

## **Income – So What You Got?**

C. Ray Grantham, Jr.  
Robinson & Lawing, LLP  
Winston-Salem

I. **Scope.** This manuscript addresses the search for income in support cases. After a limited review of cases stressing the large net used for the catch, the focus turns to cases exploring the successful and unsuccessful use of experts on issues of income and earnings at trial, and ends with a recommended process for determining owner income from a closely held company.

### II. **The Terms.**

- “present employment income” (N.C. Gen. Stat. § 50-16.2A(b))
- “recurring earnings . . . from any source” (N.C. Gen. Stat. § 50-16.2A(b))
- “income earning abilities” (N.C. Gen. Stat. § 50-16.2A(b))
- “earnings” (N.C. Gen. Stat. §§ 50-13.4(c); 50-16.3A(b)(2))
- “earning capacity” (N.C. Gen. Stat. § 50-16.3A(b)(2))
- “earned and unearned income . . . including, but not limited to, earnings, dividends and benefits such as medical, retirement, insurance, social security, or others” (N.C. Gen. Stat. § 50-16.3A(b)(4))
- “earning power” (N.C. Gen. Stat. §§ 50-16.3A(b)(6) and (7))
- “income” (N.C. Gen. Stat. § 50-16.3A(b)(16))
- “adjusted gross income” (N.C. Child Support Guidelines, Rev. 1/15, p. 2)
- “actual gross income” (N.C. Child Support Guidelines, Rev. 1/15, p. 3)
- “potential or imputed income” (N.C. Child Support Guidelines, Rev. 1/15, p. 3)
- “probable earnings level” (N.C. Child Support Guidelines, Rev. 1/15, p. 3)

### III. **Some Boundary Markers.**

A. **Illegal.** Defendant was engaged in illegal gambling resulting in cash flow of approximately \$8,000 per month. “This Court is certainly not condoning Defendant’s illegitimate profession by affirming the order that any income therefrom be used for child support, but is merely recognizing the welfare of the children as its primary consideration. Darden v. Darden, 66, N.C. App 432, 435, 311 S.E.2d 600, 602 (1984).

B. Paid Living Expenses and Monetary Gifts. Recurring monetary gifts or payment of rent is income. The Court properly included as income the amount of \$300, which was the value of free housing provided to a party by his parents. Spicer v. Spicer, 168 N.C. App. 283, 607 S.E.2d 678 (2005).

C. Employer Provided Benefits – Maybe Yes, Maybe No. Employer provided transportation and housing is “additional” income. Gibson v. Gibson, 24 N.C. App. 520, 523, 211 S.E.2d 522, 524 (1975). The Court must include employer paid benefits such as life insurance, car allowance, and IRA contributions. Barrett v. Barrett, 140 N.C. App. 369, 536 S.E.2d 642 (2000). “Expense reimbursement or in-kind payments (for example, use of a company car, free housing, or reimbursed meals) received by a parent in the course of employment, self-employment, or operation of a business are counted as income if they are significant and reduce personal living expenses.” N.C. Child Support Guidelines, Rev. 1/15, p. 3.

However, “[s]pecifically excluded are . . . amounts that are paid by a parent’s employer directly to a third party for health, disability, or life insurance, or retirement benefits and not withheld or deducted from the parent’s wage, salary, or pay” from gross income. N.C. Child Support Guidelines, Rev. 1/15, p. 3. If payments are made by an employer that do not provide a parent immediate access to additional funds that could be used to pay support, those payments are not included in income. Caskey v. Caskey, 206 N.C. App. 701, 698, S.E.2d 712 (2010).

D. Non-recurring Payments. For non-recurring income or one-time income, such as a one-time bonus, the Court may average the income over a period of time or require payment as a percentage of the non-recurring income equivalent to a percentage of recurring income. N.C. Child Support Guidelines, Rev. 1/15, p. 3. The “may” is important. The inclusion is a matter of Court discretion. Ludlam v. Miller, \_\_\_ N.C. App. \_\_\_, 760 S.E.2d 296 (2013). But, you must ensure it is income. Consider a swap of cash for an asset, i.e., a sale. That is not income.

#### IV. When the Experts Appear.

A. Earning Capacity and Earning Power. (N.C. Gen. Stat. §§ 50-16.3A(b) (2), (6), and (7)).

1. Hall v. Hall, 88 N.C. App. 297, 363 S.E.2d 189 (1987).

Defendant’s expert witness was allowed “to testify as an expert witness in four areas: valuing plaintiff’s employee savings and investment plan; valuing his employee pension plan; valuing the stock options; and valuing the ‘human capital’ or earning capacity of the parties.” Id. at 307-308, 363 S.E.2d at 196 (emphasis added). The Court of Appeals cited that defendant’s expert taught a course on present value and authored books and articles (“6 to 10”) on the skills used to “value the assets.” Id. at 308, 363 S.E.2d at 196. Although sketchy on the earning capacity qualification, the case stands for the proposition that our courts have been accepting expert testimony on this subject for over 25 years.

2. Steg v. Steg, No. COA00-1299, 2002 WL 275537 (N.C. Ct. App. 2002) (unpublished).

Plaintiff received an equitable distribution totaling \$1,037,946 and of that amount, approximately \$900,000 of plaintiff's estate was the estimated value of the marital home that she was attempting to sell at the time of the alimony hearing. Id. at \*6. Defendant offered expert testimony "regarding a hypothetical income stream generated by one million dollars." Id. The trial court excluded the testimony because there was no evidence plaintiff was "doing anything to impede the sale of the house in an attempt to depress her earning capacity." Id. The trial court also excluded the expert testimony because "there was no basis for determining when the house would actually sell or for how much." Id. The Court of Appeals agreed that the expert opinion was properly excluded because it contained too high a "degree of speculation" as to when and what amount of proceeds plaintiff would generate from the sale of the house. Id.

Defendant also offered expert testimony of plaintiff's "earning capacity" as a registered nurse. However, plaintiff had offered expert medical testimony that plaintiff had "developed an adjustment disorder with anxiety and depressed mood" and that it was unclear whether plaintiff would "significantly improve when the significant stress factors are removed." Id. at \*6. The Court of Appeals held it was proper to exclude the testimony of defendant's expert because "of the unlikelihood that plaintiff will ever work as a nurse again, given her mental condition and the high stress and responsibility associated with working as a nurse." Id.

Although defendant did not proffer an expert, defendant argued that plaintiff "had an unearned income capacity of \$24,000 per year" because the marital home had a rental value of \$2,000 per month and defendant had failed to rent the house while it had been listed for sale. Id. at \*3. Citing Beall v. Beall, 290 N.C. 669, 674, 228 S.E.2d 407, 410 (1976), the Court of Appeals held there were no facts that would support a finding that plaintiff had deliberately failed to exercise her "capacity to earn" and "was an attempt to deliberately depress her earning capacity" while the house was listed for sale. Steg, 2002 WL 275537 at \*4.

3. Factors of Capacity to Earn That May Justify Imputing Income.

The North Carolina Court of Appeals decided these factors, among others, to determine whether a party has disregarded their obligations such that the court should impute income:

- (1) Failing to exercise reasonable capacity to earn;
- (2) Deliberately avoiding family financial responsibility;
- (3) Refusing to seek or accept gainful employment;
- (4) Willfully refusing to secure or take a job;
- (5) Deliberately not applying oneself to one's business;
- (6) Intentionally depressing one's income to an artificial low; or
- (7) Intentionally leaving employment to go into another business.

Wolf v. Wolf, 151 N.C. App. 523, 526-27, 566 S.E.2d 516, 518-19 (2002); Roberts v. McAlister, 174 N.C. App. 369, 378, 621 S.E.2d 191, 198 (2005).

4. Harris v. Harris, 157 N.C. App. 364, 578 S.E.2d 710 (2003) (unpublished) (Harris I) and Harris v. Harris, 170 N.C. App. 436, 613 S.E.2d 752 (2005) (unpublished) (Harris II).

In Harris I, the Court of Appeals concluded the trial court had failed to provide “sufficiently specific finding of fact regarding plaintiff’s earning capacity when it found that plaintiff was intellectually and physically capable of earning substantial sums” because the reviewing court was unable to determine what the trial court meant by “substantial.” In Harris II, the Court of Appeals concluded that the trial court did not fail to make a sufficient specific finding of fact regarding plaintiff’s earning capacity when it found that “plaintiff clearly has the means and ability to earn an amount well in excess of minimum wage.”

B. Earnings, Earned and Unearned Income. (N.C. Gen. Stat. §§ 50-16.3A(b) (2),(4), and (16)).

1. Taylor v. Taylor, 118 N.C. App. 356, 455 S.E.2d 442 (1995).

Plaintiff was a shareholder in Taylor Oil Company, which was a subchapter S corporation. Id. at 358, 455 S.E.2d at 444. Plaintiff’s CPA testified in a child support hearing that the allocated income on which “shareholders pay income tax are often different from the cash distributions actually received by the shareholders.” Id. Plaintiff’s expert testified that in one year plaintiff paid income tax on allocations of \$334,911 “while receiving actual cash distributions” of \$295,000. Id. The Court of Appeals agreed with plaintiff that it was error to use allocated income rather than “Plaintiff’s actual income received as cash distributions from Taylor Oil.” Id. at 364, 455 S.E.2d at 448.

2. Barham v. Barham, 127 N.C. App. 20, 487 S.E.2d 774 (1997), aff’d, 347 N.C. 570, 494 S.E.2d 763 (1998).

Plaintiff solely owned a corporation that had accumulated a cash reserve of approximately \$100,000. Id. at 25, 487 S.E.2d at 777. The trial court excluded from “Plaintiff’s actual gross annual income” the cash reserve because it was “currently fully encumbered by a creditor bank of Plaintiff’s corporation.” Id. The Court of Appeals first evaluated the exclusion for child support calculations and determined that “[a]lthough technically encumbered, the cash reserves are available to plaintiff under the Guidelines because it was his choice to pledge them to the bank in exchange for business financing.” Id. at 26, 487 S.E.2d at 778. The Court distinguished the mortgage principal payments in Lawrence v. Tise, 107 N.C. App. 140, 419 S.E.2d 176 (1992), and concluded that the funds allocated to cash reserves were not “ordinary and necessary” and should therefore not be deducted for child support purposes under the Guidelines. Id.

The Court of Appeals also held that the trial court’s exclusion of the cash reserves constituted error for calculating annual income for alimony purposes. The Court held that by deducting “the cash reserves pledged to the bank,” the trial court had “placed the burden of this voluntarily assumed business investment on defendant, the dependent spouse.” Id. at 28, 487 S.E.2d at 779. The Court of Appeals stated, “Just as a supporting spouse is not required to pay

for the maintenance and support of a dependent spouse's business ventures, a dependent spouse also should not be made to bear the financial burden of a supporting spouse's business investment. The trial court erred by excluding the cash reserves pledged to the bank by plaintiff's corporation from plaintiff's annual gross income." Id.

3. Cauble v. Cauble, 133 N.C. App. 390, 515 S.E.2d 708 (1999).

Defendant was the majority shareholder of Stanley Farm Supply Inc., a C corporation that had never paid dividends to its shareholders. Id. at 392-93, 515 S.E.2d at 710. In his child support case, Defendant argued that the trial court improperly considered the "amounts of income earned by Stanley Farm corresponding to his corporate interest" rather than the actual amounts distributed to him. Id. at 396, 515 S.E.2d at 712. The Court of Appeals held that "by virtue of his controlling interest," the profits of Stanley Farm "were available to defendant." Id.

What about Taylor in which the Court of Appeals held the trial court should have considered only the income actually received rather than the amount allocated? The Cauble court noted "[m]ore significantly, unlike the instant record, no evidence in Taylor indicated the obligor owned a controlling corporate interest whereby he might have directed distribution of corporate profits to his benefit." Id. at 397, 515 S.E.2d at 713.

4. Earnings Capacity vs. Potential Investment Income.

In Honeycutt v. Honeycutt, 152 N.C. App. 673, 677, 560 S.E.2d 260, 263 (2002), the Court of Appeals held it was proper to consider expert testimony of the potential investment income of a spouse seeking alimony even in the absence of bad faith. The Court of Appeals subsequently reaffirmed this view, upholding the trial court's consideration of the dependent spouse's potential income from an investment portfolio in determining the appropriate amount of alimony. Francis v. Francis, 169 N.C. App. 442, 612 S.E.2d 214 (2005), disc. rev. denied, 359 N.C. 631, 616 S.E.2d 233 (2005).<sup>1</sup> The Honeycutt and Francis cases distinguish investment income from employment income and conclude that the "earning capacity rule," which requires evidence of bad faith does not apply earnings from investment. Beware the argument that Cook v. Cook, 159 N.C. App. 657, 583 S.E.2d 696 (2003), or other cases support the proposition that a trial court cannot impute potential investment income without evidence of bad faith. The Cook court discusses investment income in terms of "earning capacity" rule applied in the context of income from employment. Id. at 662, 583 S.E.2d at 699. The trial court in Cook also did not hear expert testimony on the issue of potential investment income; instead, the judge "fashioned a formula of his own to determine what value he would impute." Id. at 659, 583 S.E.2d at 697.

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<sup>1</sup> Although the Court of Appeals in Francis offers little analysis of this issue, the court did not consider bad faith as a prerequisite to imputing income from an investment portfolio. The background of Francis is explained in the May 2005 issue of the Family Forum. Charles Montgomery, "Francis v. Francis; imputing income from potential investments without showing bad faith." During oral argument at the Court of Appeals, defendant's attorney was instructed that he need not address "bad faith."

## V. The Financial Statement of Closely Held Corporations- Into the Weeds.

A. A Borrowed Concept – “Normalizing Income.” The three common approaches used by business valuation analysis are the asset approach, market approach, and the income approach. In the income approach, the objective is to obtain an accurate analysis of the income that the hypothetical buyer will receive from the business. This process is referred to as “normalizing income” that is reported on the company financial statement or the company income tax return. A copy of a page reflecting operating expenses from a company income statement is attached as Exhibit A. A copy of pages reflecting operating expense from a company tax return are attached as Exhibits B-1 and B-2.

The theory is that the hypothetical buyer is not willing to keep paying mom \$50,000 a year to write the annual newsletter and pay the property taxes for grand mom’s house. This approach will help you get to the business owner’s true earnings. The following are areas that might decrease the true income of the business:

1. Fringe Benefits. Not all fringe benefits are a sham. The IRS has developed rules under Code Section 132 of whether a fringe benefit is includible in the income of the employee and deductible by the employer. The IRS rules and accompanying cases are instructive. However, for your purpose the issues are: (1) is the fringe benefit a reasonable operating expense of the company (2) if yes, does it “reduce [the] personal living expenses” of a party. N.C. Child Support Guidelines, Rev. 1/15, p. 3.

2. Auto Expense and Auto Rental. Use of company cars by family members is common for small business owners. Inquire into the business reason for such use, if any, as well as the payment for automobile insurance, taxes, and gas cards. It may be reasonable for income/earnings purposes to not include as income the owner’s use of an automobile if the use is primarily business. Recall the test: does it “reduce personal living expenses.” N.C. Child Support Guidelines, Rev. 1/15, p. 3. If yes, it is includible. Id.

3. Building Rent. From whom does the company rent? What is the owner’s relationship to them? Is it reasonable to rent mom’s barn for company storage at the rate of \$5,000 per month?

4. Cleaning Services and Contract Labor. Does the office cleaning team also clean the owner’s house and her mom’s house? Electricians, plumbers, and yard services are common personal expenses that are run through closely held companies. The cleaning service contract can be instructive.

5. Office Salary, Officer Salary, Group Health Insurance. Salaries for members of the owner’s family or for the owner’s childhood friend that exceed reasonable levels or who are “no-show” employees are common normalization adjustments in business valuations. Consider the hours worked, duties performed, qualifications, and compare their compensation with non-family employee compensation.

6. Other. Go down the list of operating expenses for the company. Always pause on meals, entertainment, travel and lodging. Use your good judgment. If available, compare three or four years of past operating expenses to identify significant change.

7. Decrease of the Owner's Salary. It is not uncommon for an owner's compensation to decrease on or about the date of separation. Look for simultaneous increased compensation for other family members, increased payment on company loans, increased purchase of assets and inventory directed by the owner that resulted in a lower operating profit that "caused" the owner to reduce their salary "to keep the business alive."

B. Gold – The General Ledger. Frequently the small business owner is less than candid regarding the details of the operating expenses. An excellent tool is the company general ledger. The general ledger is similar to an individual's check register with the added benefit of breaking the company's payments into categories that tie to the income and expense categories stated on the company financial statement and tax return.<sup>2</sup> Copies of selected pages of general ledgers are attached as Exhibits C-1 through C-4. The standard organization is that the first pages are a chronological listing of the payments made followed by a detailed breakout by categories, such as officer compensation, professional fees, rent, repairs and maintenance, travel, etc.

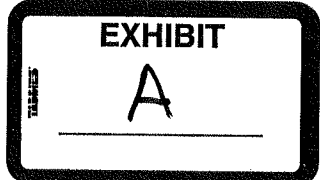
C. Indicators of Low Risk. Although not a total guard against abuse, the presence of other members/shareholders is a frequent indicator of lower risk when determining the support income generated by the company. The theory is that the other members care about their money and are not willing to subsidize the non-business expenses of another member. If a party owns less than a controlling interest, some valuation experts will not perform income normalization because the hypothetical buyer does not have the necessary control to do away with the non-business expenditures run through the company. Logical inquiry includes the determination of the relationships of the other members/shareholders to the party owner.

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<sup>2</sup> I acknowledge the use of non-CPA language and accept that responsibility. It is my hope that the dangers caused by lack of term precision are outweighed by understanding.

Mr. C. Ray Grantham

Statement Data	FISCAL YEAR-END		FISCAL YEAR-END		FISCAL YEAR-END		FISCAL YEAR-END		Trailing 12 Months	
	2008	% of Sales	2007	% of Sales	2006	% of Sales	2005	% of Sales	2004	% of Sales
Revenues	\$ 1,284,684	100.0%	\$ 1,532,391	100.0%	\$ 1,879,656	100.0%	\$ 1,997,632	100.0%	\$ 1,857,498	100.0%
Fees	1,284,684	100.0%	1,532,391	100.0%	1,879,656	100.0%	1,997,632	100.0%	1,857,498	100.0%
Total revenues										
Cost of goods sold	352,098	28.2%	380,269	24.8%	355,301	19.4%	547,444	27.4%	571,420	30.8%
Cost of sales	352,098	28.2%	380,269	24.8%	355,301	19.4%	547,444	27.4%	571,420	30.8%
Total cost of goods sold										
Gross profit	922,586	71.8%	1,152,122	75.2%	1,524,355	80.6%	1,450,188	72.6%	1,286,078	69.2%
Operating expenses	2,431	0.2%	2,399	0.2%	3,250	0.2%	6,891	0.3%	8,527	0.5%
Advertising	8,682	0.7%	10,279	0.7%	14,303	0.8%	12,293	0.6%	22,024	1.2%
Auto expense	36,304	2.8%	32,788	2.1%	26,566	1.4%	35,025	1.8%	21,323	1.1%
Auto rental	504	0.0%	340	0.0%	278	0.0%	277	0.0%	985	0.1%
Bank charges	32,300	2.5%	58,100	3.8%	85,200	4.5%	54,700	2.7%	62,600	3.4%
Building rent	-	0.0%	-	0.0%	-	0.0%	-	0.0%	160	0.0%
Carpet rental	2,260	0.2%	2,820	0.2%	2,715	0.1%	2,350	0.1%	3,340	0.2%
Cleaning services	6,043	0.5%	4,592	0.3%	6,646	0.4%	11,754	0.6%	9,586	0.5%
Contract labor	1,600	0.1%	1,974	0.1%	1,260	0.1%	3,170	0.2%	14,789	0.8%
Contributions	61,889	4.8%	194,028	12.7%	68,606	3.6%	31,989	1.6%	115,755	6.1%
Depreciation expense	2,810	0.2%	875	0.1%	3,940	0.2%	730	0.0%	1,017	0.1%
Dues and subscriptions	823	0.1%	358	0.0%	300	0.0%	375	0.0%	528	0.0%
Education and training	-	0.0%	-	0.0%	-	0.0%	-	0.0%	59	0.0%
Equipment rent	1,006	0.1%	-	0.0%	-	0.0%	-	0.0%	716	0.0%
Freight	264	0.0%	158	0.0%	344	0.0%	218	0.0%	1,116	0.1%
Garbage disposal	19,393	1.5%	11,891	0.8%	8,392	0.4%	4,526	0.2%	7,957	0.4%
Group health insurance	10,393	0.8%	3,785	0.2%	16,202	0.9%	11,612	0.6%	13,914	0.7%
Insurance - general	23,270	1.8%	20,888	1.4%	17,860	1.0%	19,880	1.0%	34,539	1.9%
Made and entertainment	239	0.0%	3,662	0.2%	-	0.0%	59	0.0%	-	-
Miscellaneous expense	145,108	11.3%	168,812	11.0%	174,842	9.3%	221,586	11.1%	268,620	14.5%
Office salary	37,719	3.0%	46,812	3.1%	45,038	2.4%	40,939	2.1%	14,088	0.8%
Office supplies and expense	390,000	28.0%	206,901	13.5%	208,081	11.1%	188,757	9.4%	209,919	11.3%
Officer salary	1,805	0.1%	2,749	0.2%	1,600	0.1%	940	0.0%	20,461	1.1%
Other taxes and licenses	24,158	1.9%	5,921	0.4%	3,566	0.2%	18,208	0.9%	5,221	0.3%
Ownership expenses	56,092	4.4%	57,057	3.7%	63,721	3.4%	61,419	3.1%	30,950	1.8%
Papery	3,044	0.2%	5,861	0.4%	4,055	0.2%	4,618	0.2%	4,515	0.2%
Pension plan expense	14,170	1.1%	3,455	0.2%	3,915	0.2%	5,365	0.3%	5,288	0.3%
Postage	2,144	0.2%	3,807	0.2%	2,925	0.2%	4,627	0.2%	1,366	0.1%
Professional fees	1,100	0.1%	3,317	0.2%	9,232	0.5%	5,313	0.3%	12,997	0.7%
Property taxes	1,801	0.1%	1,400	0.1%	-	0.0%	-	0.0%	551	0.0%
Repairs and maintenance	1,180	0.1%	180	0.0%	180	0.0%	403	0.0%	12,233	0.6%
Section 419 retirement plan	3,314	0.3%	7,855	0.5%	8,158	0.4%	7,895	0.4%	10,088	0.5%
Security services	9,948	0.8%	9,098	0.6%	4,611	0.2%	4,122	0.2%	11,870	0.6%
Telephone	7,346	0.6%	7,330	0.5%	6,910	0.4%	6,672	0.3%	13,470	0.7%
Travel and lodging	5748	0.4%	7,330	0.5%	6,910	0.4%	6,672	0.3%	13,470	0.7%
Utilities	851,971	66.3%	655,969	55.8%	715,281	41.2%	783,009	39.2%	1,021,845	55.0%
Total operating expenses	70,715	5.5%	256,153	19.3%	739,074	39.3%	687,179	33.4%	284,113	14.2%
Operating profit	5,011	0.4%	4,739	0.3%	9,795	0.5%	16,282	0.8%	10,312	0.5%
Other income/(expense)	(9,437)	-0.7%	(12,440)	-0.8%	(10,753)	-0.6%	(14,130)	-0.7%	(10,357)	-0.5%
Interest income	8,300	0.6%	(452)	0.0%	-	0.0%	-	0.0%	-	0.0%
Interest expense	3,874	0.3%	(8,153)	-0.5%	(958)	-0.1%	2,152	0.1%	(46)	0.0%
Gain/(loss) on disposal of assets	-	-	-	-	-	-	-	-	-	-
Total other income/(expense)	74,569	5.8%	285,000	18.6%	738,116	39.3%	669,331	33.3%	284,068	14.2%
Profit before tax	\$ 74,569	5.8%	\$ 285,000	18.6%	\$ 738,116	39.3%	\$ 669,331	33.3%	\$ 284,068	14.2%
Income tax expense	1,912,722	100.0%	1,812,722	100.0%	520,546	27.2%	520,546	27.2%	1,912,722	100.0%
Net income	1,912,722	100.0%	1,812,722	100.0%	520,546	27.2%	520,546	27.2%	1,912,722	100.0%





Form **1120S**

**U.S. Income Tax Return for an S Corporation**

OMB No. 1545-0130

Do not file this form unless the corporation has timely filed Form 2553 to elect to be an S corporation.

**2003**

Department of the Treasury  
Internal Revenue Service

For calendar year 2003, or tax year beginning , and ending

<b>A</b> Effective date of election as an S corporation 01/01/1988	Use IRS label. Otherwise, print or type.	Name <b>STRAIGHT EDGE, INC</b>	<b>C</b> Employer identification number 95-1111111
<b>B</b> Business code number (see pages 31-33 of the instrs.) 423800		Number, street, and room or suite no. (If a P.O. box, see page 12 of the instructions.) 4865 TROY ST.	<b>D</b> Date incorporated 04/29/1987
		City or town, state, and ZIP code LOS ANGELES, CA 90001	<b>E</b> Total assets (see page 12 of instr) \$ 908,174.

**F** Check applicable boxes: (1)  Initial return (2)  Final return (3)  Name change (4)  Address change (5)  Amended return

**G** Enter number of shareholders in the corporation at end of the tax year **1**

Caution: Include only trade or business income and expenses on lines 1a through 21. See page 12 of the instructions for more information.

Income	<b>1 a</b> Gross receipts or sales <b>853,098</b>	<b>b</b> Less returns and allowances	<b>C Bal</b>	<b>1c</b>	<b>853,098.</b>
	<b>2</b> Cost of goods sold (Schedule A, line 8)			<b>2</b>	<b>454,002.</b>
	<b>3</b> Gross profit. Subtract line 2 from line 1c			<b>3</b>	<b>399,096.</b>
	<b>4</b> Net gain (loss) from Form 4797, Part II, line 18 (attach Form 4797)			<b>4</b>	
	<b>5</b> Other income (loss) (attach schedule)			<b>5</b>	<b>22,432.</b>
	<b>6</b> Total income (loss). Combine lines 3 through 5			<b>6</b>	<b>421,528.</b>
Deductions (See instructions for limitations)	<b>7</b> Compensation of officers			<b>7</b>	<b>22,333.</b>
	<b>8</b> Salaries and wages (less employment credits)			<b>8</b>	<b>28,020.</b>
	<b>9</b> Repairs and maintenance			<b>9</b>	<b>5,668.</b>
	<b>10</b> Bad debts			<b>10</b>	
	<b>11</b> Rents			<b>11</b>	<b>57,000.</b>
	<b>12</b> Taxes and licenses			<b>12</b>	<b>7,167.</b>
	<b>13</b> Interest			<b>13</b>	<b>950.</b>
	<b>14 a</b> Depreciation (Attach Form 4562)	<b>14a</b>	<b>4,367.</b>		
	<b>b</b> Depreciation claimed on Schedule A and elsewhere on return	<b>14b</b>			
	<b>c</b> Subtract line 14b from line 14a			<b>14c</b>	<b>4,367.</b>
	<b>15</b> Depletion (Do not deduct oil and gas depletion.)			<b>15</b>	
	<b>16</b> Advertising			<b>16</b>	<b>17,723.</b>
	<b>17</b> Pension, profit-sharing, etc., plans			<b>17</b>	
	<b>18</b> Employee benefit programs			<b>18</b>	
	<b>19</b> Other deductions (attach schedule)			<b>19</b>	<b>142,957.</b>
<b>20</b> Total deductions. Add the amounts shown in the far right column for lines 7 through 19			<b>20</b>	<b>286,185.</b>	
<b>21</b> Ordinary income (loss) from trade or business activities. Subtract line 20 from line 6			<b>21</b>	<b>135,343.</b>	
Tax and Payments	<b>22 a</b> Tax: a Excess net passive income tax (attach schedule)	<b>22a</b>			
	<b>b</b> Tax from Schedule D (Form 1120S)	<b>22b</b>			
	<b>c</b> Add lines 22a and 22b			<b>22c</b>	
	<b>23 a</b> Payments: a 2003 estimated tax payments and amount applied from 2002 return	<b>23a</b>			
	<b>b</b> Tax deposited with Form 7004	<b>23b</b>			
	<b>c</b> Credit for Federal tax paid on fuels (attach Form 4136)	<b>23c</b>			
	<b>d</b> Add lines 23a through 23c			<b>23d</b>	
	<b>24</b> Estimated tax penalty. Check if Form 2220 is attached <input type="checkbox"/>			<b>24</b>	
	<b>25</b> Tax due. If line 23d is smaller than the total of lines 22c and 24, enter amount owed.			<b>25</b>	
	<b>26</b> Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid			<b>26</b>	
<b>27</b> Enter amount of line 26 you want: Credited to 2004 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/>			<b>27</b>		

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 taxpayer) is based on all information of which preparer has any knowledge.

**Sign Here**

Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

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

**Paid Preparer's Use Only**

Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_ Check if self-employed  Preparer's SSN or PTIN \_\_\_\_\_

Firm's name (or yours if self-employed), address, and ZIP code \_\_\_\_\_

EIN \_\_\_\_\_ Phone no. \_\_\_\_\_

**EXHIBIT**  
**B-1**

STRAIGHT EDGE, INC

95-1111111

FORM 1120S	OTHER INCOME	STATEMENT	1
DESCRIPTION		AMOUNT	
OTHER INCOME		22,432.	
TOTAL TO FORM 1120S, PAGE 1, LINE 5		22,432.	

FORM 1120S	TAXES AND LICENSES	STATEMENT	2
DESCRIPTION		AMOUNT	
PAYROLL TAXES		4,717.	
OTHER TAXES AND LICENSES		820.	
CALIFORNIA TAXES - BASED ON INCOME		1,630.	
TOTAL TO FORM 1120S, PAGE 1, LINE 12		7,167.	

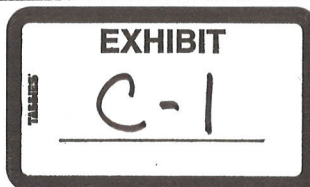
FORM 1120S	OTHER DEDUCTIONS	STATEMENT	3
DESCRIPTION		AMOUNT	
AUTO EXPENSE		3,983.	
BANK CHARGES		892.	
SECURITY		924.	
DUES AND SUBSCRIPTIONS		110.	
INSURANCE		5,295.	
PROFESSIONAL FEES		225.	
POSTAGE		1,961.	
TELEPHONE		15,894.	
TRAVEL		5,821.	
OFFICE SUPPLIES		6,394.	
UTILITIES		3,971.	
SHOWS AND EXHIBITS		3,800.	
WARRANTY EXP		12,610.	
MACHINE PREP		34,760.	
SHOP SUPPLIES		13,023.	
OUTSIDE SERVICES		10,856.	
COMPUTER EXP		1,850.	
SALES COMMISSION		14,483.	
SALES EXP		2,129.	
MISC EXP		2,878.	
MEALS AND ENTERTAINMENT		1,098.	
TOTAL TO FORM 1120S, PAGE 1, LINE 19		142,957.	

**EXHIBIT**  
B-2

General Ledger Detail Report

Detail Postings for Dates 1/1/2008 Thru 12/31/2014

Account Number/Description	Period	Date	Journal	Comments	Beginning Balance	Debit	Credit	Net Change	Ending Balance
	08	8/8/2013	AP-000045	Citi Cards /IN: 080813		1,500.00			2,360,836.00
	08	8/8/2013	AP-000045	JACKSON NATIONAL LIFE /IN: 072613		988.00			2,361,824.00
	08	8/8/2013	AP-000045	[REDACTED] /IN: 080813		2,500.00			2,364,324.00
	08	8/8/2013	AP-000045	[REDACTED] /IN: 080813		3,600.00			2,367,924.00
	08	8/15/2013	AP-000046	[REDACTED] /IN: 081313		3,600.00			2,371,524.00
	08	8/19/2013	MC-000019	A/P MANUAL CHECK AND PAYMENT REGISTER		3,600.00			2,375,124.00
	08	8/21/2013	MC-000020	A/P MANUAL CHECK AND PAYMENT REGISTER		127.97			2,375,251.97
	08	8/22/2013	AP-000047	NATIONAL GOLF CLUB /IN: 073113		121.11			2,375,373.08
	08	8/22/2013	AP-000047	[REDACTED] /IN: 082213		3,600.00			2,378,973.08
	08	8/22/2013	MC-000021	A/P MANUAL CHECK AND PAYMENT REGISTER			1,500.00		2,377,473.08
	08	8/22/2013	MC-000022	A/P MANUAL CHECK AND PAYMENT REGISTER		841.37			2,378,314.45
	08	8/25/2013	GJ-000072	Ironwood Cafe July 2013		436.68			2,378,751.13
	08	8/25/2013	GJ-000072	Ironwood Cafe July 2013 receipt		463.68			2,379,214.81
	08	8/25/2013	GJ-000072	Correct Admin Invoice			436.68		2,378,778.13
	08	8/25/2013	GJ-000073	Aug 2013 Diner's Invoice		4,480.28			2,383,258.41
	09	8/26/2013	GJ-000070	Pmt of Amex charges 7/28 - 8/3/13		957.99			2,384,216.40
	09	8/26/2013	GJ-000071	Pmt of Amex charges 8/4 - 8/10/13		5,000.00			2,389,216.40
	09	8/29/2013	AP-000048	Citi Cards /IN: 082613		1,500.00			2,390,716.40
	09	8/29/2013	AP-000048	[REDACTED] 082913		3,600.00			2,394,316.40
	09	9/5/2013	AP-000049	Citi Cards /IN: 090513		1,500.00			2,395,816.40
	09	9/5/2013	AP-000049	[REDACTED] /IN: 090513		3,600.00			2,399,416.40
	09	9/5/2013	AP-000050	Reassure America Life Insurane /IN: 0913		2,297.31			2,401,713.71
	09	9/9/2013	MC-000023	A/P MANUAL CHECK AND PAYMENT REGISTER			1,500.00		2,400,213.71
	09	9/12/2013	AP-000051	[REDACTED] /IN: SEPT13		2,500.00			2,402,713.71
	09	9/12/2013	AP-000051	[REDACTED] /IN: 091213		3,600.00			2,406,313.71
	09	9/12/2013	AP-000052	4 SEASONS HEATING & AIR /IN: 6152977134		975.00			2,407,288.71
	09	9/13/2013	AP-000053	SANDHILLS PROPANE CO, INC /IN: 29007		875.08			2,408,163.79
	09	9/19/2013	AP-000054	[REDACTED] /IN: 091913		3,600.00			2,411,763.79
	09	9/26/2013	GJ-000074	Pmt of Amex charges 8/25 - 8/31/13 - flight for SJB		759.05			2,412,522.84
	09	9/29/2013	GJ-000077	Acme Fine Wines		550.05			2,413,072.89
	09	9/29/2013	GJ-000077	Time Warner Cable		61.38			2,413,134.27
	10	10/3/2013	AP-000055	[REDACTED] /IN: 100313		3,600.00			2,416,734.27
	10	10/10/2013	AP-000056	[REDACTED] /IN: 101013		3,600.00			2,420,334.27
	10	10/11/2013	AP-000057	[REDACTED] /IN: 102013		1,209.91			2,421,544.18
	10	10/11/2013	MC-000025	A/P MANUAL CHECK AND PAYMENT REGISTER		6,000.00			2,427,544.18
	10	10/14/2013	MC-000027	A/P MANUAL CHECK AND PAYMENT REGISTER		50,316.00			2,477,860.18
	10	10/21/2013	AP-000058	[REDACTED] /IN: 101713		3,600.00			2,481,460.18
	10	10/24/2013	AP-000059	[REDACTED] /IN: 102413		3,600.00			2,485,060.18
	10	10/25/2013	MC-000028	A/P MANUAL CHECK AND PAYMENT REGISTER		3,600.00			2,488,660.18
	10	10/27/2013	MC-000030	A/P MANUAL CHECK AND PAYMENT REGISTER		3,600.00			2,492,260.18
	11	10/28/2013	MC-000029	A/P MANUAL CHECK AND PAYMENT REGISTER			3,600.00		2,488,660.18
	11	10/31/2013	AP-000060	[REDACTED] /IN: 103113		3,600.00			2,492,260.18
	11	11/7/2013	AP-000061	[REDACTED] /IN: 110713		3,600.00			2,495,860.18
	11	11/14/2013	AP-000062	[REDACTED] /IN: 111113		3,000.00			2,498,860.18
	11	11/21/2013	AP-000063	[REDACTED] /IN: 112113		3,600.00			2,502,460.18
	11	11/24/2013	GJ-000082	Aberdeen Supply Inv 574917 paid by [REDACTED]		54.45			2,502,514.63
	12	12/2/2013	AP-000064	[REDACTED] /IN: 120213		3,600.00			2,506,114.63
	12	12/5/2013	AP-000065	SANDHILLS PROPANE CO, INC /IN: 112713		777.05			2,506,891.68
	12	12/5/2013	AP-000065	[REDACTED] /IN: 120513		3,600.00			2,510,491.68
	12	12/12/2013	AP-000066	[REDACTED] COUNTY TAX DEPT. /IN: 2013		8,246.72			2,518,738.40
	12	12/12/2013	AP-000066	[REDACTED] /IN: 121213		3,600.00			2,522,338.40
	12	12/16/2013	MC-000032	A/P MANUAL CHECK AND PAYMENT REGISTER		3,000.00			2,525,338.40
	12	12/23/2013	MC-000033	A/P MANUAL CHECK AND PAYMENT REGISTER		3,600.00			2,528,938.40
	12	12/27/2013	AP-000067	[REDACTED] /IN: 122713		3,600.00			2,532,538.40
	12	12/27/2013	MC-000034	A/P MANUAL CHECK AND PAYMENT REGISTER			789.58		2,531,748.82
	12	12/31/2013	MC-000035	A/P MANUAL CHECK AND PAYMENT REGISTER		3,600.00			2,535,348.82
	01	1/6/2014	MC-000036	A/P MANUAL CHECK AND PAYMENT REGISTER		3,600.00			2,538,948.82
	01	1/8/2014	MC-000037	A/P MANUAL CHECK AND PAYMENT REGISTER		7,957.37			2,546,906.19
	01	1/10/2014	MC-000038	A/P MANUAL CHECK AND PAYMENT REGISTER		166.93			2,547,073.12
	01	1/17/2014	AP-000068	[REDACTED] /IN: 011714		3,600.00			2,550,673.12
	01	1/17/2014	AP-000068	[REDACTED] /IN: JAN2014		3,000.00			2,553,673.12
	02	1/30/2014	MC-000042	A/P MANUAL CHECK AND PAYMENT REGISTER		3,600.00			2,557,273.12
	02	2/4/2014	MC-000043	A/P MANUAL CHECK AND PAYMENT REGISTER		3,600.00			2,560,873.12
	02	2/5/2014	AP-000073	Carolina Mosquito Systems /IN: 1383		700.00			2,561,573.12
	02	2/5/2014	AP-000073	SANDHILLS PROPANE CO, INC /IN: 736996		1,178.86			2,562,751.98





General Ledger

For the Period From Jan 1, 2007 to Dec 31, 2007

Filter Criteria includes: Report order is by ID. Report is printed with Truncated Transaction Descriptions and in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	3/1/07			Beginning Balance			28.17
	4/1/07			Beginning Balance			28.17
	5/1/07			Beginning Balance			28.17
	6/1/07			Beginning Balance			28.17
	7/1/07			Beginning Balance			28.17
	8/1/07			Beginning Balance			28.17
	9/1/07			Beginning Balance			28.17
	10/1/07			Beginning Balance			28.17
	11/1/07			Beginning Balance			28.17
	12/1/07			Beginning Balance			28.17
	12/31/07			Ending Balance			28.17
<b>73700</b>	1/1/07			Beginning Balance			
<b>PROFESSIONAL FEES</b>	2/1/07			Beginning Balance			
	2/12/07	16846	CDJ	ALLEY [REDACTED]	165.00		
	2/19/07	16850	CDJ	CAMPBELL [REDACTED]	2,073.17		
				Current Period Change	2,238.17		2,238.17
	3/1/07			Beginning Balance			2,238.17
	3/27/07	16874	CDJ	ALLEY [REDACTED]	45.60		
				Current Period Change	45.60		45.60
	4/1/07			Beginning Balance			2,283.77
	5/1/07			Beginning Balance			2,283.77
	5/23/07	16894	CDJ	[REDACTED]	6,160.00		
	5/31/07	16897	CDJ	CAMPBELL [REDACTED]	191.05		
				Current Period Change	6,351.05		6,351.05
	6/1/07			Beginning Balance			8,634.82
	7/1/07			Beginning Balance			8,634.82
	7/23/07	16919	CDJ	ALLEY [REDACTED]	336.89		
				Current Period Change	336.89		336.89
	8/1/07			Beginning Balance			8,971.71
	9/1/07			Beginning Balance			8,971.71
	9/4/07	16968	CDJ	McKAIG [REDACTED]	1,474.00		
	9/17/07	16975	CDJ	ALLEY M [REDACTED]	4,820.03		
	9/26/07	16976	CDJ	[REDACTED]	3,584.00		
	9/28/07	trinity	GENJ	[REDACTED] REIMBUR		4,820.03	
				Current Period Change	9,878.03	4,820.03	5,058.00
	10/1/07			Beginning Balance			14,029.71
	11/1/07			Beginning Balance			14,029.71
	12/1/07			Beginning Balance			14,029.71
	12/31/07			Ending Balance			14,029.71
<b>74000</b>	1/1/07			Beginning Balance			
<b>RENT</b>	2/1/07			Beginning Balance			
	3/1/07			Beginning Balance			
	4/1/07			Beginning Balance			
	5/1/07			Beginning Balance			
	6/1/07			Beginning Balance			
	6/14/07	wire out	GENJ	WIRE TRANSFER TO	21,000.00		
	6/14/07	16905	CDJ	BUSINESS CARDS - I	417.00		
				Current Period Change	21,417.00		21,417.00
	7/1/07			Beginning Balance			21,417.00
	7/6/07	16912	CDJ	THE PORT [REDACTED]	3,000.00		
	7/6/07	16913	CDJ	THE PORT [REDACTED]	100.00		
	7/6/07	16914	CDJ	THE PORT [REDACTED]	500.00		
				Current Period Change	3,600.00		3,600.00
	8/1/07			Beginning Balance			25,017.00
	8/7/07	16934	CDJ	BUSINESS CARDS - I	503.38		
	8/7/07	16935	CDJ	Invoice: AUGUS	170.24		
	8/7/07	16937	CDJ	[REDACTED] POOL SER	115.00		
	8/20/07	16947	CDJ	CROMWELL [REDACTED]	100.00		
	8/20/07	16948	CDJ	RONALD [REDACTED]	18,880.00		
				Current Period Change	19,768.62		19,768.62
	9/1/07			Beginning Balance			44,785.62
	9/4/07	16966	CDJ	BUSINESS CARDS - I	650.72		
	9/11/07	16972	CDJ	[REDACTED] POWER &	184.55		
				Current Period Change	835.27		835.27
	10/1/07			Beginning Balance			45,620.89
	10/11/07	16982	CDJ	[REDACTED] POWER &	104.41		
				Current Period Change	104.41		104.41

**EXHIBIT**  
C-2

P's Resp-2nd RPD  
 (2/8/10) 196



**General Ledger**

For the Period From Jan 1, 2007 to Dec 31, 2007

Filter Criteria includes: Report order is by ID. Report is printed with Truncated Transaction Descriptions and in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	11/1/07			Beginning Balance			45,725.30
	11/9/07	17003	CDJ	BUSINESS CARDS - I	848.00		
	11/28/07	17014	CDJ	WACHOVIA BANK - I	5,509.34		
				Current Period Change	6,357.34		6,357.34
	12/1/07			Beginning Balance			52,082.64
	12/10/07	17020	CDJ	BUSINESS CARDS - I	650.00		
	12/10/07	17020	CDJ	BUSINESS CARDS - I	244.86		
	12/31/07	AJE 1	GENJ	VOID CK 16914 PER		500.00	
				Current Period Change	894.86	500.00	394.86
	12/31/07			Ending Balance			52,477.50
<b>74200</b>							
<b>REPAIRS &amp; MAINTENA</b>	1/1/07			Beginning Balance			
	1/23/07	16832	CDJ	ELECTRI	97.50		
	1/31/07	16837	CDJ	EQUIPMEN	2,063.82		
				Current Period Change	2,161.32		2,161.32
	2/1/07			Beginning Balance			2,161.32
	2/19/07	16853	CDJ		2,670.00		
	2/27/07	16857	CDJ	COMFORT MARINE	4,545.11		
				Current Period Change	7,215.11		7,215.11
	3/1/07			Beginning Balance			9,376.43
	3/2/07	16860	CDJ	ELECTRONICS UNLI	85.00		
	3/2/07	16861	CDJ		225.00		
	3/8/07	16863	CDJ	BOAT OWNER'S WA	206.43		
	3/8/07	16863	CDJ	BOAT OWNER'S WA	167.03		
	3/8/07	16865	CDJ	YACHT I	2,631.39		
	3/13/07	16869	CDJ	TRANSPORT	1,500.00		
	3/15/07	16774	CDJ	, INC.	522.05		
	3/27/07	16875	CDJ	CANVAS PRO	4,277.10		
	3/31/07	16878	CDJ	MARINE EL	1,285.89		
				Current Period Change	10,899.89		10,899.89
	4/1/07			Beginning Balance			20,276.32
	4/1/07	VOID CHK T	GENJ	VOID CHECK TO NA		7,950.44	
	4/10/07	16880	CDJ	BOAT OWNER'S WA	557.34		
				Current Period Change	557.34	7,950.44	-7,393.10
	5/1/07			Beginning Balance			12,883.22
	5/31/07	16899	CDJ	SEAN - Invoice:	125.00		
				Current Period Change	125.00		125.00
	6/1/07			Beginning Balance			13,008.22
	6/14/07	16905	CDJ	BUSINESS CARDS - I	1,380.69		
	6/14/07	16907	CDJ	POOL SER	155.00		
				Current Period Change	1,535.69		1,535.69
	7/1/07			Beginning Balance			14,543.91
	7/23/07	16924	CDJ	POOL SER	149.00		
				Current Period Change	149.00		149.00
	8/1/07			Beginning Balance			14,692.91
	9/1/07			Beginning Balance			14,692.91
	9/4/07	16966	CDJ	BUSINESS CARDS - I	3,034.65		
				Current Period Change	3,034.65		3,034.65
	10/1/07			Beginning Balance			17,727.56
	11/1/07			Beginning Balance			17,727.56
	11/20/07	WRITE OFF	GENJ	WRITE OFF NON REI	3,799.82		
				Current Period Change	3,799.82		3,799.82
	12/1/07			Beginning Balance			21,527.38
	12/31/07			Ending Balance			21,527.38
<b>74500</b>							
<b>SALES PROMOTIONS</b>	1/1/07			Beginning Balance			
	1/8/07	16819	CDJ	WACHOVIA BANK - I	3,731.84		
	1/9/07	16822	CDJ	SECESSION GOLFC	1,853.75		
	1/11/07	16825	CDJ		1,704.45		
				Current Period Change	7,290.04		7,290.04
	2/1/07			Beginning Balance			7,290.04
	2/12/07	16848	CDJ	PLATINUM PLUS FO	2,246.22		
	2/12/07	16849	CDJ	FARM - In	4,800.00		
	2/20/07	16854	CDJ		11,307.63		
				Current Period Change	18,353.85		18,353.85
	3/1/07			Beginning Balance			25,643.89
	4/1/07			Beginning Balance			25,643.89
	4/10/07	16882	CDJ	- I	1,367.91		
				Current Period Change	1,367.91		1,367.91

**EXHIBIT**  
C-3

P's Resp-2nd RFD  
(2/8/10) 197

**General Ledger**

For the Period From Jan 1, 2007 to Dec 31, 2007

Filter Criteria includes: Report order is by ID. Report is printed with Truncated Transaction Descriptions and in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	12/11/07	17022	CDJ	[REDACTED] I	690.92		
	12/18/07	17026	CDJ	BATELCO - Invoice: N	294.93		
	12/31/07	AJB 3	GENJ	VOID CK 16996 PER		264.93	
	12/31/07	AJE 2	GENJ	VOID CK 17002 PER		15.00	
	12/31/07	AJE 5	GENJ	VOID CK 17026 PER		294.93	
				Current Period Change	985.85	574.86	410.99
	12/31/07			Ending Balance			2,598.49
<b>76500</b>	1/1/07			Beginning Balance			
<b>TRAVEL</b>	2/1/07			Beginning Balance			
	3/1/07			Beginning Balance			
	4/1/07			Beginning Balance			
	4/10/07	16881	CDJ	BUSINESS CARDS - I	8,117.73		
				Current Period Change	8,117.73		8,117.73
	5/1/07			Beginning Balance			8,117.73
	5/8/07	16888	CDJ	[REDACTED]	22,280.00		
	5/16/07	16891	CDJ	[REDACTED] I	2,522.85		
	5/31/07	16898	CDJ	WACHOVIA BANK - I	1,477.12		
				Current Period Change	26,279.97		26,279.97
	6/1/07			Beginning Balance			34,397.70
	6/14/07	16905	CDJ	BUSINESS CARDS - I	1,293.20		
	6/14/07	16906	CDJ	[REDACTED]	17,750.00		
				Current Period Change	19,043.20		19,043.20
	7/1/07			Beginning Balance			53,440.90
	7/23/07	16920	CDJ	BUSINESS CARDS - I	1,231.90		
	7/23/07	16923	CDJ	[REDACTED] - Invoice: JULY BI	25.04		
	7/23/07	16925	CDJ	[REDACTED] - I	3,301.39		
				Current Period Change	4,558.33		4,558.33
	8/1/07			Beginning Balance			57,999.23
	8/7/07	872007	CDJ	[REDACTED]	2,516.14		
	8/7/07	16936	CDJ	[REDACTED]	49,500.00		
	8/20/07	16944	CDJ	HUGH [REDACTED]	1,500.00		
	8/20/07	16944	CDJ	HUGH [REDACTED]	500.00		
	8/20/07	16945	CDJ	HUGH [REDACTED]	29.00		
	8/20/07	16945	CDJ	HUGH [REDACTED]	1,790.20		
	8/20/07	16946	CDJ	[REDACTED] ONE, INC - inv	6,505.09		
	8/21/07	82107	CDJ	[REDACTED]	5,817.63		
	8/24/07	16955	CDJ	HUGH [REDACTED]	3,500.00		
	8/24/07	16956	CDJ	HUGH [REDACTED]	1,134.79		
	8/27/07	16960	CDJ	MICHAEL [REDACTED]	1,350.00		
	8/27/07	16961	CDJ	MICHAEL [REDACTED]	443.21		
	8/28/07	16963	CDJ	HUGH [REDACTED]	2,000.00		
	8/28/07	16964	CDJ	HUGH [REDACTED]	564.86		
				Current Period Change	77,150.92		77,150.92
	9/1/07			Beginning Balance			135,150.15
	9/10/07	TRINITY	GENJ	[REDACTED] REIMBURS		32,000.00	
	9/28/07	16978	CDJ	WACHOVIA BANK - I	4,665.12		
				Current Period Change	4,665.12	32,000.00	-27,334.88
	10/1/07			Beginning Balance			107,815.27
	10/2/07	100208	CDJ	[REDACTED]	2,319.77		
	10/2/07	16980	CDJ	[REDACTED]	6,420.00		
	10/15/07	16983	CDJ	[REDACTED] I	3,099.88		
	10/16/07	WRITE OFF	GENJ	WRITE OFF [REDACTED]	10,000.00		
	10/29/07	16992	CDJ	WACHOVIA BANK - I	3,699.53		
				Current Period Change	25,539.18		25,539.18
	11/1/07			Beginning Balance			133,354.45
	11/9/07	17004	CDJ	[REDACTED] AVIATION L	3,400.00		
	11/20/07	WRITE OFF	GENJ	WRITE OFF NON REI	4,834.22		
	11/30/07	17015	CDJ	[REDACTED] AVIATION L	13,625.00		
				Current Period Change	21,859.22		21,859.22
	12/1/07			Beginning Balance			155,213.67
	12/6/07	17017	CDJ	[REDACTED] AVIATION L	4,515.00		
	12/18/07	17023	CDJ	MARY [REDACTED]	1,300.00		
	12/31/07	AJE 4	GENJ	VOID CK 17023 PER		1,300.00	
				Current Period Change	5,815.00	1,300.00	4,515.00
	12/31/07			Ending Balance			159,728.67
<b>76700</b>	1/1/07			Beginning Balance			
<b>UNIFORMS</b>	2/1/07			Beginning Balance			

**EXHIBIT**  
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