Go to line 1c.
- c** Did the partnership prepare a non-tax-basis income statement for that period?
 Yes. Complete lines 2 through 11 with respect to that income statement.
 No. Skip lines 2 through 3b and enter the partnership's net income (loss) per its books and records on line 4a.
- 2** Enter the income statement period: Beginning 01 / 01 / 2010 Ending 12 / 31 / 2010
- 3a** Has the partnership's income statement been restated for the income statement period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.
- b** Has the partnership's income statement been restated for any of the five income statement periods preceding the period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.

| | | |
|---|-----------|-------------|
| 4a Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1 | 4a | 121,435,397 |
| b Indicate accounting standard used for line 4a (see instructions): 1 <input checked="" type="checkbox"/> GAAP 2 <input type="checkbox"/> IFRS 3 <input type="checkbox"/> 704(b) 4 <input type="checkbox"/> Tax-basis 5 <input type="checkbox"/> Other: (Specify) ▶ _____ | | |
| 5a Net income from nonincludible foreign entities (attach schedule) | 5a | () |
| b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) | 5b | |
| 6a Net income from nonincludible U.S. entities (attach schedule) | 6a | () |
| b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount) | 6b | |
| 7a Net income (loss) of other foreign disregarded entities (attach schedule) | 7a | |
| b Net income (loss) of other U.S. disregarded entities (attach schedule) | 7b | |
| 8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule) | 8 | |
| 9 Adjustment to reconcile income statement period to tax year (attach schedule) | 9 | |
| 10 Other adjustments to reconcile to amount on line 11 (attach schedule) | 10 | |
| 11 Net income (loss) per income statement of the partnership. Combine lines 4 through 10 | 11 | 121,435,397 |

12 Enter the total amount (not just the partnership's share) of the assets and liabilities of all entities included or removed on the following lines:

| | Total Assets | Total Liabilities |
|-------------------------------------|--------------|-------------------|
| a Included on Part I, line 4 | 108,367,919 | 17,183,000 |
| b Removed on Part I, line 5 | | |
| c Removed on Part I, line 6 | | |
| d Included on Part I, line 7 | | |

| | |
|---|---|
| Name of partnership Sam Starling, LLP | Employer identification number 69-0000009 |
|---|---|

Part II Reconciliation of Net Income (Loss) per Income Statement of Partnership with Income (Loss) per Return

| Income (Loss) Items | (a) Income (Loss) per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Income (Loss) per Tax Return |
|--|---|--------------------------------|--------------------------------|--|
| (Attach schedules for lines 1 through 9) | | | | |
| 1 | Income (loss) from equity method foreign corporations | | | |
| 2 | Gross foreign dividends not previously taxed | | | |
| 3 | Subpart F, QEF, and similar income inclusions | | | |
| 4 | Gross foreign distributions previously taxed | | | |
| 5 | Income (loss) from equity method U.S. corporations | | | |
| 6 | U.S. dividends | | | |
| 7 | Income (loss) from U.S. partnerships | | | |
| 8 | Income (loss) from foreign partnerships | | | |
| 9 | Income (loss) from other pass-through entities | | | |
| 10 | Items relating to reportable transactions (attach details) | | | |
| 11 | Interest income (attach Form 8916-A) | | | |
| 12 | Total accrual to cash adjustment | | | |
| 13 | Hedging transactions | | | |
| 14 | Mark-to-market income (loss) | | | |
| 15 | Cost of goods sold (attach Form 8916-A) | () | | () |
| 16 | Sale versus lease (for sellers and/or lessors) | | | |
| 17 | Section 481(a) adjustments | | | |
| 18 | Unearned/deferred revenue | | | |
| 19 | Income recognition from long-term contracts | | | |
| 20 | Original issue discount and other imputed interest | | | |
| 21a | Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities | 10,000 | | |
| b | Gross capital gains from Schedule D, excluding amounts from pass-through entities | | | |
| c | Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses | | | |
| d | Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses | | | 10,000 |
| e | Abandonment losses | | | |
| f | Worthless stock losses (attach details) | | | |
| g | Other gain/loss on disposition of assets other than inventory | | | |
| 22 | Other income (loss) items with differences (attach schedule) | | | |
| 23 | Total income (loss) items. Combine lines 1 through 22 | 10,000 | | 10,000 |
| 24 | Total expense/deduction items. (from Part III, line 31) (see instructions) | (12,959,362) | 4,116,715 | (21,899,903) |
| 25 | Other items with no differences | 134,835,397 | | 134,385,259 |
| 26 | Reconciliation totals. Combine lines 23 through 25 | 121,435,397 | 4,116,715 | (21,899,903) |

Note. Line 26, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1065, page 5, Analysis of Net Income (Loss), line 1.

| | |
|---|---|
| Name of partnership Sam Starling, LLP | Employer identification number 69-0000009 |
|---|---|

Part III Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return—Expense/Deduction Items

| | (a) Expense per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Deduction per Tax Return |
|---|--|--------------------------------|--------------------------------|------------------------------------|
| 1 State and local current income tax expense | | | | |
| 2 State and local deferred income tax expense | | | | |
| 3 Foreign current income tax expense (other than foreign withholding taxes) | | | | |
| 4 Foreign deferred income tax expense | | | | |
| 5 Equity-based compensation | | | | |
| 6 Meals and entertainment | 1,550,256 | | (775,128) | 775,128 |
| 7 Fines and penalties | | | | |
| 8 Judgments, damages, awards, and similar costs | | | | |
| 9 Guaranteed payments | | | 22,675,031 | 22,675,031 |
| 10 Pension and profit-sharing | | | | |
| 11 Other post-retirement benefits | | | | |
| 12 Deferred compensation | | | | |
| 13 Charitable contribution of cash and tangible property | | | | |
| 14 Charitable contribution of intangible property | | | | |
| 15 Organizational expenses as per Regulations section 1.709-2(a) | | | | |
| 16 Syndication expenses as per Regulations section 1.709-2(b) | | | | |
| 17 Current year acquisition/reorganization investment banking fees | | | | |
| 18 Current year acquisition/reorganization legal and accounting fees | | | | |
| 19 Amortization/impairment of goodwill | | | | |
| 20 Amortization of acquisition, reorganization, and start-up costs | | | | |
| 21 Other amortization or impairment write-offs | | | | |
| 22 Section 198 environmental remediation costs | | | | |
| 23a Depletion—Oil & Gas | | | | |
| b Depletion—Other than Oil & Gas | | | | |
| 24 Intangible drilling & development costs | | | | |
| 25 Depreciation | 11,409,606 | (4,116,715) | | 7,292,891 |
| 26 Bad debt expense | | | | |
| 27 Interest expense (attach Form 8916-A) | | | | |
| 28 Purchase versus lease (for purchasers and/ or lessees) | | | | |
| 29 Research and development costs (attach schedule) | | | | |
| 30 Other expense/deduction items with differences (attach schedule) | | | | |
| 31 Total expense/deduction items. Combine lines 1 through 30. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive | 12,959,862 | (4,116,715) | 21,899,903 | 30,743,050 |

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000009

B Partnership's name, address, city, state, and ZIP code

Sam Starling, LLP 631 N McKinley Drive Reno, NV 89510

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 69-1000001

F Partner's name, address, city, state, and ZIP code

Barton and Jenkins Enterprise RR 510 W Anchorage, AK 99502

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Partnership

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. Values: 40%, 40%, 40%, 40%

K Partner's share of liabilities at year end: Nonrecourse \$ 4,400,000

L Partner's capital account analysis: Beginning capital account \$ 17,955,568

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss? Yes No

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with columns: Line number, Description, Amount, Code. Rows include Ordinary business income (loss), Net rental real estate income (loss), Other net rental income (loss), etc.

*See attached statement for additional information.

For IRS Use Only

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000009

B Partnership's name, address, city, state, and ZIP code

Sam Starling, LLP 631 N McKinley Drive Reno, NV 89510

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 000-00-0022

F Partner's name, address, city, state, and ZIP code

Sam Starling P.O. Box 99 7 Birch Branch St. Johns, NFLD Canada, A1C5N5

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Individual

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. Values: .6%, .6%, .6%, .6%

K Partner's share of liabilities at year end:

Table with columns: Nonrecourse, Qualified nonrecourse financing, Recourse. Values: \$66,000

L Partner's capital account analysis:

Table with columns: Beginning capital account, Capital contributed during the year, Current year increase (decrease), Withdrawals & distributions, Ending capital account. Values: \$269,334, \$728,613, \$450,842, \$547,104

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss?

Yes No If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Main table with 4 columns: Line number, Description, Amount, and Code. Rows include Ordinary business income (484,089), Net rental real estate income (1,219), Other net rental income, Guaranteed payments, Interest income (556), Dividends, Royalties, Capital gains, Section 179 deduction, Other deductions, Self-employment earnings, etc.

*See attached statement for additional information.

For IRS Use Only

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000009

B Partnership's name, address, city, state, and ZIP code

Sam Starling, LLP 631 N McKinley Drive Reno, NV 89510

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 990-00-0001

F Partner's name, address, city, state, and ZIP code

Taxpayer 1 P.O. Box 0001 Reno, NV 89510

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Individual

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. Values: .6 %, .6 %, .6 %, .6 %

K Partner's share of liabilities at year end:

Table with columns: Nonrecourse, Qualified nonrecourse financing, Recourse. Values: \$ 66,000

L Partner's capital account analysis:

Table with columns: Beginning capital account, Capital contributed during the year, Current year increase (decrease), Withdrawals & distributions, Ending capital account. Values: \$ 269,334, \$ 728,613, \$ (450,842), \$ 547,104

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss?

Yes No If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with columns: Line number, Description, Amount, Code. Rows include Ordinary business income (loss), Net rental real estate income (loss), Other net rental income (loss), Guaranteed payments, Interest income, Ordinary dividends, Qualified dividends, Royalties, Net short-term capital gain (loss), Net long-term capital gain (loss), Collectibles (28%) gain (loss), Unrecaptured section 1250 gain, Net section 1231 gain (loss), Other income (loss), Section 179 deduction, Other deductions, Self-employment earnings (loss), Distributions, Other information.

*See attached statement for additional information.

For IRS Use Only

TEST SCENARIO 10 (K-1 Aggregator)

Test Scenario 10 uses the Form 1065 and related forms and schedules from Test Scenario 3, with these exceptions:

- The number of K-1's is 101
- The ordinary Business Income/Loss Statement is attached to all 101 K-1's.

Test Scenario 10 shows three K-1's: XYZ Management
ABC Investments
Taxpayer B1 (990-00-0001)

Create the other 98 K-1's using this information:

- The partner's identifying number will increase by 1 (990-00-0002, 990-00-0003, 990-00-0004...through 990-20-0099)
- The partner's name will increase by 1 (Taxpayer B1 Taxpayer B2 Taxpayer B3 through Taxpayer B99)
- Use the same address as Taxpayer B1
- The 98 partners are limited partners, domestic partners, and individuals
- Use the same profit/loss/capitol percentages as Taxpayer B1

The Business Income Loss Statements attached to the K-1's will be:

Ordinary Business Income (Loss) Statement (Schedule K-1 (Form 1065), Part III, Line 1)

| Taxpayer B1 through Taxpayer B99 | |
|---|-------|
| Mai Tai Investments | 38 |
| Cancellation of Debt | 2 |
| Services Fees | 1,500 |

Ordinary Business Income (Loss) Statement (Schedule K-1 (Form 1065), Part III, Line 1)

| XYZ Management | |
|-----------------------|------------|
| Mai Tai Investments | 1,022,953 |
| Cancellation of Debt | 54,000 |
| Services Fees | 39,988,025 |

Ordinary Business Income (Loss) Statement (Schedule K-1 (Form 1065), Part III, Line 1)

| ABC Investments | |
|------------------------|------------|
| Mai Tai Investments | 1,534,429 |
| Cancellation of Debt | 81,000 |
| Services Fees | 59,982,038 |

TEST SCENARIO 10**FORMS REQUIRED:**

1065, Schedule M-3 (F1065), Schedule C (F1065), 8865, Schedule K-1(1065B) (101), Schedule O (F8865), 4562

ATTACHMENTS:

Ordinary Income (Loss) From Other Partnerships, Estates, and Trusts Statement
Other Income (Loss) Statement (Form 1065, Line 7, Other Income (Loss); Form 1065 Instructions, other Income (Loss) Pg 15)
Ownership of Any Interest in Another Partnership or Foreign Entity Statement
Section 754 Election

BINARY ATTACHMENTS: None

HEADER INFO:

Tax Period: Calendar Year 2010

Preparer Firm: Electronic Tax Filers, Inc 69-0000098
123 Any Street
Anytown, NY 11717

IP Address: 100.100.100

Multiple Software Packages Used: Yes or No

Originator: **EFIN: Self-select**
Type: ERO
Practitioner PIN:
EFIN: Self-select
PIN: Self-select
PIN Entered by – ERO

Signature Option: PIN Number

Return Type: 1065

Filer: **EIN: 69-0000010**
Name: Carlton Asset Management L P
Name Control: CARL
Address: 1678 South Hoover Blvd
San Francisco, CA 94101

Partner: **Name: Tony Carlton**
Title: President
Taxpayer PIN: 0200-
Phone: 555-555-5555
Email Address: Anymail@email.com
Date Signed: 03/15/2011

Preparer: **Name: John Smith**
PTIN: 00-0000010
Phone: 555-631-1212
Email Address: Anymail@email.com
Date Prepared: 03/14/2011
Self Employed: No

Details for attachments to Form
Attachment 1, Form 1065, Line 4 (Ordinary Income (Loss) From Other Partnerships, Estates, and Trusts Statement)

| Partnership, Estate or Trusts Name | Address | EIN | Trade or Business Activity | Amount |
|------------------------------------|--|------------|----------------------------|--------------|
| Mai Tai Investments | 1-2-3 Ginsu Chuo-Ku Tokyo, 190-2182 | 69-0000099 | Security Dealing | \$10,229,525 |

Attachment 2, Form 1065, Page 1, Line 7 (Other Income (Loss) Statement)

| | |
|----------------------|---------------|
| Cancellation of Debt | \$540,000 |
| Services Fees | \$399,880,252 |

Attachment 3, Form 1065, Page 1, Line 20 (Itemized Other Deductions Statement)

| | |
|--------------------------|-----------|
| Legal and Accounting | \$216,572 |
| Bank Fees | \$142,080 |
| Travel and Entertainment | \$40,000 |

Form 1065 (Publicly Traded Partnership) Line 22 (ThreeAndOneHalfPercent)

| |
|--------------------------------------|
| 3.5% Publicly Traded Partnership Tax |
| \$14,372,742 |

Attachment 5, Form 1065, Schedule B, Question 3 (Ownership of Any Interest in Another Partnership or Foreign Entity Statement)

| Type of Entity | Entity Name | EIN | Country |
|----------------|---------------------|------------|---------|
| Partnership | Mai Tai Partnership | 69-0000099 | Japan |

Attachment 6, Form 1065, Page 2, Schedule B, Line 11 (Section 754 Election)

| | |
|-------------------------|---|
| Name of Partnership | Carlton Asset Management L P |
| Partnership Address | 1678 South Hoover Blvd San Francisco, CA 94101 |
| Section 754 Declaration | Made a section 754 declaration |

Attachment 7, Form 1065, Schedule M-3, Part II, Line 8 (Income (loss) From Foreign Partnerships Schedule)

| Name | EIN | EOY Profit Sharing Percentage | EOY Loss Sharing Percentage | Income per Income Statement | Amount |
|---------------------|------------|-------------------------------|-----------------------------|-----------------------------|--------------|
| Mai Tai Investments | 69-0000099 | 25% | 25% | \$10,229,525 | \$10,229,525 |

Form **1065**
Department of the Treasury
Internal Revenue Service

U.S. Return of Partnership Income

For calendar year 2010, or tax year beginning _____, 2010, ending _____, 20_____

▶ See separate instructions.

2010

| | | | |
|--|---|---|---|
| A Principal business activity Management | Use the IRS label. Otherwise, print or type. | Name of partnership Carlton Assets Management, LP | D Employer identification number 69-0000010 |
| B Principal product or service Financial Invest | | Number, street, and room or suite no. If a P.O. box, see the instructions. 1678 South Hoover Blvd | E Date business started 10/23/1998 |
| C Business code number 523900 | | City or town, state, and ZIP code San Francisco, CA 94101 | F Total assets (see the instructions) \$ 6,275,256 |

- G** Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return
(6) Technical termination - also check (1) or (2)
- H** Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶ _____
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ _____ **3**
- J** Check if Schedules C and M-3 are attached

Caution. Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

| | | | | | |
|--|--|------------|--------|-----------------------|----------------------|
| Income | 1a Gross receipts or sales | 1a | | | |
| | b Less returns and allowances | 1b | | | 1c |
| | 2 Cost of goods sold (Schedule A, line 8) | | | | 2 |
| | 3 Gross profit. Subtract line 2 from line 1c | | | | 3 |
| | 4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) | | | | 4 10,229,525 |
| | 5 Net farm profit (loss) (attach Schedule F (Form 1040)) | | | | 5 |
| | 6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | | 6 |
| | 7 Other income (loss) (attach statement) | | | | 7 400,420,252 |
| 8 Total income (loss). Combine lines 3 through 7 | | | | 8 410,649,777 | |
| Deductions <small>(see the instructions for limitations)</small> | 9 Salaries and wages (other than to partners) (less employment credits) | | | | 9 1,179,658 |
| | 10 Guaranteed payments to partners | | | | 10 561,900 |
| | 11 Repairs and maintenance | | | | 11 8,610 |
| | 12 Bad debts | | | | 12 |
| | 13 Rent | | | | 13 729,654 |
| | 14 Taxes and licenses | | | | 14 871,972 |
| | 15 Interest | | | | 15 |
| | 16a Depreciation (if required, attach Form 4562) | 16a | 62,765 | | |
| | b Less depreciation reported on Schedule A and elsewhere on return | 16b | | | 16c 62,765 |
| | 17 Depletion (Do not deduct oil and gas depletion.) | | | | 17 |
| | 18 Retirement plans, etc. | | | | 18 345,678 |
| | 19 Employee benefit programs | | | | 19 |
| | 20 Other deductions (attach statement) | | | | 20 398,652 |
| | 21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20. | | | | 21 4,158,889 |
| 22 Ordinary business income (loss). Subtract line 21 from line 8 | | | | 22 406,490,888 | |

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

▶ _____ ▶
Signature of general partner or limited liability company member manager Date

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer's Use Only

| | | | |
|--|--|---|--|
| Preparer's signature John Smith | Date 03/14/2011 | Check if self-employed <input type="checkbox"/> | PTIN P00000010 |
| Firm's name (or yours if self-employed), address, and ZIP code | ELECTRIC TAX FILERS INC 1065 EFILE DRIVE, ANYTOWN, NV 89501 | | EIN ▶ 69-0000098 Phone no. 555-631-1212 |

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11390Z

Form **1065** (2010)

Schedule A Cost of Goods Sold (see the instructions)

| | | | | |
|----------|--|----------|--|--|
| 1 | Inventory at beginning of year | 1 | | |
| 2 | Purchases less cost of items withdrawn for personal use | 2 | | |
| 3 | Cost of labor | 3 | | |
| 4 | Additional section 263A costs (<i>attach statement</i>) | 4 | | |
| 5 | Other costs (<i>attach statement</i>) | 5 | | |
| 6 | Total. Add lines 1 through 5 | 6 | | |
| 7 | Inventory at end of year | 7 | | |
| 8 | Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2 | 8 | | |

9a Check all methods used for valuing closing inventory:

- (i) Cost as described in Regulations section 1.471-3
- (ii) Lower of cost or market as described in Regulations section 1.471-4
- (iii) Other (specify method used and attach explanation) ▶

- b** Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) . . . ▶
- c** Check this box if the LIFO inventory method was adopted this tax year for any goods (*if checked, attach Form 970*) . . ▶
- d** Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? **Yes** **No**
- e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? . . **Yes** **No**
If "Yes," attach explanation.

Schedule B Other Information

| | | Yes | No |
|----------|---|-----|----|
| 1 | What type of entity is filing this return? Check the applicable box: | | |
| a | <input type="checkbox"/> Domestic general partnership | | |
| b | <input checked="" type="checkbox"/> Domestic limited partnership | | |
| c | <input type="checkbox"/> Domestic limited liability company | | |
| d | <input type="checkbox"/> Domestic limited liability partnership | | |
| e | <input type="checkbox"/> Foreign partnership | | |
| f | <input type="checkbox"/> Other ▶ | | |
| 2 | At any time during the tax year, was any partner in the partnership a disregarded entity, a partnership (including an entity treated as a partnership), a trust, an S corporation, an estate (other than an estate of a deceased partner), or a nominee or similar person? | X | |
| 3 | At the end of the tax year: | | |
| a | Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership | X | |
| b | Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership | | X |
| 4 | At the end of the tax year, did the partnership: | | |
| a | Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below | | X |

| (i) Name of Corporation | (ii) Employer Identification Number (if any) | (iii) Country of Incorporation | (iv) Percentage Owned in Voting Stock |
|-------------------------|--|--------------------------------|---------------------------------------|
| | | | |
| | | | |
| | | | |
| | | | |

| | | |
|--|---|--|
| b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below | X | |
|--|---|--|

| (i) Name of Entity | (ii) Employer Identification Number (if any) | (iii) Type of Entity | (iv) Country of Organization | (v) Maximum Percentage Owned in Profit, Loss, or Capital |
|--------------------|--|----------------------|------------------------------|--|
| Mai Tai Investment | 69-0000099 | Partnership | Japan | 25% |
| | | | | |
| | | | | |
| | | | | |

| | | Yes | No |
|------------|---|-----|----|
| 5 | Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details | | X |
| 6 | Does the partnership satisfy all four of the following conditions? | | |
| a | The partnership's total receipts for the tax year were less than \$250,000. | | |
| b | The partnership's total assets at the end of the tax year were less than \$1 million. | | |
| c | Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. | | |
| d | The partnership is not filing and is not required to file Schedule M-3 If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item L on Schedule K-1. | | X |
| 7 | Is this partnership a publicly traded partnership as defined in section 469(k)(2)? | | X |
| 8 | During the tax year, did the partnership have any debt that was cancelled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt? | | X |
| 9 | Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction? | | X |
| 10 | At any time during calendar year 2010, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If "Yes," enter the name of the foreign country. ► | | X |
| 11 | At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. See instructions | | X |
| 12a | Is the partnership making, or had it previously made (and not revoked), a section 754 election? See instructions for details regarding a section 754 election. | X | |
| b | Did the partnership make for this tax year an optional basis adjustment under section 743(b) or 734(b)? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions | | X |
| c | Is the partnership required to adjust the basis of partnership assets under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions. | | X |
| 13 | Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than entities wholly-owned by the partnership throughout the tax year) <input type="checkbox"/> | | |
| 14 | At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property? | | X |
| 15 | If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, enter the number of Forms 8858 attached. See instructions ► | | |
| 16 | Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership. ► | | X |
| 17 | Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ► 1 | | |

Designation of Tax Matters Partner (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

| | | | |
|---|--|---------------------------|----------------|
| Name of designated TMP | ► XYZ Management | Identifying number of TMP | ► 69-30000001 |
| If the TMP is an entity, name of TMP representative | ► Juan Mefilers | Phone number of TMP | ► 555-555-5555 |
| Address of designated TMP | ► 7272 W. Truman Ave Sacramento, CA 95813 | | |

| Schedule K Partners' Distributive Share Items | | Total amount | |
|--|--|---------------------|-------------|
| Income (Loss) | 1 Ordinary business income (loss) (page 1, line 22) | 1 | 406,490,888 |
| | 2 Net rental real estate income (loss) (<i>attach Form 8825</i>) | 2 | |
| | 3a Other gross rental income (loss) 3a | | |
| | b Expenses from other rental activities (<i>attach statement</i>) 3b | | |
| | c Other net rental income (loss). Subtract line 3b from line 3a 3c | | |
| | 4 Guaranteed payments 4 | | 561,900 |
| | 5 Interest income 5 | | 36,525 |
| | 6 Dividends: a Ordinary dividends 6a | | |
| | b Qualified dividends 6b | | |
| | 7 Royalties 7 | | |
| | 8 Net short-term capital gain (loss) (<i>attach Schedule D (Form 1065)</i>) 8 | | |
| 9a Net long-term capital gain (loss) (<i>attach Schedule D (Form 1065)</i>) 9a | | | |
| b Collectibles (28%) gain (loss) 9b | | | |
| c Unrecaptured section 1250 gain (<i>attach statement</i>) 9c | | | |
| 10 Net section 1231 gain (loss) (<i>attach Form 4797</i>) 10 | | | |
| 11 Other income (loss) (<i>see instructions</i>) Type ▶ 11 | | | |
| Deductions | 12 Section 179 deduction (<i>attach Form 4562</i>) 12 | | 43,332 |
| | 13a Contributions 13a | | |
| | b Investment interest expense 13b | | |
| | c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶ 13c(2) | | |
| d Other deductions (<i>see instructions</i>) Type ▶ 13d | | | |
| Self-Employment | 14a Net earnings (loss) from self-employment 14a | | 41,210,989 |
| | b Gross farming or fishing income 14b | | |
| | c Gross nonfarm income 14c | | 41,210,989 |
| Credits | 15a Low-income housing credit (section 42(j)(5)) 15a | | |
| | b Low-income housing credit (other) 15b | | |
| | c Qualified rehabilitation expenditures (rental real estate) (<i>attach Form 3468</i>) 15c | | |
| | d Other rental real estate credits (<i>see instructions</i>) Type ▶ 15d | | |
| | e Other rental credits (<i>see instructions</i>) Type ▶ 15e | | |
| | f Other credits (<i>see instructions</i>) Type ▶ 15f | | |
| Foreign Transactions | 16a Name of country or U.S. possession ▶ JA 16a | | |
| | b Gross income from all sources 16b | | 10,229,530 |
| | c Gross income sourced at partner level 16c | | |
| | <i>Foreign gross income sourced at partnership level</i> | | |
| | d Passive category ▶ 10,229,530 e General category ▶ f Other ▶ 16f | | |
| | <i>Deductions allocated and apportioned at partner level</i> | | |
| | g Interest expense ▶ h Other ▶ 16h | | |
| | <i>Deductions allocated and apportioned at partnership level to foreign source income</i> | | |
| | i Passive category ▶ j General category ▶ k Other ▶ 16k | | |
| l Total foreign taxes (check one): ▶ Paid <input checked="" type="checkbox"/> Accrued <input type="checkbox"/> 16l | | 632,510 | |
| m Reduction in taxes available for credit (<i>attach statement</i>) 16m | | | |
| n Other foreign tax information (<i>attach statement</i>) 16n | | | |
| Alternative Minimum Tax (AMT) Items | 17a Post-1986 depreciation adjustment 17a | | |
| | b Adjusted gain or loss 17b | | |
| | c Depletion (other than oil and gas) 17c | | |
| | d Oil, gas, and geothermal properties—gross income 17d | | |
| | e Oil, gas, and geothermal properties—deductions 17e | | |
| | f Other AMT items (<i>attach statement</i>) 17f | | |
| Other Information | 18a Tax-exempt interest income 18a | | |
| | b Other tax-exempt income 18b | | |
| | c Nondeductible expenses 18c | | 1,111 |
| | 19a Distributions of cash and marketable securities 19a | | 408,202,737 |
| | b Distributions of other property 19b | | |
| | 20a Investment income 20a | | 36,525 |
| b Investment expenses 20b | | | |
| c Other items and amounts (<i>attach statement</i>) | | | |

Analysis of Net Income (Loss)

| | | | | | | | |
|----------|---|---------------------------------|-----------------------------------|-------------------------|--------------------------------|---------------------------|-------------|
| 1 | Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l | | | | | 1 | 406,413,471 |
| 2 | Analysis by partner type: | | | | | | |
| | (i) Corporate | (ii) Individual (active) | (iii) Individual (passive) | (iv) Partnership | (v) Exempt organization | (vi) Nominee/Other | |
| a | General partners | | | 41,147,057 | | | |
| b | Limited partners | | 4,058,516 | 361,207,898 | | | |

| Schedule L Balance Sheets per Books | | Beginning of tax year | | End of tax year | |
|--|---|-----------------------|------------|-----------------|------------|
| | | (a) | (b) | (c) | (d) |
| Assets | | | | | |
| 1 | Cash | | 5,232,390 | | 6,027,450 |
| 2a | Trade notes and accounts receivable | | | | |
| b | Less allowance for bad debts | | | | |
| 3 | Inventories | | | | |
| 4 | U.S. government obligations | | | | |
| 5 | Tax-exempt securities | | | | |
| 6 | Other current assets (attach statement) | | | | |
| 7 | Mortgage and real estate loans | | | | |
| 8 | Other investments (attach statement) | | | | |
| 9a | Buildings and other depreciable assets | 1,621,740 | | 1,682,950 | |
| b | Less accumulated depreciation | 1,372,379 | 249,361 | 1,435,144 | 247,806 |
| 10a | Depletable assets | | | | |
| b | Less accumulated depletion | | | | |
| 11 | Land (net of any amortization) | | | | |
| 12a | Intangible assets (amortizable only) | | | | |
| b | Less accumulated amortization | | | | |
| 13 | Other assets (attach statement) | | | | |
| 14 | Total assets | | 5,481,751 | | 6,275,256 |
| Liabilities and Capital | | | | | |
| 15 | Accounts payable | | 1,567,623 | | 3,049,605 |
| 16 | Mortgages, notes, bonds payable in less than 1 year | | | | |
| 17 | Other current liabilities (attach statement) | | | | |
| 18 | All nonrecourse loans | | | | 540,000 |
| 19 | Mortgages, notes, bonds payable in 1 year or more | | | | |
| 20 | Other liabilities (attach statement) | | | | |
| 21 | Partners' capital accounts | | 3,914,128 | | 2,685,651 |
| 22 | Total liabilities and capital | | 5,481,751 | | 6,275,256 |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

| | | | | | |
|----------|--|--|----------|---|--|
| 1 | Net income (loss) per books | | 6 | Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize): | |
| 2 | Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize): | | a | Tax-exempt interest \$ | |
| 3 | Guaranteed payments (other than health insurance) | | 7 | Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize): | |
| 4 | Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize): | | a | Depreciation \$ | |
| a | Depreciation \$ | | 8 | Add lines 6 and 7 | |
| b | Travel and entertainment \$ | | 9 | Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5 | |
| 5 | Add lines 1 through 4 | | | | |

Schedule M-2 Analysis of Partners' Capital Accounts

| | | | | | |
|----------|------------------------------------|-------------|-------------------|---|-------------|
| 1 | Balance at beginning of year | 3,914,128 | 6 | Distributions: a Cash | 408,202,737 |
| 2 | Capital contributed: a Cash | | b Property | | |
| | b Property | | 7 | Other decreases (itemize): | |
| 3 | Net income (loss) per books | 406,974,260 | 8 | Add lines 6 and 7 | 408,202,737 |
| 4 | Other increases (itemize): | | 9 | Balance at end of year. Subtract line 8 from line 5 | 2,685,651 |
| 5 | Add lines 1 through 4 | 410,888,388 | | | |

Form **4562**

Depreciation and Amortization
(Including Information on Listed Property)

2010
Attachment
Sequence No. **67**

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

Name(s) shown on return

Carlton Asset Management, LP

Business or activity to which this form relates

Carlton Asset Management, LP

Identifying number
69-0000010

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

| | | | |
|----|---|------------------------------|------------------|
| 1 | Maximum amount. See the instructions for a higher limit for certain businesses | 1 | \$250,000 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 | 43,332 |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 | \$800,000 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 | |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 | 250,000 |
| 6 | (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
| | Office Equipment | 23,456 | 23,456 |
| | Furniture/Fixtures | 19,876 | 19,876 |
| 7 | Listed property. Enter the amount from line 29 | 7 | |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 | 43,332 |
| 9 | Tentative deduction. Enter the smaller of line 5 or line 8 | 9 | 43,332 |
| 10 | Carryover of disallowed deduction from line 13 of your 2009 Form 4562 | 10 | |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions) | 11 | 250,000 |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 | 12 | 43,332 |
| 13 | Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12 ▶ | 13 | |

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

| | | | |
|----|---|----|--------|
| 14 | Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) | 14 | |
| 15 | Property subject to section 168(f)(1) election | 15 | |
| 16 | Other depreciation (including ACRS) | 16 | 43,766 |

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

| | | | |
|----|--|----|--------|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2010 | 17 | 18,999 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ <input type="checkbox"/> | | |

Section B—Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

| (a) Classification of property | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only—see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|--------------------------------|--------------------------------------|--|---------------------|----------------|------------|----------------------------|
| 19a | 3-year property | | | | | |
| b | 5-year property | | | | | |
| c | 7-year property | | | | | |
| d | 10-year property | | | | | |
| e | 15-year property | | | | | |
| f | 20-year property | | | | | |
| g | 25-year property | | 25 yrs. | | S/L | |
| h | Residential rental property | | 27.5 yrs. | MM | S/L | |
| | | | 27.5 yrs. | MM | S/L | |
| i | Nonresidential real property | | 39 yrs. | MM | S/L | |
| | | | | MM | S/L | |

Section C—Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

| | | | | | | |
|-----|------------|--|---------|----|-----|--|
| 20a | Class life | | | | S/L | |
| b | 12-year | | 12 yrs. | | S/L | |
| c | 40-year | | 40 yrs. | MM | S/L | |

Part IV Summary (See instructions.)

| | | | |
|----|---|----|--------|
| 21 | Listed property. Enter amount from line 28 | 21 | |
| 22 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions | 22 | 62,765 |
| 23 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs | 23 | |

Form 4562 (2010)

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? 24b If "Yes," is the evidence written?

Table with 10 columns: (a) Type of property, (b) Date placed in service, (c) Business/investment use percentage, (d) Cost or other basis, (e) Basis for depreciation, (f) Recovery period, (g) Method/Convention, (h) Depreciation deduction, (i) Elected section 179 cost. Includes rows 25-29.

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

Table with 6 columns: (a) Vehicle 1, (b) Vehicle 2, (c) Vehicle 3, (d) Vehicle 4, (e) Vehicle 5, (f) Vehicle 6. Includes rows 30-36.

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

Table with 2 columns: Yes, No. Includes rows 37-41.

Part VI Amortization

Table with 6 columns: (a) Description of costs, (b) Date amortization begins, (c) Amortizable amount, (d) Code section, (e) Amortization period or percentage, (f) Amortization for this year. Includes rows 42-44.

Form **8865**

Return of U.S. Persons With Respect to Certain Foreign Partnerships

2010

Department of the Treasury
Internal Revenue Service

▶ **Attach to your tax return. See separate instructions.**
Information furnished for the foreign partnership's tax year beginning _____, 2010 and ending _____, 20____

Attachment
Sequence No. **118**

Name of person filing this return: **Carlton Asset Management, LP** Filer's identifying number: **69-0000010**

Filer's address (if you are not filing this form with your tax return):
**1678 S. Hoover Blvd.
San Francisco, CA 94101**

A Category of filer (see **Categories of Filers** in the instructions and check applicable box(es)):
1 2 3 4

B Filer's tax year beginning 01/01, 20 10, and ending 12/31, 20 10

C Filer's share of liabilities: Nonrecourse \$ _____ Qualified nonrecourse financing \$ **4,800,000** Other \$ _____

D If filer is a member of a consolidated group but not the parent, enter the following information about the parent:
Name _____ EIN _____
Address _____

E Information about certain other partners (see instructions)

| (1) Name | (2) Address | (3) Identifying number | (4) Check applicable box(es) | | |
|----------|-------------|------------------------|------------------------------|------------|--------------------|
| | | | Category 1 | Category 2 | Constructive owner |
| | | | | | |
| | | | | | |

F1 Name and address of foreign partnership:
**Mai Tai Investment
1-2-3 Ginsu, Chuo-Ku
Tokyo, 190-2182**

2 EIN (if any): **69-0000099**

3 Country under whose laws organized: **Japan**

| | | | | | |
|---|---|--|--|--------------------------------------|---|
| 4 Date of organization 09/13/1992 | 5 Principal place of business Japan | 6 Principal business activity code number 523110 | 7 Principal business activity Security Dealing | 8a Functional currency Yen | 8b Exchange rate (see instr.) .8739 |
|---|---|--|--|--------------------------------------|---|

G Provide the following information for the foreign partnership's tax year:

1 Name, address, and identifying number of agent (if any) in the United States: _____

2 Check if the foreign partnership must file:
 Form 1042 Form 8804 Form 1065 or 1065-B
Service Center where Form 1065 or 1065-B is filed:
E-File

3 Name and address of foreign partnership's agent in country of organization, if any: _____

4 Name and address of person(s) with custody of the books and records of the foreign partnership, and the location of such books and records, if different: _____

5 Were any special allocations made by the foreign partnership? ▶ Yes No

6 Enter the number of Forms 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, attached to this return (see instructions) ▶ 0

7 How is this partnership classified under the law of the country in which it is organized? . . ▶ Partnership

8 Did the partnership own any separate units within the meaning of Regulations section 1.1503-2(c)(3), (4), or 1.1503(d)-1(b)(4)? ▶ Yes No

9 Does this partnership meet **both** of the following requirements?
• The partnership's total receipts for the tax year were less than \$250,000 and
• The value of the partnership's total assets at the end of the tax year was less than \$1 million. } ▶ Yes No
If "Yes," **do not** complete Schedules L, M-1, and M-2.

Sign Here Only If You Are Filing This Form Separately and Not With Your Tax Return.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member: _____ Date: _____

Paid Preparer Sign and Complete Only If Form is Filed Separately.

Preparer's signature: **John Smith** Date: **03/14/2011** Check if self-employed: PTIN: **P00000010**

Firm's name (or yours if self-employed), address, and ZIP code: **Electronic Tax Filers Inc
123 Any Street, Anytown, NY 11717** EIN: **69-0000098** Phone no. **555-631-1212**

Schedule A **Constructive Ownership of Partnership Interest.** Check the boxes that apply to the filer. If you check box **b**, enter the name, address, and U.S. taxpayer identifying number (if any) of the person(s) whose interest you constructively own. See instructions.

a Owns a direct interest **b** Owns a constructive interest

| Name | Address | Identifying number (if any) | Check if foreign person | Check if direct partner |
|------------------------------|---|-----------------------------|-------------------------|-------------------------|
| Carlton Asset Management, LP | 1678 Hoover Blvd San Francisco, CA 94101 | 69-0000003 | | x |
| | | | | |
| | | | | |

Schedule A-1 **Certain Partners of Foreign Partnership** (see instructions)

| Name | Address | Identifying number (if any) | Check if foreign person |
|------|---------|-----------------------------|-------------------------|
| | | | |
| | | | |
| | | | |

Does the partnership have any other foreign person as a direct partner? Yes No

Schedule A-2 **Affiliation Schedule.** List all partnerships (foreign or domestic) in which the foreign partnership owns a direct interest or indirectly owns a 10% interest.

| Name | Address | EIN (if any) | Total ordinary income or loss | Check if foreign partnership |
|------|---------|--------------|-------------------------------|------------------------------|
| | | | | |
| | | | | |
| | | | | |

Schedule B **Income Statement—Trade or Business Income**

Caution. Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

| | | | | | |
|--|---|------------|------------|------------|------------|
| Income | 1a Gross receipts or sales | 1a | 50,000,000 | | |
| | b Less returns and allowances | 1b | | | 1c |
| | 2 Cost of goods sold | | | 2 | 5,000,000 |
| | 3 Gross profit. Subtract line 2 from line 1c | | | 3 | 45,000,000 |
| | 4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) | | | 4 | |
| | 5 Net farm profit (loss) (attach Schedule F (Form 1040)) | | | 5 | |
| | 6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | 6 | |
| | 7 Other income (loss) (attach statement) | | | 7 | |
| 8 Total income (loss). Combine lines 3 through 7 | | | 8 | 45,000,000 | |
| Deductions (see instructions for limitations) | 9 Salaries and wages (other than to partners) (less employment credits) | | | 9 | 2,000,000 |
| | 10 Guaranteed payments to partners | | | 10 | |
| | 11 Repairs and maintenance | | | 11 | |
| | 12 Bad debts | | | 12 | |
| | 13 Rent | | | 13 | 2,081,900 |
| | 14 Taxes and licenses | | | 14 | |
| | 15 Interest | | | 15 | |
| | 16a Depreciation (if required, attach Form 4562) | 16a | | | |
| | b Less depreciation reported elsewhere on return | 16b | | | 16c |
| | 17 Depletion (Do not deduct oil and gas depletion.) | | | 17 | |
| | 18 Retirement plans, etc. | | | 18 | |
| | 19 Employee benefit programs | | | 19 | |
| | 20 Other deductions (attach statement) | | | 20 | |
| | 21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20 | | | 21 | 4,081,900 |
| 22 Ordinary business income (loss) from trade or business activities. Subtract line 21 from line 8 | | | 22 | 4,918,100 | |

Schedule D Capital Gains and Losses (Use Schedule D-1 (Form 1065) to list additional transactions for lines 1 and 7)

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

| (a) Description of property (Example: 100 shares of "Z" Co.) | (b) Date acquired (month, day, year) | (c) Date sold (month, day, year) | (d) Sales price (see instructions) | (e) Cost or other basis (see instructions) | (f) Gain or (loss) Subtract (e) from (d) |
|--|--|-------------------------------------|---------------------------------------|---|---|
| 1 | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| 2 | Enter short-term gain or (loss), if any, from Schedule D-1 (Form 1065), line 2 | | | | 2 |
| 3 | Short-term capital gain from installment sales from Form 6252, line 26 or 37 | | | | 3 |
| 4 | Short-term capital gain (loss) from like-kind exchanges from Form 8824 | | | | 4 |
| 5 | Partnership's share of net short-term capital gain (loss), including specially allocated short-term capital gains (losses), from other partnerships, estates, and trusts | | | | 5 |
| 6 | Net short-term capital gain or (loss). Combine lines 1 through 5 in column (f). Enter here and on Form 8865, Schedule K, line 8 or 11 | | | | 6 |

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

| (a) Description of property (Example: 100 shares of "Z" Co.) | (b) Date acquired (month, day, year) | (c) Date sold (month, day, year) | (d) Sales price (see instructions) | (e) Cost or other basis (see instructions) | (f) Gain or (loss) Subtract (e) from (d) |
|--|--|-------------------------------------|---------------------------------------|---|---|
| 7 | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| 8 | Enter long-term gain or (loss), if any, from Schedule D-1 (Form 1065), line 8 | | | | 8 |
| 9 | Long-term capital gain from installment sales from Form 6252, line 26 or 37 | | | | 9 |
| 10 | Long-term capital gain (loss) from like-kind exchanges from Form 8824 | | | | 10 |
| 11 | Partnership's share of net long-term capital gain (loss), including specially allocated long-term capital gains (losses), from other partnerships, estates, and trusts | | | | 11 |
| 12 | Capital gain distributions | | | | 12 |
| 13 | Net long-term capital gain or (loss). Combine lines 7 through 12 in column (f). Enter here and on Form 8865, Schedule K, line 9a or 11 | | | | 13 |

| Schedule K Partners' Distributive Share Items | | Total amount | |
|---|--|---------------------|------------|
| Income (Loss) | 1 Ordinary business income (loss) (page 2, line 22) | 1 | 40,918,100 |
| | 2 Net rental real estate income (loss) (attach Form 8825) | 2 | |
| | 3a Other gross rental income (loss) | 3a | |
| | b Expenses from other rental activities (attach statement) | 3b | |
| | c Other net rental income (loss). Subtract line 3b from line 3a | 3c | |
| | 4 Guaranteed payments | 4 | |
| | 5 Interest income | 5 | |
| | 6 Dividends: a Ordinary dividends | 6a | |
| | b Qualified dividends | | |
| | 7 Royalties | 7 | |
| | 8 Net short-term capital gain (loss) | 8 | |
| 9a Net long-term capital gain (loss) | 9a | | |
| b Collectibles (28%) gain (loss) | 9b | | |
| c Unrecaptured section 1250 gain (attach statement) | 9c | | |
| 10 Net section 1231 gain (loss) (attach Form 4797) | 10 | | |
| 11 Other income (loss) (see instructions) Type ▶ | 11 | | |
| Deductions | 12 Section 179 deduction (attach Form 4562) | 12 | |
| | 13a Contributions | 13a | |
| | b Investment interest expense | 13b | |
| | c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶ | 13c(2) | |
| d Other deductions (see instructions) Type ▶ | 13d | | |
| Self-Employment | 14a Net earnings (loss) from self-employment | 14a | |
| | b Gross farming or fishing income | 14b | |
| | c Gross nonfarm income | 14c | |
| Credits | 15a Low-income housing credit (section 42(j)(5)) | 15a | |
| | b Low-income housing credit (other) | 15b | |
| | c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468) | 15c | |
| | d Other rental real estate credits (see instructions) Type ▶ | 15d | |
| | e Other rental credits (see instructions) Type ▶ | 15e | |
| | f Other credits (see instructions) Type ▶ | 15f | |
| Foreign Transactions | 16a Name of country or U.S. possession ▶ JA | 16b | 40,918,100 |
| | b Gross income from all sources | | |
| | c Gross income sourced at partner level | 16c | |
| | Foreign gross income sourced at partnership level | 16f | |
| | d Passive category ▶ 40,918,100 e General category ▶ f Other (attach statement) ▶ | | |
| | Deductions allocated and apportioned at partner level | 16h | |
| | g Interest expense ▶ h Other ▶ | | |
| | Deductions allocated and apportioned at partnership level to foreign source income | 16k | |
| | i Passive category ▶ j General category ▶ k Other (attach statement) ▶ | | |
| | l Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued | 16l | 2,530,040 |
| m Reduction in taxes available for credit (attach statement) | 16m | | |
| n Other foreign tax information (attach statement) | | | |
| Alternative Minimum Tax (AMT) Items | 17a Post-1986 depreciation adjustment | 17a | |
| | b Adjusted gain or loss | 17b | |
| | c Depletion (other than oil and gas) | 17c | |
| | d Oil, gas, and geothermal properties—gross income | 17d | |
| | e Oil, gas, and geothermal properties—deductions | 17e | |
| | f Other AMT items (attach statement) | 17f | |
| Other Information | 18a Tax-exempt interest income | 18a | |
| | b Other tax-exempt income | 18b | |
| | c Nondeductible expenses | 18c | |
| | 19a Distributions of cash and marketable securities | 19a | |
| | b Distributions of other property | 19b | |
| | 20a Investment income | 20a | |
| | b Investment expenses | 20b | |
| c Other items and amounts (attach statement) | | | |

Schedule L Balance Sheets per Books. (Not required if Item G9, page 1, is answered "Yes.")

| | Beginning of tax year | | End of tax year | |
|---|-----------------------|-------------|-----------------|-------------|
| | (a) | (b) | (c) | (d) |
| Assets | | | | |
| 1 Cash | | 1,750 | | 2,250 |
| 2a Trade notes and accounts receivable . . . | 27,000,000 | | | |
| b Less allowance for bad debts | | 27,000,000 | | 14,000,000 |
| 3 Inventories | | | | |
| 4 U.S. government obligations | | | | |
| 5 Tax-exempt securities | | | | |
| 6 Other current assets (attach statement) . . | | | | |
| 7 Mortgage and real estate loans | | | | |
| 8 Other investments (attach statement) . . . | | | | |
| 9a Buildings and other depreciable assets . . | 115,000,000 | | | |
| b Less accumulated depreciation | 11,000,000 | 104,000,000 | | 183,918,100 |
| 10a Depletable assets | | | | |
| b Less accumulated depletion | | | | |
| 11 Land (net of any amortization) | | | | |
| 12a Intangible assets (amortizable only) . . | | | | |
| b Less accumulated amortization | | | | |
| 13 Other assets (attach statement) | | | | |
| 14 Total assets | | 131,001,750 | | 197,920,350 |
| Liabilities and Capital | | | | |
| 15 Accounts payable | | 1,000,000 | | 1,500,000 |
| 16 Mortgages, notes, bonds payable in less than 1 year | | | | |
| 17 Other current liabilities (attach statement) . | | | | |
| 18 All nonrecourse loans | | | | |
| 19 Mortgages, notes, bonds payable in 1 year or more | | | | |
| 20 Other liabilities (attach statement) | | | | |
| 21 Partners' capital accounts | | 130,001,750 | | 196,420,350 |
| 22 Total liabilities and capital | | 131,001,750 | | 197,920,350 |

Schedule M Balance Sheets for Interest Allocation

| | (a) Beginning of tax year | (b) End of tax year |
|--------------------------------------|---------------------------------|---------------------------|
| 1 Total U.S. assets | | |
| 2 Total foreign assets: | | |
| a Passive category | | |
| b General category | | |
| c Other (attach statement) | | |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return. (Not required if Item G9, page 1, is answered "Yes.")

| | | | | | |
|---|------------|--|--|--|------------|
| 1 Net income (loss) per books | 40,968,100 | | 6 Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize): | | |
| 2 Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11 not recorded on books this year (itemize): | | | a Tax-exempt interest \$ _____ | | |
| 3 Guaranteed payments (other than health insurance) . . . | | | 7 Deductions included on Schedule K, lines 1 through 13d, and 16l not charged against book income this year (itemize): | | |
| 4 Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize): | | | a Depreciation \$ _____ 50,000,000 | | |
| a Depreciation \$ _____ 50,000,000 | | | | | 50,000,000 |
| b Travel and entertainment \$ _____ | | | 8 Add lines 6 and 7 | | |
| 5 Add lines 1 through 4 | | | 9 Income (loss). Subtract line 8 from line 5 | | 40,918,100 |

Schedule M-2 Analysis of Partners' Capital Accounts. (Not required if Item G9, page 1, is answered "Yes.")

| | | | | | |
|---|-------------|--|---|--|-------------|
| 1 Balance at beginning of year | 130,001,750 | | 6 Distributions: a Cash | | |
| 2 Capital contributed: | | | b Property | | |
| a Cash | 9,450,500 | | 7 Other decreases (itemize): _____ | | |
| b Property | 16,000,000 | | | | |
| 3 Net income (loss) per books | 3,968,100 | | 8 Add lines 6 and 7 | | |
| 4 Other increases (itemize): _____ | | | 9 Balance at end of year. Subtract line 8 from line 5 | | 196,420,350 |
| 5 Add lines 1 through 4 | 196,420,350 | | | | |

Schedule N Transactions Between Controlled Foreign Partnership and Partners or Other Related Entities

Important: Complete a separate Form 8865 and Schedule N for each controlled foreign partnership. Enter the totals for each type of transaction that occurred between the foreign partnership and the persons listed in columns (a) through (d).

| Transactions of foreign partnership | (a) U.S. person filing this return | (b) Any domestic corporation or partnership controlling or controlled by the U.S. person filing this return | (c) Any other foreign corporation or partnership controlling or controlled by the U.S. person filing this return | (d) Any U.S. person with a 10% or more direct interest in the controlled foreign partnership (other than the U.S. person filing this return) |
|---|------------------------------------|---|--|--|
| 1 Sales of inventory | | | | |
| 2 Sales of property rights (patents, trademarks, etc.) | | | | |
| 3 Compensation received for technical, managerial, engineering, construction, or like services | | | | |
| 4 Commissions received | | | | |
| 5 Rents, royalties, and license fees received | | | | |
| 6 Distributions received | | | | |
| 7 Interest received | | | | |
| 8 Other | | | | |
| 9 Add lines 1 through 8 | | | | |
| 10 Purchases of inventory | | | | |
| 11 Purchases of tangible property other than inventory | | | | |
| 12 Purchases of property rights (patents, trademarks, etc.) | | | | |
| 13 Compensation paid for technical, managerial, engineering, construction, or like services | | | | |
| 14 Commissions paid | | | | |
| 15 Rents, royalties, and license fees paid | | | | |
| 16 Distributions paid | | | | |
| 17 Interest paid | | | | |
| 18 Other | | | | |
| 19 Add lines 10 through 18 | | | | |
| 20 Amounts borrowed (enter the maximum loan balance during the year). See instructions | | | | |
| 21 Amounts loaned (enter the maximum loan balance during the year). See instructions | | | | |

**SCHEDULE B-1
(Form 1065)**

(December 2009)
Department of the Treasury
Internal Revenue Service

Information on Partners Owning 50% or More of the Partnership

▶ Attach to Form 1065. See instructions on back.

OMB No. 1545-0099

| | |
|--|--|
| Name of partnership Carlton Asset Management, LP | Employer identification number (EIN) 69 000010 |
|--|--|

Part I Entities Owning 50% or More of the Partnership (Form 1065, Schedule B, Question 3a)

Complete columns (i) through (v) below for any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization that owns, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership (see instructions).

| (i) Name of Entity | (ii) Employer Identification Number (if any) | (iii) Type of Entity | (iv) Country of Organization | (v) Maximum Percentage Owned in Profit, Loss, or Capital |
|------------------------|--|----------------------|------------------------------|--|
| ABC Investments | 69-3000002 | Partnership | United States | 89% |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Part II Individuals or Estates Owning 50% or More of the Partnership (Form 1065, Schedule B, Question 3b)

Complete columns (i) through (iv) below for any individual or estate that owns, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership (see instructions).

| (i) Name of Individual or Estate | (ii) Identifying Number (if any) | (iii) Country of Citizenship (see instructions) | (iv) Maximum Percentage Owned in Profit, Loss, or Capital |
|----------------------------------|----------------------------------|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Carlton Assets Management, LP
SCHEDULE C
(Form 1065)

69-0000010
Additional Information for Schedule M-3 Filers

OMB No. 1545-0099

2010

Department of the Treasury
 Internal Revenue Service

▶ **Attach to Form 1065. See separate instructions.**

Name of partnership

Carlton Asset Management, LP

Employer identification number

69-0000010

| | | Yes | No |
|---|---|-----|----|
| 1 | At any time during the tax year, were there any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8? | | X |
| 2 | Do the amounts reported on Schedule M-3, Part II, lines 7 or 8, column (d), reflect allocations to this partnership from another partnership of income, gain, loss, deduction, or credit that are disproportionate to this partnership's share of capital in such partnership or its ratio for sharing other items of such partnership? | | X |
| 3 | At any time during the tax year, did the partnership sell, exchange, or transfer any interest in an intangible asset to a related person as defined in sections 267(b) and 707(b)(1)? | | X |
| 4 | At any time during the tax year, did the partnership acquire any interest in an intangible asset from a related person as defined in sections 267(b) and 707(b)(1)? | | X |
| 5 | At any time during the tax year, did the partnership make any change in accounting principle for financial accounting purposes? See instructions for a definition of change in accounting principle | | X |
| 6 | At any time during the tax year, did the partnership make any change in a method of accounting for U.S. income tax purposes? | | X |

For Paperwork Reduction Act Notice, see the Instructions for Form 1065.

Cat. No. 49945S

Schedule C (Form 1065) 2010

69-0000010
**Net Income (Loss) Reconciliation
for Certain Partnerships**

▶ Attach to Form 1065 or Form 1065-B.
▶ See separate instructions.

2010

| | |
|---|--|
| Name of partnership Carlton Asset Management, LP | Employer identification number 69-0000010 |
|---|--|

This Schedule M-3 is being filed because (check all that apply):

- A The amount of the partnership's total assets at the end of the tax year is equal to \$10 million or more.
- B The amount of the partnership's adjusted total assets for the year is equal to \$10 million or more. If box B is checked, enter the amount of adjusted total assets for the tax year 414,477,993.
- C The amount of total receipts for the tax year is equal to \$35 million or more. If box C is checked, enter the total receipts for the tax year 410,686,302.
- D An entity that is a reportable entity partner with respect to the partnership owns or is deemed to own an interest of 50 percent or more in the partnership's capital, profit, or loss, on any day during the tax year of the partnership.

| Name of Reportable Entity Partner | Identifying Number | Maximum Percentage Owned or Deemed Owned |
|-----------------------------------|--------------------|--|
| | | |
| | | |

E Voluntary Filer

Part I Financial Information and Net Income (Loss) Reconciliation

- 1a Did the partnership file SEC Form 10-K for its income statement period ending with or within this tax year?
 - Yes. Skip lines 1b and 1c and complete lines 2 through 11 with respect to that SEC Form 10-K.
 - No. Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.
- b Did the partnership prepare a certified audited non-tax-basis income statement for that period?
 - Yes. Skip line 1c and complete lines 2 through 11 with respect to that income statement.
 - No. Go to line 1c.
- c Did the partnership prepare a non-tax-basis income statement for that period?
 - Yes. Complete lines 2 through 11 with respect to that income statement.
 - No. Skip lines 2 through 3b and enter the partnership's net income (loss) per its books and records on line 4a.
- 2 Enter the income statement period: Beginning 01 / 01 / 2010 Ending 12 / 31 / 2010
- 3a Has the partnership's income statement been restated for the income statement period on line 2?
 - Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 - No.
- b Has the partnership's income statement been restated for any of the five income statement periods preceding the period on line 2?
 - Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 - No.

| | | |
|---|---|-----------------------------------|
| 4a Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1 | 4a | 406,974,260 |
| b Indicate accounting standard used for line 4a (see instructions): | | |
| 1 <input checked="" type="checkbox"/> GAAP | 2 <input type="checkbox"/> IFRS | 3 <input type="checkbox"/> 704(b) |
| 4 <input type="checkbox"/> Tax-basis | 5 <input type="checkbox"/> Other: (Specify) ▶ | |
| 5a Net income from nonincludible foreign entities (attach schedule) | 5a | () |
| b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) | 5b | |
| 6a Net income from nonincludible U.S. entities (attach schedule) | 6a | () |
| b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount) | 6b | |
| 7a Net income (loss) of other foreign disregarded entities (attach schedule) | 7a | |
| b Net income (loss) of other U.S. disregarded entities (attach schedule) | 7b | |
| 8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule) | 8 | |
| 9 Adjustment to reconcile income statement period to tax year (attach schedule) | 9 | |
| 10 Other adjustments to reconcile to amount on line 11 (attach schedule) | 10 | |
| 11 Net income (loss) per income statement of the partnership. Combine lines 4 through 10 | 11 | 406,974,260 |

Note. Part I, line 11, must equal the amount on Part II, line 26, column (a).

| | | |
|--|--------------|-------------------|
| 12 Enter the total amount (not just the partnership's share) of the assets and liabilities of all entities included or removed on the following lines: | | |
| | Total Assets | Total Liabilities |
| a Included on Part I, line 4 | 6,275,256 | 3,589,605 |
| b Removed on Part I, line 5 | | |
| c Removed on Part I, line 6 | | |
| d Included on Part I, line 7 | 6,275,256 | 3,589,605 |

| | |
|--|---|
| Name of partnership Carlton Asset Management, LP | Employer identification number 69-0000010 |
|--|---|

Part II Reconciliation of Net Income (Loss) per Income Statement of Partnership with Income (Loss) per Return

| | (a) Income (Loss) per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Income (Loss) per Tax Return |
|--|--|--------------------------------|--------------------------------|--|
| Income (Loss) Items | | | | |
| (Attach schedules for lines 1 through 9) | | | | |
| 1 Income (loss) from equity method foreign corporations | | | | |
| 2 Gross foreign dividends not previously taxed | | | | |
| 3 Subpart F, QEF, and similar income inclusions | | | | |
| 4 Gross foreign distributions previously taxed | | | | |
| 5 Income (loss) from equity method U.S. corporations | | | | |
| 6 U.S. dividends | | | | |
| 7 Income (loss) from U.S. partnerships | | | | |
| 8 Income (loss) from foreign partnerships | 10,229,525 | | | 10,229,525 |
| 9 Income (loss) from other pass-through entities | | | | |
| 10 Items relating to reportable transactions (attach details) | | | | |
| 11 Interest income (attach Form 8916-A) | | | | |
| 12 Total accrual to cash adjustment | | | | |
| 13 Hedging transactions | | | | |
| 14 Mark-to-market income (loss) | | | | |
| 15 Cost of goods sold (attach Form 8916-A) | () | | | () |
| 16 Sale versus lease (for sellers and/or lessors) | | | | |
| 17 Section 481(a) adjustments | | | | |
| 18 Unearned/deferred revenue | | | | |
| 19 Income recognition from long-term contracts | | | | |
| 20 Original issue discount and other imputed interest | | | | |
| 21a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities | | | | |
| b Gross capital gains from Schedule D, excluding amounts from pass-through entities | | | | |
| c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses | | | | |
| d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses | | | | |
| e Abandonment losses | | | | |
| f Worthless stock losses (attach details) | | | | |
| g Other gain/loss on disposition of assets other than inventory | | | | |
| 22 Other income (loss) items with differences (attach schedule) | | | | |
| 23 Total income (loss) items. Combine lines 1 through 22 | 10,229,525 | | | 10,229,525 |
| 24 Total expense/deduction items. (from Part III, line 31) (see instructions) | (2,222) | | (560,789) | (563,011) |
| 25 Other items with no differences | 396,746,957 | | | 396,746,957 |
| 26 Reconciliation totals. Combine lines 23 through 25 | 406,974,260 | | (560,789) | 406,413,471 |

Note. Line 26, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1065, page 5, Analysis of Net Income (Loss), line 1.

| | |
|--|---|
| Name of partnership Carlton Asset Management, LP | Employer identification number 69-0000010 |
|--|---|

Part III Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return—Expense/Deduction Items

| | (a) Expense per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) Deduction per Tax Return |
|---|--|--------------------------------|--------------------------------|------------------------------------|
| 1 State and local current income tax expense | | | | |
| 2 State and local deferred income tax expense | | | | |
| 3 Foreign current income tax expense (other than foreign withholding taxes) | | | | |
| 4 Foreign deferred income tax expense | | | | |
| 5 Equity-based compensation | | | | |
| 6 Meals and entertainment | 2,222 | | (1,111) | 1,111 |
| 7 Fines and penalties | | | | |
| 8 Judgments, damages, awards, and similar costs | | | | |
| 9 Guaranteed payments | | | 561,900 | 561,900 |
| 10 Pension and profit-sharing | | | | |
| 11 Other post-retirement benefits | | | | |
| 12 Deferred compensation | | | | |
| 13 Charitable contribution of cash and tangible property | | | | |
| 14 Charitable contribution of intangible property | | | | |
| 15 Organizational expenses as per Regulations section 1.709-2(a) | | | | |
| 16 Syndication expenses as per Regulations section 1.709-2(b) | | | | |
| 17 Current year acquisition/reorganization investment banking fees | | | | |
| 18 Current year acquisition/reorganization legal and accounting fees | | | | |
| 19 Amortization/impairment of goodwill | | | | |
| 20 Amortization of acquisition, reorganization, and start-up costs | | | | |
| 21 Other amortization or impairment write-offs | | | | |
| 22 Section 198 environmental remediation costs | | | | |
| 23a Depletion—Oil & Gas | | | | |
| b Depletion—Other than Oil & Gas | | | | |
| 24 Intangible drilling & development costs | | | | |
| 25 Depreciation | | | | |
| 26 Bad debt expense | | | | |
| 27 Interest expense (attach Form 8916-A) | | | | |
| 28 Purchase versus lease (for purchasers and/ or lessees) | | | | |
| 29 Research and development costs (attach schedule) | | | | |
| 30 Other expense/deduction items with differences (attach schedule) | | | | |
| 31 Total expense/deduction items. Combine lines 1 through 30. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive | 2,222 | | 560,789 | 563,011 |

**SCHEDULE O
(Form 8865)**

**Transfer of Property to a Foreign Partnership
(under section 6038B)**

2010

Department of the Treasury
Internal Revenue Service

▶ **Attach to Form 8865. See Instructions for Form 8865.**

| | |
|--|--|
| Name of transferor Carlton Asset Management, LP | Filer's identifying number 69-0000010 |
| Name of foreign partnership Mai Tai Investments | |

Part I Transfers Reportable Under Section 6038B

| Type of property | (a) Date of transfer | (b) Number of items transferred | (c) Fair market value on date of transfer | (d) Cost or other basis | (e) Section 704(c) allocation method | (f) Gain recognized on transfer | (g) Percentage interest in partnership after transfer |
|---|-------------------------|------------------------------------|--|----------------------------|---|------------------------------------|--|
| Cash | | | | | | | |
| Marketable securities | | | | | | | |
| Inventory | | | | | | | |
| Tangible property used in trade or business | 08/08/2010 | 4 | 12,345,000 | 16,000,000 | | | 25 |
| Intangible property | | | | | | | |
| Other property | | | | | | | |

Supplemental Information Required To Be Reported (see instructions):

Part II Dispositions Reportable Under Section 6038B

| (a) Type of property | (b) Date of original transfer | (c) Date of disposition | (d) Manner of disposition | (e) Gain recognized by partnership | (f) Depreciation recapture recognized by partnership | (g) Gain allocated to partner | (h) Depreciation recapture allocated to partner |
|-------------------------|----------------------------------|----------------------------|------------------------------|---------------------------------------|---|----------------------------------|--|
| | | | | | | | |
| | | | | | | | |

Part III Is any transfer reported on this schedule subject to gain recognition under section 904(f)(3) or section 904(f)(5)(F)? ▶ Yes No

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000010

B Partnership's name, address, city, state, and ZIP code Carlton Asset Management, LP 1678 S Hoover Blvd San Francisco, CA 94101

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 69-3000002

F Partner's name, address, city, state, and ZIP code ABC Investments 93 Oaks Drive Los Angeles, CA 90052

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Partnership

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. Values: Profit .5%, Loss .5%, Capital .5%.

K Partner's share of liabilities at year end: Nonrecourse \$ 2,700, Qualified nonrecourse financing \$, Recourse \$

L Partner's capital account analysis: Beginning capital account \$ 19,571, Capital contributed during the year \$, Current year increase (decrease) \$ 2,034,872, Withdrawals & distributions \$ (2,041,014), Ending capital account \$ 13,429

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss? Yes No If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Code. Rows include Ordinary business income (loss) 2,032,455, Net rental real estate income (loss), Other net rental income (loss), Guaranteed payments, Interest income 183, Ordinary dividends, Qualified dividends, Royalties, Net short-term capital gain (loss), Net long-term capital gain (loss), Collectibles (28%) gain (loss), Unrecaptured section 1250 gain, Net section 1231 gain (loss), Other income (loss), Section 179 deduction 217, Other deductions, Self-employment earnings (loss).

*See attached statement for additional information.

For IRS Use Only

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000010

B Partnership's name, address, city, state, and ZIP code Carlton Asset Management, LP 1676 Hoover Blvd San Francisco, CA 94101

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 990-00-0001

F Partner's name, address, city, state, and ZIP code Taxpayer B1 888 NW Peach Street San Francisco, CA 94101

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Individual

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. All percentages are 1%.

K Partner's share of liabilities at year end: Nonrecourse \$ 5,400

L Partner's capital account analysis: Beginning capital account \$ 39,141

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss? Yes No

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Code. Includes items like Ordinary business income (loss), Net rental real estate income (loss), etc.

*See attached statement for additional information.

For IRS Use Only

Schedule K-1 (Form 1065)

2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 ending _____, 20_____

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 69-0000010

B Partnership's name, address, city, state, and ZIP code Carlton Asset Management, LP 1678 S Hoover Blvd San Francisco, CA 94101

C IRS Center where partnership filed return Ogden

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 69-3000001

F Partner's name, address, city, state, and ZIP code XYZ Management 7272 W Truman Ave Sacramento, CA 95813

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? Partnership

J Partner's share of profit, loss, and capital (see instructions):

Table with columns: Beginning, Ending, Profit, Loss, Capital. Values: .5%, .5%, .5%, .5%

K Partner's share of liabilities at year end: Nonrecourse \$ 2,700, Qualified nonrecourse financing \$, Recourse \$

L Partner's capital account analysis: Beginning capital account \$ 19,571, Capital contributed during the year \$, Current year increase (decrease) \$ 2,034,872, Withdrawals & distributions \$ (2,041,014), Ending capital account \$ 13,429

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss? Yes No If "Yes", attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Code. Rows include Ordinary business income (loss) 2,032,455, Net rental real estate income (loss), Other net rental income (loss) 16 Foreign transactions, Guaranteed payments 561,900 A Japan, Interest income 183 B 51,148, Ordinary dividends D 51,148, Qualified dividends L 3,163, Net short-term capital gain (loss), Net long-term capital gain (loss) 17 Alternative minimum tax (AMT) items, Collectibles (28%) gain (loss), Unrecaptured section 1250 gain, Net section 1231 gain (loss) 18 Tax-exempt income and nondeductible expenses, Other income (loss) C 6, Section 179 deduction 217, Other deductions A 2,041,014, Other information A 183, Self-employment earnings (loss) A 206,055, C 206,055

*See attached statement for additional information.

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