

EXHIBIT A

Accountants' Compilation Report-Accrual Basis

DIVORTIUM CONSULTING

BALANCE SHEET

DECEMBER 31, 2003, 2002, 2001 AND 2000

ASSETS	2003	2002	2001	2000
CURRENT ASSETS				
Cash and cash equivalents	\$ 7,745	\$ 65,750	\$ 50,980	\$ 22,000
Trade accounts receivable	95,000	75,000	50,000	25,000
Total Current Assets	102,745	140,750	100,980	47,000
PROPERTY AND EQUIPMENT, Net	1,800	2,200	2,600	3,000
	\$ 104,545	\$ 142,950	\$ 103,580	\$ 50,000
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 10,000	\$ 5,000	\$ 6,000	\$ 4,000
Line of Credit	35,000	2,000	-	-
Loan from Shareholder	(15,000)	8,000	9,000	10,000
Total Current Liabilities	30,000	15,000	15,000	14,000
STOCKHOLDERS' EQUITY				
Common stock, par value \$1 per share, authorized 100,000 shares; 100 issued and outstanding	100	100	100	100
Retained earnings	74,445	127,850	88,480	35,900
	74,545	127,950	88,580	36,000
	\$ 104,545	\$ 142,950	\$ 103,580	\$ 50,000

DIVORTIUM CONSULTING

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2003, 2002 AND 2001

	2003	2002	2001
Contract revenues earned	\$ 150,000	\$ 225,000	\$ 165,000
Officers' salaries	60,000	75,000	50,000
Office salaries	60,000	45,000	30,000
Rent	18,000	12,750	12,000
Taxes and licenses	9,180	9,180	6,120
Automobile	2,800	1,400	900
Repairs and maintenance	2,100	1,400	1,000
Meals and Entertainment	3,100	1,800	1,100
Depreciation	400	24,400	400
Travel	6,100	3,500	2,500
Utilities	3,200	2,600	2,400
Advertising	8,500	8,000	5,000
Contributions	100	1,500	2,000
Total General and administrative expenses	173,480	186,530	113,420
Operating income (loss)	(23,480)	38,470	51,580
Financial income (expense):			
Interest income	75	900	1,000
	75	900	1,000
Net income (loss)	\$ (23,405)	\$ 39,370	\$ 52,580

EXHIBIT B

**Additional Analysis of Accountants' Compilation Report
Conversion from Accrual to Cash Basis and Common Size Analysis**

Divortium Consulting, Inc.
An S Corporation

	2000	2001	2002	2003			
Balance Sheet							
Cash	22,000	50,980	65,750	7,745			
Accounts Receivable	25,000	50,000	75,000	95,000			
Property Plant and Equipment	10,000	10,000	34,000	34,000			
Accumulated Depreciation	(7,000)	(7,400)	(31,800)	(32,200)			
Total Assets	50,000	103,580	142,950	104,545			
Accounts Payable	4,000	6,000	5,000	10,000			
Loan from Shareholder	10,000	9,000	8,000	(15,000)			
Line of Credit	0	0	2,000	35,000			
Common Stock	100	100	100	100			
Retained Earnings	35,900	88,480	127,850	74,445			
Total Liabilities and Equity	50,000	103,580	142,950	104,545			
Income Statement							
		2001	2001	2002	2002	2003	2003
Sales		165,000	100.00%	225,000	100.00%	150,000	100.00%
Interest Income		1,000	0.61%	900	0.40%	75	0.05%
Officers Compensation		50,000	30.30%	75,000	33.33%	60,000	40.00%
Wages		30,000	18.18%	45,000	20.00%	60,000	40.00%
Advertising		5,000	3.03%	8,000	3.56%	8,500	5.67%
Payroll taxes		6,120	3.71%	9,180	4.08%	9,180	6.12%
Rent		12,000	7.27%	12,750	5.67%	18,000	12.00%
Repairs and Maintenance		1,000	0.61%	1,400	0.62%	2,100	1.40%
Utilities		2,400	1.45%	2,600	1.16%	3,200	2.13%
Meals and Entertainment	*	1,100	0.67%	1,800	0.80%	3,100	2.07%
Travel Expenses		2,500	1.52%	3,500	1.56%	6,100	4.07%
Charitable Contributions		2,000	1.21%	1,500	0.67%	100	0.07%
Depreciation Expense		400	0.24%	24,400	10.84%	400	0.27%
Automobile Expenses		900	0.55%	1,400	0.62%	2,800	1.87%
Total Expenses		113,420	68.74%	186,530	82.90%	173,480	115.65%
Net Income		52,580	31.87%	39,370	17.50%	(23,405)	-15.60%
Cash Flow							
Net Income		52,580		39,370		(23,405)	
Change in Accounts Receivable	*	(25,000)	} (23,000)	(25,000)	} (26,000)	(20,000)	} (15,000)
Change in Accounts Payables	*	2,000		(1,000)		5,000	
Change in Shareholder Loan Account		(1,000)		(1,000)		(23,000)	
Change in Line of Credit		0		2,000		33,000	
Depreciation Expense		400		24,400		400	
Distributions						(30,000)	
Capital Acquisitions		0		(24,000)		0	
Net Changes		28,980		14,770		(58,005)	
Cash at beginning of year		22,000		50,980		65,750	
Changes from above		28,980		14,770		(58,005)	
Cash at end of year		50,980		65,750		7,745	

* These items result in a book vs. tax difference-See the M-1 on the Tax Return

EXHIBIT C

Tax Returns 2001, 2002, 2003

**SCHEDULE C
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business

(Sole Proprietorship)

Partnerships, joint ventures, etc., must file Form 1065 or Form 1065-B.

Attach to Form 1040 or Form 1041.

See Instructions for Schedule C (Form 1040).

OMB No. 1545-0074

2001

Attachment
Sequence No. 09

Name of proprietor

Social security number (SSN)

123-45-6789

SAMPLE CASE

A Principal business or profession, including product or service (see page C-1)

B Enter code from pages C-7 & 8

CONSULTING

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any

DIVORTIUM CONSULTING

E Business address (including suite or room no.) 1 MAIN STREET

City, town or post office, state, and ZIP code RALEIGH, NC 27607

F Accounting method: (1) Cash (2) Accrual (3) Other (specify)

G Did you "materially participate" in the operation of this business during 2001? If "No," see page C-2 for limit on losses Yes No

H If you started or acquired this business during 2001, check here

Part I Income

1	Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-2 and check here	1	142,000.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	142,000.
4	Cost of goods sold (from line 42 on page 2)	4	
5	Gross profit. Subtract line 4 from line 3	5	142,000.
6	Other income, including Federal and state gasoline or fuel tax credit or refund (see page C-3)	6	
7	Gross income. Add lines 5 and 6.	7	142,000.

Part II Expenses. Enter expenses for business use of your home only on line 30.

8	Advertising	8	5,000.	19	Pension and profit-sharing plans	19	
9	Bad debts from sales or services (see page C-3)	9		20	Rent or lease (see page C-4):	20a	
10	Car and truck expenses (see page C-3)	10	900.	a	Vehicles, machinery, and equipment	20b	12,000.
11	Commissions and fees	11		b	Other business property	21	1,000.
12	Depletion	12		22	Supplies (not included in Part III)	22	
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-3) STMT 1	13	400.	23	Taxes and licenses	23	6,120.
14	Employee benefit programs (other than on line 19)	14		24	Travel, meals, and entertainment:	24a	2,500.
15	Insurance (other than health)	15		a	Travel		
16	Interest:			b	Meals and entertainment		1,100.
a	Mortgage (paid to banks, etc.)	16a		c	Enter nondeductible amount included on line 24b (see page C-5)		550.
b	Other	16b		d	Subtract line 24c from line 24b	24d	550.
17	Legal and professional services	17		25	Utilities	25	2,400.
18	Office expense	18		26	Wages (less employment credits)	26	30,000.
28	Total expenses before expenses for business use of home. Add lines 8 through 27 in columns	28	60,870.	27	Other expenses (from line 48 on page 2)	27	
29	Tentative profit (loss). Subtract line 28 from line 7	29	81,130.	28		28	60,870.
30	Expenses for business use of your home. Attach Form 8829	30		29		29	81,130.
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on Form 1040, line 12, and also on Schedule SE, line 2 (statutory employees, see page C-5). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.	31	81,130.	30		30	
32	If you have a loss, check the box that describes your investment in this activity (see page C-6). • If you checked 32a, enter the loss on Form 1040, line 12, and also on Schedule SE, line 2 (statutory employees, see page C-5). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you must attach Form 6198.			31		31	81,130.
				32a	<input type="checkbox"/> All investment is at risk.		
				32b	<input type="checkbox"/> Some investment is not at risk.		

LHA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule C (Form 1040) 2001

**SCHEDULE C
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business

(Sole Proprietorship)

Partnerships, joint ventures, etc., must file Form 1065 or Form 1065-B.

Attach to Form 1040 or Form 1041.

See Instructions for Schedule C (Form 1040).

OMB No. 1545-0074

2002

Attachment
Sequence No. 09

Name of proprietor

Social security number (SSN)

123-45-6789

SAMPLE CASE

A Principal business or profession, including product or service (see page C-1)

B Enter code from pages C-7, 8, & 9

CONSULTING

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any

DIVORTIUM CONSULTING

E Business address (including suite or room no.) **1 MAIN STREET**

City, town or post office, state, and ZIP code **RALEIGH, NC 27607**

F Accounting method: (1) Cash (2) Accrual (3) Other (specify)

G Did you "materially participate" in the operation of this business during 2002? If "No," see page C-3 for limit on losses Yes No

H If you started or acquired this business during 2002, check here

Part I Income

1	Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-3 and check here <input type="checkbox"/>	1	199,000.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	199,000.
4	Cost of goods sold (from line 42 on page 2)	4	
5	Gross profit. Subtract line 4 from line 3	5	199,000.
6	Other income, including Federal and state gasoline or fuel tax credit or refund (see page C-3)	6	
7	Gross income. Add lines 5 and 6	7	199,000.

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8	8,000.	19	Pension and profit-sharing plans	19	
9	Bad debts from sales or services (see page C-3)	9		20	Rent or lease (see page C-5):	20a	
10	Car and truck expenses (see page C-3)	10	1,400.	a	Vehicles, machinery, and equipment	20b	12,750.
11	Commissions and fees	11		21	Repairs and maintenance	21	1,400.
12	Depletion	12		22	Supplies (not included in Part III)	22	
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-4) STMT 1	13	24,400.	23	Taxes and licenses	23	9,180.
14	Employee benefit programs (other than on line 19)	14		24	Travel, meals, and entertainment:	24a	3,500.
15	Insurance (other than health)	15		a	Travel		
16	Interest:			b	Meals and entertainment		1,800.
a	Mortgage (paid to banks, etc.)	16a		c	Enter nondeductible amount included on line 24b (see page C-5)		900.
b	Other	16b		d	Subtract line 24c from line 24b	24d	900.
17	Legal and professional services	17		25	Utilities	25	2,600.
18	Office expense	18		26	Wages (less employment credits)	26	45,000.
27				27	Other expenses (from line 48 on page 2)	27	
28	Total expenses before expenses for business use of home. Add lines 8 through 27 in columns	28	109,130.	28		28	109,130.
29	Tentative profit (loss). Subtract line 28 from line 7	29	89,870.	29		29	89,870.
30	Expenses for business use of your home. Attach Form 8829	30		30		30	
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on Form 1040, line 12, and also on Schedule SE, line 2 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.	31	89,870.	31		31	89,870.
32	If you have a loss, check the box that describes your investment in this activity (see page C-6). • If you checked 32a, enter the loss on Form 1040, line 12, and also on Schedule SE, line 2 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you must attach Form 6198.	32a	<input type="checkbox"/> All investment is at risk.	32b	<input type="checkbox"/> Some investment is not at risk.		

LHA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule C (Form 1040) 2002

**SCHEDULE C
(Form 1040)**

Department of the Treasury
Internal Revenue Service (89)

Profit or Loss From Business

(Sole Proprietorship)

Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.

Attach to Form 1040 or 1041.

See instructions for Schedule C (Form 1040).

OMB No. 1545-0074

2003

Attachment
Sequence No. 09

Name of proprietor

Social security number (SSN)

123-45-6789

SAMPLE CASE

A Principal business or profession, including product or service (see page C-2)

B Enter code from pages C-7, B, & 9

CONSULTING

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any

DIVORTIUM CONSULTING

E Business address (including suite or room no.) 1 MAIN STREET

City, town or post office, state, and ZIP code RALEIGH, NC 27607

F Accounting method: (1) Cash (2) Accrual (3) Other (specify)

G Did you "materially participate" in the operation of this business during 2003? If "No," see page C-3 for limit on losses Yes No

H If you started or acquired this business during 2003, check here

Part I Income

1	Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-3 and check here <input type="checkbox"/>	1	135,000.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	135,000.
4	Cost of goods sold (from line 42 on page 2)	4	
5	Gross profit. Subtract line 4 from line 3	5	135,000.
6	Other income, including Federal and state gasoline or fuel tax credit or refund (see page C-3)	6	
7	Gross income. Add lines 5 and 6	7	135,000.

Part II Expenses. Enter expenses for business use of your home only on line 30.

8	Advertising	8	8,500.	19	Pension and profit-sharing plans	19	
9	Car and truck expenses (see page C-3)	9	2,800.	20	Rent or lease (see page C-5):		
10	Commissions and fees	10		20a	Vehicles, machinery and equipment	20a	18,000.
11	Contract labor (see page C-4)	11		20b	Other business property	20b	2,100.
12	Depletion	12		21	Repairs and maintenance	21	9,180.
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-4) STMT 1	13	400.	22	Supplies (not included in Part III)	22	
14	Employee benefit programs (other than on line 19)	14		23	Taxes and licenses	23	6,100.
15	Insurance (other than health)	15		24	Travel, meals and entertainment		
16	Interest:			24a	Travel	24a	3,100.
16a	Mortgage (paid to banks, etc.)	16a		24b	Meals and entertainment	24b	1,550.
16b	Other	16b		24c	Enter nondeductible amount included on line 24b (see page C-5)	24c	1,550.
17	Legal and professional services	17		24d	Subtract line 24c from line 24b	24d	1,550.
18	Office expense	18		25	Utilities	25	3,200.
19				26	Wages (less employment credits)	26	60,000.
20				27	Other expenses (from line 48 on page 2)	27	
28	Total expenses before expenses for business use of home. Add lines 8 through 27 in columns	28	111,830.	29		29	23,170.
29	Tentative profit (loss). Subtract line 28 from line 7	29		30		30	
30	Expenses for business use of your home. Attach Form 8829	30		31		31	23,170.
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on Form 1040, line 12, and also on Schedule SE, line 2 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.	31		32a	<input type="checkbox"/> All investment is at risk.		
32	If you have a loss, check the box that describes your investment in this activity (see page C-6). • If you checked 32a, enter the loss on Form 1040, line 12, and also on Schedule SE, line 2 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you must attach Form 6198.	32b		32b	<input type="checkbox"/> Some investment is not at risk.		

LHA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule C (Form 1040) 2003

U.S. Income Tax Return for an S Corporation

▶ Do not file this form unless the corporation has timely filed

Form 2553 to elect to be an S corporation.

2001

For calendar year 2001, or tax year beginning _____, and ending _____

A Effective date of election as an S corporation 01/01/1995	Use IRS label. Otherwise, print or type.	Name DIVORTIUM CONSULTING	C Employer identification number 12-3456789
B Business code no. (see pages 29-31) 541600		Number, street, and room or suite no. (If a P.O. box, see page 11 of the instructions.) 1 MAIN STREET	D Date incorporated 01/01/1995
		City or town, state, and ZIP code RALEIGH, NC 27607	E Total assets (see page 11) \$ 103,580.

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 the instructions for more information.

Income	1 a Gross receipts or sales 142,000. b Less returns and allowances c Bal	1c	142,000.
	2 Cost of goods sold (Schedule A, line 8)	2	
	3 Gross profit. Subtract line 2 from line 1c	3	142,000.
	4 Net gain (loss) from Form 4797, Part II, line 18 (attach Form 4797)	4	
	5 Other income (loss) (attach schedule)	5	
	6 Total income (loss). Combine lines 3 through 5	6	142,000.
Deductions (See instructions for limitations)	7 Compensation of officers STATEMENT 1	7	50,000.
	8 Salaries and wages (less employment credits)	8	30,000.
	9 Repairs and maintenance	9	1,000.
	10 Bad debts	10	
	11 Rents	11	12,000.
	12 Taxes and licenses STATEMENT 2	12	6,120.
	13 Interest	13	
	14 a Depreciation (if required, attach Form 4562)	14a	400.
	b Depreciation claimed on Schedule A and elsewhere on return	14b	
	c Subtract line 14b from line 14a	14c	400.
	15 Depletion (Do not deduct oil and gas depletion.)	15	
	16 Advertising	16	5,000.
	17 Pension, profit-sharing, etc., plans	17	
	18 Employee benefit programs	18	
19 Other deductions (attach schedule) STATEMENT 3	19	6,350.	
20 Total deductions. Add the amounts shown in the far right column for lines 7 through 19	20	110,870.	
21 Ordinary income (loss) from trade or business activities. Subtract line 20 from line 6	21	31,130.	
Tax and Payments	22 a Excess net passive income tax (attach schedule)	22a	
	b Tax from Schedule D (Form 1120S)	22b	
	c Add lines 22a and 22b	22c	
	23 a 2001 estimated tax payments and amount applied from 2000 return	23a	
	b Tax deposited with Form 7004	23b	
	c Credit for Federal tax paid on fuels (attach Form 4136)	23c	
	d Add lines 23a through 23c	23d	
	24 Estimated tax penalty. Check if Form 2220 is attached <input type="checkbox"/>	24	
	25 Tax due. If the total of lines 22c and 24 is larger than line 23d, enter amount owed. See instructions for depository method of payment	25	
	26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid	26	
27 Enter amount of line 26 you want: Credited to 2002 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/>	27		

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 <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code	EIN	Phone no.	

Schedule A Cost of Goods Sold (see page 16 of the instructions)

1 Inventory at beginning of year	1	
2 Purchases	2	
3 Cost of labor	3	
4 Additional section 263A costs (attach schedule)	4	
5 Other costs (attach schedule)	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	

9 a 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 if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) Yes No

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) Yes No

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO **9d** _____

e Do the rules of section 263A (for property produced or acquired for resale) apply to the corporation? Yes No

f 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 Check method of accounting: (a) <input checked="" type="checkbox"/> Cash (b) <input type="checkbox"/> Accrual (c) <input type="checkbox"/> Other (specify) ▶ _____		
2 Refer to the list on pages 29 through 31 of the instructions and state the corporation's principal: (a) Business activity ▶ _____ (b) Product or service ▶ _____		
3 Did the corporation at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (a) name, address, and employer identification number and (b) percentage owned		X
4 Was the corporation a member of a controlled group subject to the provisions of section 1561?		X
5 Check this box if the corporation has filed or is required to file Form 8264, Application for Registration of a Tax Shelter <input type="checkbox"/>		
6 Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If so, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
7 If the corporation: (a) filed its election to be an S corporation after 1986, (b) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation, and (c) has net unrealized built-in gain (defined in section 1374(d)(1)) in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years (see page 17 of the instructions) ▶ \$ _____		
8 Check this box if the corporation had accumulated earnings and profits at the close of the tax year (see page 17 of the instructions) <input type="checkbox"/>		

Note: If the corporation had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Schedule K Shareholders' Shares of Income, Credits, Deductions, etc.

	(a) Pro rata share items		(b) Total amount	
Income (Loss)	1	Ordinary income (loss) from trade or business activities (page 1, line 21)	1	31,130.
	2	Net income (loss) from rental real estate activities (attach Form 8825)	2	
	3a	Gross income from other rental activities	3a	
	3b	Expenses from other rental activities (attach schedule)	3b	
	3c	Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c	
	4	Portfolio income (loss):	4a	1,000.
	4a	Interest income	4b	
	4b	Ordinary dividends	4c	
	4c	Royalty income	4d	
	4d	Net short-term capital gain (loss) (attach Schedule D (Form 1120S))	4e(1)	
	4e(1)	(1) Net long-term capital gain (loss) (attach Schedule D (Form 1120S))	4f	
	4f	(2) 28% rate gain (loss) ▶ _____ (3) Qualified 5-year gain ▶ _____	5	
	5	Other portfolio income (loss) (attach schedule)	6	
	6	Net section 1231 gain (loss) (other than due to casualty or theft) (attach Form 4797)		
	6	Other income (loss) (attach schedule)		

Schedule K Shareholders' Shares of Income, Credits, Deductions, etc. (continued)

	(a) Pro rata share items	(b) Total amount
Deductions	7 Charitable contributions (attach schedule) STATEMENT 5	7 2,000.
	8 Section 179 expense deduction (attach Form 4562)	8
	9 Deductions related to portfolio income (loss) (itemize)	9
	10 Other deductions (attach schedule)	10
Investment Interest	11a Interest expense on investment debts	11a
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above	11b(1) 1,000.
	(2) Investment expenses included on line 9 above	11b(2)
Credits	12a Credit for alcohol used as a fuel (attach Form 6478)	12a
	b Low-income housing credit:	
	(1) From partnerships to which section 42(j)(5) applies	12b(1)
	(2) Other than on line 12b(1)	12b(2)
	c Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12c
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d
	e Credits related to other rental activities	12e
13 Other credits	13	
Adjustments and Tax Preference Items	14a Depreciation adjustment on property placed in service after 1986	14a
	b Adjusted gain or loss	14b
	c Depletion (other than oil and gas)	14c
	d (1) Gross income from oil, gas, or geothermal properties	14d(1)
	(2) Deductions allocable to oil, gas, or geothermal properties	14d(2)
e Other adjustments and tax preference items (attach schedule)	14e	
Foreign Taxes	15a Name of foreign country or U.S. possession ▶	
	b Gross income from all sources	15b
	c Gross income sourced at shareholder level	15c
	d Foreign gross income sourced at corporate level:	
	(1) Passive	15d(1)
	(2) Listed categories (attach schedule)	15d(2)
	(3) General limitation	15d(3)
	e Deductions allocated and apportioned at shareholder level:	
	(1) Interest expense	15e(1)
	(2) Other	15e(2)
f Deductions allocated and apportioned at corporate level to foreign source income:		
(1) Passive	15f(1)	
(2) Listed categories (attach schedule)	15f(2)	
(3) General limitation	15f(3)	
g Total foreign taxes (check one): ▶ <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	15g	
h Reduction in taxes available for credit (attach schedule)	15h	
Other	16 Section 59(e)(2) expenditures: a Type ▶	16b
	b Amount ▶	17
	17 Tax-exempt interest income	18
	18 Other tax-exempt income	19
	19 Nondeductible expenses STATEMENT 6	19 550.
	20 Total property distributions (including cash) other than dividends reported on line 22 below	20
	21 Other items and amounts required to be reported separately to shareholders (attach schedule)	21
22 Total dividend distributions paid from accumulated earnings and profits	22	
23 Income (loss). (Required only if Schedule M-1 must be completed.) Combine lines 1 through 6 in column (b). From the result, subtract the sum of lines 7 through 11a, 15g, and 16b	23 30,130.	

JWA

Form 1120S (2001)

Schedule L Balance Sheets	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash		22,000.		50,980.
2 a Trade notes and accounts receivable	25,000.		50,000.	
b Less allowance for bad debts		25,000.		50,000.
3 Inventories				
4 U.S. Government obligations				
5 Tax-exempt securities				
6 Other current assets (Att. Sch.)				
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (Att. Sch.)				
10 a Buildings and other depreciable assets	10,000.		10,000.	
b Less accumulated depreciation	7,000.	3,000.	7,400.	2,600.
11 a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13 a Intangible assets (amortizable only)				
b Less accumulated amortization				
14 Other assets (Att. Sch.)				
15 Total assets		50,000.		103,580.
Liabilities and Shareholders' Equity				
16 Accounts payable		4,000.		6,000.
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (Att. Sch.)				
19 Loans from shareholders		10,000.		9,000.
20 Mortgages, notes, bonds payable in 1 year or more				
21 Other liabilities (Att. Sch.)				
22 Capital stock		100.		100.
23 Additional paid-in capital				
24 Retained earnings STMT 10		35,900.		88,480.
25 Adjustments to shareholders' equity (Att. Sch.)				
26 Less cost of treasury stock		()		()
27 Total liabilities and shareholders' equity		50,000.		103,580.

Reconciliation of Income (Loss) per Books With Income (Loss) per Return (You are not required to

Schedule M-1

complete this schedule if the total assets on line 15, column (d), of Schedule L are less than \$25,000.)

1 Net income (loss) per books	52,580.	5 Income recorded on books this year not included on Schedule K, lines 1 through 6 (itemize):	
2 Income included on Schedule K, lines 1 through 6, not recorded on books this year (itemize):		a Tax-exempt interest \$	
		STMT 9	23,000.
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 11a, 15g, and 16b (itemize):		6 Deductions included on Schedule K, lines 1 through 11a, 15g, and 16b, not charged against book income this year (itemize):	
a Depreciation \$		a Depreciation \$	
b Travel and entertainment \$	550.	7 Add lines 5 and 6	23,000.
	550.	8 Income (loss) (Schedule K, line 23), Line 4 less line 7	30,130.
4 Add lines 1 through 3	53,130.		

Schedule M-2

Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1 Balance at beginning of tax year	14,900.		
2 Ordinary income from page 1, line 21	31,130.		
3 Other additions STMT 7	1,000.		
4 Loss from page 1, line 21	()		
5 Other reductions STMT 8	(2,550.)	()	
6 Combine lines 1 through 5	44,480.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	44,480.		

Depreciation and Amortization
(Including Information on Listed Property) **OTHER**

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

Name(s) shown on return

Business or activity to which this form relates

Identifying number

DIVORTIUM CONSULTING

OTHER DEPRECIATION

12-3456789

Part I Election To Expense Certain Tangible Property Under Section 179 Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See instructions for a higher limit for certain businesses	1	24,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	\$200,000
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 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 2000 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5	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 2002. 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.)

14	Special depreciation allowance for certain property (other than listed property) acquired after September 10, 2001 (see instructions)	14	
15	Property subject to section 168(f)(1) election (see instructions)	15	
16	Other depreciation (including ACRS) (see instructions)	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 2001	17	400.
18	If you are electing under section 168(i)(4) 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 2001 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	
i Nonresidential real property	/		39 yrs.	MM	S/L	

Section C - Assets Placed in Service During 2001 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 instr.	22	400.
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 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 listed property acquired after September 10, 2001, and used more than 50% in a qualified business use								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.

	(a) Vehicle		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	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.

	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 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?		

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 2001 tax year:					
43 Amortization of costs that began before your 2001 tax year					43
44 Total. Add amounts in column (f). See instructions for where to report					44

SCHEDULE K		CHARITABLE CONTRIBUTIONS		STATEMENT	5
DESCRIPTION	50% LIMIT	30% LIMIT	20% LIMIT		
CHARITABLE CONTRIBUTIONS	2,000.				
TOTALS TO SCHEDULE K, LINE 7	2,000.				

SCHEDULE K		NONDEDUCTIBLE EXPENSES	STATEMENT	6
DESCRIPTION			AMOUNT	
EXCLUDED MEALS AND ENTERTAINMENT EXPENSES			550.	
TOTAL TO SCHEDULE K, LINE 19			550.	

SCHEDULE M-2		ACCUMULATED ADJUSTMENTS ACCOUNT - OTHER ADDITIONS	STATEMENT	7
DESCRIPTION			AMOUNT	
PORTFOLIO INTEREST INCOME			1,000.	
TOTAL TO SCHEDULE M-2, LINE 3 - COLUMN (A)			1,000.	

SCHEDULE M-2		ACCUMULATED ADJUSTMENTS ACCOUNT- OTHER REDUCTIONS	STATEMENT	8
DESCRIPTION			AMOUNT	
CHARITABLE CONTRIBUTIONS			2,000.	
NONDEDUCTIBLE EXPENSES			550.	
TOTAL TO SCHEDULE M-2, LINE 5 - COLUMN (A)			2,550.	

SCHEDULE M-1 INCOME RECORDED ON BOOKS BUT NOT INCLUDED ON RETURN STATEMENT 9

DESCRIPTION	AMOUNT
CASH TO ACCRUAL ADJUSTMENT	23,000.
TOTAL TO SCHEDULE M-1, LINE 5	23,000.

SCHEDULE L ANALYSIS OF TOTAL RETAINED EARNINGS PER BOOKS STATEMENT 10

DESCRIPTION	AMOUNT
BALANCE AT BEGINNING OF YEAR - SCHEDULE L, LINE 24, COLUMN (B)	35,900.
NET INCOME PER BOOKS - SCHEDULE M-1, LINE 1	52,580.
DISTRIBUTIONS	0.
OTHER INCREASES (DECREASES)	
BALANCE AT END OF YEAR - SCHEDULE L, LINE 24, COLUMN (D)	88,480.

SCHEDULES M-2/L RECONCILIATION OF ENDING SCHEDULE M-2 AND RETAINED EARNINGS STATEMENT 11

DESCRIPTION	AAA	OAA	SUTIPT	OTHER ADJUSTMENTS
SCH. M-2 BALANCES	44,480.			
ACCRUAL TO CASH CONVERSION	44,000.			
SUBTOTALS	88,480.			
TOTAL RECONCILED SCHEDULE M-2 BALANCES				88,480.
ENDING RETAINED EARNINGS FROM SCHEDULE L, LINE 24				88,480.

SCHEDULE K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

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

▶ See separate instructions.

For calendar year 2001 or tax year

OMB No. 1545-0130

2001

beginning

and ending

Shareholder's identifying number ▶ 987-65-4321 Corporation's identifying number ▶ 12-3456789
Shareholder's name, address, and ZIP code Corporation's name, address, and ZIP code

SALLY DIVORTIUM
2 MAIN STREET
RALEIGH, NC 27607

DIVORTIUM CONSULTING
1 MAIN STREET
RALEIGH, NC 27607

A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ▶ 100.000000%
B Internal Revenue Service Center where corporation filed its return ▶ CINCINNATI, OH
C Tax shelter registration number (see instructions for Schedule K-1) ▶
D Check applicable boxes: (1) Final K-1 (2) Amended K-1

		(a) Pro rata share items	(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Income (Loss)	1	Ordinary income (loss) from trade or business activities	31,130.	See page 4 of the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	2	Net income (loss) from rental real estate activities		
	3	Net income (loss) from other rental activities		
	4	Portfolio income (loss):		Sch. B, Part I, line 1 Sch. B, Part II, line 5 Sch. E, Part I, line 4 Sch. D, line 5, col. (f) Sch. D, line 12, col. (f) Sch. D, line 12, col. (g) Line 4 of worksheet for Sch. D, line 29 (Enter on applicable line of your return.)
	a	Interest	1,000.	
	b	Ordinary dividends		
	c	Royalties		
	d	Net short-term capital gain (loss)		
	e	(1) Net long-term capital gain (loss)		
		(2) 28% rate gain (loss)		Line 4 of worksheet for Sch. D, line 29 (Enter on applicable line of your return.)
		(3) Qualified 5-year gain		
	f	Other portfolio income (loss) (attach schedule)		(Enter on applicable line of your return.)
		5	Net section 1231 gain (loss) (other than due to casualty or theft)	
	6	Other income (loss) (attach schedule)		(Enter on applicable line of your return.)
Deductions	7	Charitable contributions (attach schedule) SEE STATEMENT	2,000.	Sch. A, line 15 or 16
	8	Section 179 expense deduction		See page 6 of the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	9	Deductions related to portfolio income (loss) (attach schedule)		
	10	Other deductions (attach schedule)		
Investment Interest	11a	Interest expense on investment debts		Form 4952, line 1
	b	(1) Investment income included on lines 4a, 4b, 4c, and 4f above	1,000.	See Shareholder's Instructions for Schedule K-1 (Form 1120S).
		(2) Investment expenses included on line 9 above		
Credits	12a	Credit for alcohol used as fuel		Form 6478, line 10
	b	Low-income housing credit:		Form 8586, line 5
		(1) From section 42(j)(5) partnerships		
		(2) Other than on line 12b(1)		
	c	Qualified rehabilitation expenditures related to rental real estate activities		See pages 6 and 7 of the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	d	Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities		
	e	Credits related to other rental activities		
13	Other credits			

JWA For Paperwork Reduction Act Notice, see the Instructions for Form 1120S.

Schedule K-1 (Form 1120S) 2001

		(a) Pro rata share items	(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:	
Adjustments and Tax Preference Items	14 a	Depreciation adjustment on property placed in service after 1986	14a	See page 7 of the Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251	
	b	Adjusted gain or loss	14b		
	c	Depletion (other than oil and gas)	14c		
	d (1)	Gross income from oil, gas, or geothermal properties	14d(1)		
	d (2)	Deductions allocable to oil, gas, or geothermal properties	14d(2)		
e	Other adjustments and tax preference items (attach schedule)	14e			
Foreign Taxes	15 a	Name of foreign country or U.S. possession		Form 1116, Part I	
	b	Gross income from all sources	15b		
	c	Gross income sourced at shareholder level	15c		
	d	Foreign gross income sourced at corporate level:			
	(1)	Passive	15d(1)		
	(2)	Listed categories (attach schedule)	15d(2)		
	(3)	General limitation	15d(3)		
	e	Deductions allocated and apportioned at shareholder level:			
	(1)	Interest expense	15e(1)		
	(2)	Other	15e(2)		
f	Deductions allocated and apportioned at corporate level to foreign source income:				
(1)	Passive	15f(1)			
(2)	Listed categories (attach schedule)	15f(2)			
(3)	General limitation	15f(3)			
g	Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	15g	Form 1116, Part II		
h	Reduction in taxes available for credit (attach schedule)	15h	See Instructions for Form 1116		
Other	16	Section 59(e)(2) expenditures: a Type		See Shareholder's Instructions for Schedule K-1 (Form 1120S).	
	b	Amount	16b		
	17	Tax-exempt interest income	17	Form 1040, line 8b	
	18	Other tax-exempt income	18	See page 7 of the Shareholder's Instructions for Schedule K-1 (Form 1120S).	
	19	Nondeductible expenses SEE STATEMENT	19		550.
	20	Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20		
	21	Amount of loan repayments for "Loans From Shareholders"	21	Form 8611, line 8	
22	Recapture of low-income housing credit:				
a	From section 42(j)(5) partnerships	22a			
b	Other than on line 22a	22b			
Supplemental Information	23	Supplemental information required to be reported separately to each shareholder (attach additional schedules if more space is needed):			

SCHEDULE K-1

CHARITABLE CONTRIBUTIONS

DESCRIPTION	AMOUNT	SHAREHOLDER FILING INSTRUCTIONS
CHARITABLE CONTRIBUTIONS - 50 % LIMIT	2,000.	SEE FORM 1040 INSTRUCTIONS
TOTAL TO SCHEDULE K-1, LINE 7	2,000.	

SCHEDULE K-1

NONDEDUCTIBLE EXPENSES

DESCRIPTION	AMOUNT	SHAREHOLDER FILING INSTRUCTIONS
EXCLUDED MEALS AND ENTERTAINMENT EXPENSES	550.	SEE FORM 1040 INSTRUCTIONS
TOTAL TO SCHEDULE K-1, LINE 19	550.	

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

Department of the Treasury
Internal Revenue Service

For calendar year **2002**, or tax year beginning _____, and ending _____

A Effective date of election as an S corporation 01/01/1995	Use IRS label. Other-wise, print or type.	Name DIVORTIUM CONSULTING	C Employer identification number 12-3456789
		Number, street, and room or suite no. (If a P.O. box, see page 11 of the instructions.) 1 MAIN STREET	D Date incorporated 01/01/1995
B Business code no. (see pages 29-31) 541600		City or town, state, and ZIP code RALEIGH, NC 27607	E Total assets (see page 11) \$ 142,950.

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 the instructions for more information.

Income	1 a Gross receipts or sales 199,000. b Less returns and allowances c Bal	1c	199,000.
	2 Cost of goods sold (Schedule A, line 8)	2	
	3 Gross profit. Subtract line 2 from line 1c	3	199,000.
	4 Net gain (loss) from Form 4797, Part II, line 18 (attach Form 4797)	4	
	5 Other income (loss) (attach schedule)	5	
	6 Total income (loss). Combine lines 3 through 5	6	199,000.
Deductions (See instructions for limitations)	7 Compensation of officers STATEMENT 1	7	75,000.
	8 Salaries and wages (less employment credits)	8	45,000.
	9 Repairs and maintenance	9	1,400.
	10 Bad debts	10	
	11 Rents	11	12,750.
	12 Taxes and licenses STATEMENT 2	12	9,180.
	13 Interest	13	
	14 a Depreciation (if required, attach Form 4562) 400.	14a	400.
	b Depreciation claimed on Schedule A and elsewhere on return	14b	
	c Subtract line 14b from line 14a	14c	400.
	15 Depletion (Do not deduct oil and gas depletion.)	15	
	16 Advertising	16	8,000.
	17 Pension, profit-sharing, etc., plans	17	
	18 Employee benefit programs	18	
	19 Other deductions (attach schedule) STATEMENT 3	19	8,400.
20 Total deductions. Add the amounts shown in the far right column for lines 7 through 19	20	160,130.	
21 Ordinary income (loss) from trade or business activities. Subtract line 20 from line 6	21	38,870.	
Tax and Payments	22 Tax: a Excess net passive income tax (attach schedule) b Tax from Schedule D (Form 1120S) c Add lines 22a and 22b	22a 22b 22c	
	23 Payments: a 2002 estimated tax payments and amount applied from 2001 return b Tax deposited with Form 7004 c Credit for Federal tax paid on fuels (attach Form 4136) d Add lines 23a through 23c	23a 23b 23c 23d	
	24 Estimated tax penalty. Check if Form 2220 is attached <input type="checkbox"/>	24	
	25 Tax due. If the total of lines 22c and 24 is larger than line 23d, enter amount owed. See instructions for depository method of payment	25	
	26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid	26	
	27 Enter amount of line 26 you want: Credited to 2003 estimated tax Refunded	27	

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. _____

Schedule A Cost of Goods Sold (see page 17 of the instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	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	

9 a 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 if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) ▶

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d _____

e Do the rules of section 263A (for property produced or acquired for resale) apply to the corporation? Yes No

f 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 Check method of accounting: (a) <input checked="" type="checkbox"/> Cash (b) <input type="checkbox"/> Accrual (c) <input type="checkbox"/> Other (specify) ▶ _____		
2 Refer to the list on pages 29 through 31 of the instructions and state the corporation's principal: (a) Business activity ▶ _____ (b) Product or service ▶ _____		
3 Did the corporation at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (a) name, address, and employer identification number and (b) percentage owned		X
4 Was the corporation a member of a controlled group subject to the provisions of section 1561?		X
5 Check this box if the corporation has filed or is required to file Form 8264, Application for Registration of a Tax Shelter <input type="checkbox"/>		
6 Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If so, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
7 If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain (defined in section 1374(d)(1)) in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years (see page 17 of the instructions) ▶ \$ _____		
8 Check this box if the corporation had accumulated earnings and profits at the close of the tax year (see page 18 of the instructions) <input type="checkbox"/>		
9 Are the corporation's total receipts (see page 29 of the instructions) for the tax year and total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L and M-1	X	

Note: If the corporation had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Schedule K Shareholders' Shares of Income, Credits, Deductions, etc.

	(a) Pro rata share items		(b) Total amount	
1 Ordinary income (loss) from trade or business activities (page 1, line 21)			1	38,870.
2 Net income (loss) from rental real estate activities (attach Form 8825)			2	
3a Gross income from other rental activities	3a			
b Expenses from other rental activities (attach schedule)	3b			
c Net income (loss) from other rental activities. Subtract line 3b from line 3a			3c	
4 Portfolio income (loss):				
a Interest income		STATEMENT 4	4a	900.
b Ordinary dividends			4b	
c Royalty income			4c	
d Net short-term capital gain (loss) (attach Schedule D (Form 1120S))			4d	
e (1) Net long-term capital gain (loss) (attach Schedule D (Form 1120S))			4e(1)	
(2) 28% rate gain (loss) ▶ _____ (3) Qualified 5-year gain ▶ _____				
f Other portfolio income (loss) (attach schedule)			4f	
5 Net section 1231 gain (loss) (other than due to casualty or theft) (attach Form 4797)			5	
6 Other income (loss) (attach schedule)			6	

Schedule K Shareholders' Shares of Income, Credits, Deductions, etc. (continued)

		(a) Pro rata share items	(b) Total amount	
Deductions	7	Charitable contributions (attach schedule) STATEMENT 5	7	1,500.
	8	Section 179 expense deduction (attach Form 4562)	8	24,000.
	9	Deductions related to portfolio income (loss) (itemize)	9	
	10	Other deductions (attach schedule)	10	
Investment Interest	11a	Interest expense on investment debts	11a	
	b (1)	Investment income included on lines 4a, 4b, 4c, and 4f above	11b(1)	900.
	(2)	Investment expenses included on line 9 above	11b(2)	
Credits	12a	Credit for alcohol used as a fuel (attach Form 6478)	12a	
	b	Low-income housing credit:		
	(1)	From partnerships to which section 42(j)(5) applies	12b(1)	
	(2)	Other than on line 12b(1)	12b(2)	
	c	Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12c	
	d	Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d	
	e	Credits related to other rental activities	12e	
Adjustments and Tax Preference Items	13	Other credits	13	
	14a	Depreciation adjustment on property placed in service after 1986	14a	
	b	Adjusted gain or loss	14b	
	c	Depletion (other than oil and gas)	14c	
	d (1)	Gross income from oil, gas, or geothermal properties	14d(1)	
	(2)	Deductions allocable to oil, gas, or geothermal properties	14d(2)	
Foreign Taxes	e	Other adjustments and tax preference items (attach schedule)	14e	
	15a	Name of foreign country or U.S. possession ▶	15b	
	b	Gross income from all sources	15c	
	c	Gross income sourced at shareholder level		
	d	Foreign gross income sourced at corporate level:		
	(1)	Passive	15d(1)	
	(2)	Listed categories (attach schedule)	15d(2)	
	(3)	General limitation	15d(3)	
	e	Deductions allocated and apportioned at shareholder level:		
	(1)	Interest expense	15e(1)	
	(2)	Other	15e(2)	
f	Deductions allocated and apportioned at corporate level to foreign source income:			
(1)	Passive	15f(1)		
(2)	Listed categories (attach schedule)	15f(2)		
(3)	General limitation	15f(3)		
g	Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	15g		
h	Reduction in taxes available for credit (attach schedule)	15h		
Other	16	Section 59(e)(2) expenditures: a Type ▶	16b	
	b	Amount ▶	16b	
	17	Tax-exempt interest income	17	
	18	Other tax-exempt income	18	
	19	Nondeductible expenses STATEMENT 6	19	900.
	20	Total property distributions (including cash) other than dividends reported on line 22 below	20	
	21	Other items and amounts required to be reported separately to shareholders (attach schedule)		
22	Total dividend distributions paid from accumulated earnings and profits	22		
23	Income (loss). (Required only if Schedule M-1 must be completed.) Combine lines 1 through 6 in column (b). From the result, subtract the sum of lines 7 through 11a, 15g, and 16b	23	14,270.	

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Note: The corporation is not required to complete Schedules L and M-1 if question 9 of Schedule B is answered "Yes."

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash		50,980.		65,750.
2 a	Trade notes and accounts receivable	50,000.		75,000.	
b	Less allowance for bad debts		50,000.		75,000.
3	Inventories				
4	U.S. Government obligations				
5	Tax-exempt securities				
6	Other current assets (Att. Sch.)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (Att. Sch.)				
10 a	Buildings and other depreciable assets	10,000.		34,000.	
b	Less accumulated depreciation	7,400.	2,600.	31,800.	2,200.
11 a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13 a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
14	Other assets (Att. Sch.)				
15	Total assets		103,580.		142,950.
Liabilities and Shareholders' Equity					
16	Accounts payable		6,000.		5,000.
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (Att. Sch.)				8,000.
19	Loans from shareholders		9,000.		2,000.
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (Att. Sch.)				
22	Capital stock		100.		100.
23	Additional paid-in capital				
24	Retained earnings STMT 10		88,480.		127,850.
25	Adjustments to shareholders' equity (Att. Sch.)				
26	Less cost of treasury stock		()		()
27	Total liabilities and shareholders' equity		103,580.		142,950.

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

1	Net income (loss) per books	39,370.	5	Income recorded on books this year not included on Schedule K, lines 1 through 6 (itemize):	
2	Income included on Schedule K, lines 1 through 6, not recorded on books this year (itemize):		a	Tax-exempt interest \$	
			STMT 9	26,000.	26,000.
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 11a, 15g, and 16b (itemize):		6	Deductions included on Schedule K, lines 1 through 11a, 15g, and 16b, not charged against book income this year (itemize):	
a	Depreciation \$		a	Depreciation \$	
b	Travel and entertainment \$	900.			
		900.	7	Add lines 5 and 6	26,000.
4	Add lines 1 through 3	40,270.	8	Income (loss) (Schedule K, line 23). Line 4 less line 7	14,270.

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1	Balance at beginning of tax year	44,480.	
2	Ordinary income from page 1, line 21	38,870.	
3	Other additions STMT 7	900.	
4	Loss from page 1, line 21	()	
5	Other reductions STMT 8	(26,400.)	
6	Combine lines 1 through 5	57,850.	
7	Distributions other than dividend distributions		
8	Balance at end of tax year. Subtract line 7 from line 6	57,850.	

Depreciation and Amortization
 (Including Information on Listed Property) **OTHER**

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

Name(s) shown on return: **DIVORTIUM CONSULTING**
 Business or activity to which this form relates: **OTHER DEPRECIATION**
 Identifying number: **12-3456789**

Part I Election To Expense Certain Tangible Property Under Section 179 Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See instructions for a higher limit for certain businesses	1	24,000.
2	Total cost of section 179 property placed in service (see instructions)	2	24,000.
3	Threshold cost of section 179 property before reduction in limitation	3	\$200,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0.
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	24,000.

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
	AUTOMOBILE	24,000.	24,000.
7	Listed property. Enter amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	24,000.
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	24,000.
10	Carryover of disallowed deduction from line 13 of your 2001 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5	11	24,000.
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	24,000.
13	Carryover of disallowed deduction to 2003. 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.)

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 (see instructions)	15	
16	Other depreciation (including ACRS) (see instructions)	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 2002	17	400.
18	If you are electing under section 168(i)(4) 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 2002 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	
i Nonresidential real property	/		27.5 yrs.	MM	S/L	
	/		39 yrs.	MM	S/L	
	/			MM	S/L	

Section C - Assets Placed in Service During 2002 Tax Year Using the Alternative Depreciation System

20a Class life	(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
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 instr.	22	400.
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 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							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.

	(a) Vehicle		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	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.

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 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?			

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 2002 tax year:					
	:				
43 Amortization of costs that began before your 2002 tax year					43
44 Total. Add amounts in column (f). See instructions for where to report					44

**SCHEDULE K-1
(Form 1120S)**

Department of the Treasury
Internal Revenue Service

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

▶ See separate instructions.
For calendar year 2002 or tax year
and ending

OMB No. 1545-0130

2002

beginning Shareholder's identifying number ▶ 987-65-4321 Shareholder's name, address, and ZIP code SALLY DIVORTIUM 2 MAIN STREET RALEIGH, NC 27607	and ending Corporation's identifying number ▶ 12-3456789 Corporation's name, address, and ZIP code DIVORTIUM CONSULTING 1 MAIN STREET RALEIGH, NC 27607
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A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ▶ **100.000000%**

B Internal Revenue Service Center where corporation filed its return ▶ **CINCINNATI, OH**

C Tax shelter registration number (see instructions for Schedule K-1) ▶ _____

D Check applicable boxes: (1) Final K-1 (2) Amended K-1

	(a) Pro rata share items	(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	38,870.	See page 4 of the Shareholder's instructions for Schedule K-1 (Form 1120S). Sch. B, Part I, line 1 Sch. B, Part II, line 5 Sch. E, Part I, line 4 Sch. D, line 5, col. (f) Sch. D, line 12, col. (g) Line 5 of worksheet for Sch. D, line 29 (Enter on applicable line of your return.) See Shareholder's instructions for Schedule K-1 (Form 1120S). (Enter on applicable line of your return.)
	2 Net income (loss) from rental real estate activities		
	3 Net income (loss) from other rental activities		
	4 Portfolio income (loss):		
	a Interest	900.	
	b Ordinary dividends		
	c Royalties		
	d Net short-term capital gain (loss)		
	e (1) Net long-term capital gain (loss)		
	(2) 28% rate gain (loss)		
(3) Qualified 5-year gain			
f Other portfolio income (loss) (attach schedule)			
5 Net section 1231 gain (loss) (other than due to casualty or theft)			
6 Other income (loss) (attach schedule)			
Deductions	7 Charitable contributions (attach schedule) SEE STATEMENT	1,500.	Sch. A, line 15 or 16
	8 Section 179 expense deduction	24,000.	See pages 5 and 6 of the Shareholder's instructions for Schedule K-1 (Form 1120S).
	9 Deductions related to portfolio income (loss) (attach schedule)		
	10 Other deductions (attach schedule)		
Investment Interest	11a Interest expense on investment debts		Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above	900.	See Shareholder's instructions for Schedule K-1 (Form 1120S).
	(2) Investment expenses included on line 9 above		
Credits	12a Credit for alcohol used as fuel		Form 6478, line 10
	b Low-income housing credit:		Form 8586, line 5
	(1) From section 42(j)(5) partnerships		
	(2) Other than on line 12b(1)		
	c Qualified rehabilitation expenditures related to rental real estate activities		See pages 6 and 7 of the Shareholder's instructions for Schedule K-1 (Form 1120S).
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities		
e Credits related to other rental activities			
13 Other credits			

JWA For Paperwork Reduction Act Notice, see the Instructions for Form 1120S.

Schedule K-1 (Form 1120S) 2002

		(a) Pro rata share items	(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:	
Adjustments and Tax Preference Items	14 a	Depreciation adjustment on property placed in service after 1986	14a	See page 7 of the Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251	
	b	Adjusted gain or loss	14b		
	c	Depletion (other than oil and gas)	14c		
	d (1)	Gross income from oil, gas, or geothermal properties	14d(1)		
	d (2)	Deductions allocable to oil, gas, or geothermal properties	14d(2)		
	e	Other adjustments and tax preference items (attach schedule)	14e		
Foreign Taxes	15 a	Name of foreign country or U.S. possession		Form 1116, Part I	
	b	Gross income from all sources	15b		
	c	Gross income sourced at shareholder level	15c		
	d	Foreign gross income sourced at corporate level:			
	d (1)	Passive	15d(1)		
	d (2)	Listed categories (attach schedule)	15d(2)		
	d (3)	General limitation	15d(3)		
	e	Deductions allocated and apportioned at shareholder level:			
	e (1)	Interest expense	15e(1)		
	e (2)	Other	15e(2)		
	f	Deductions allocated and apportioned at corporate level to foreign source income:			
f (1)	Passive	15f(1)			
f (2)	Listed categories (attach schedule)	15f(2)			
f (3)	General limitation	15f(3)			
g	Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	15g	Form 1116, Part II		
h	Reduction in taxes available for credit (attach schedule)	15h	See Instructions for Form 1116		
Other	16	Section 59(e)(2) expenditures: a Type		See Shareholder's Instructions for Schedule K-1 (Form 1120S). Form 1040, line 8b	
	b	Amount	16b		
	17	Tax-exempt interest income	17	See page 7 of the Shareholder's Instructions for Schedule K-1 (Form 1120S).	
	18	Other tax-exempt income	18		
	19	Nondeductible expenses SEE STATEMENT	19		900.
	20	Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20		
	21	Amount of loan repayments for "Loans From Shareholders"	21	Form 8611, line 8	
	22	Recapture of low-income housing credit:			
a	From section 42(j)(5) partnerships	22a			
b	Other than on line 22a	22b			
Supplemental Information	23	Supplemental information required to be reported separately to each shareholder (attach additional schedules if more space is needed):			

SCHEDULE K-1

CHARITABLE CONTRIBUTIONS

<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>SHAREHOLDER FILING INSTRUCTIONS</u>
CHARITABLE CONTRIBUTIONS - 50 % LIMIT	1,500.	SEE FORM 1040 INSTRUCTIONS
TOTAL TO SCHEDULE K-1, LINE 7	<u>1,500.</u>	

SCHEDULE K-1

NONDEDUCTIBLE EXPENSES

<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>SHAREHOLDER FILING INSTRUCTIONS</u>
EXCLUDED MEALS AND ENTERTAINMENT EXPENSES	900.	SEE FORM 1040 INSTRUCTIONS
TOTAL TO SCHEDULE K-1, LINE 19	<u>900.</u>	

Form **1120S**

Department of the Treasury
Internal Revenue Service

U.S. Income Tax Return for an S Corporation

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

OMB No. 1545-0130

2003

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

A Effective date of election as an S corporation 01/01/1995	Use IRS label. Otherwise, print or type.	Name DIVORTIUM CONSULTING	C Employer identification number 12-3456789
B Business code number (see pages 31-33 of the Insts.) 541600		Number, street, and room or suite no. (If a P.O. box, see page 12 of the instructions.) 1 MAIN STREET	D Date incorporated 01/01/1995
		City or town, state, and ZIP code RALEIGH, NC 27607	E Total assets (see page 12 of instr) \$ 119,545.

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	1 a Gross receipts or sales 135,000.	b Less returns and allowances	c Bal	1c	135,000.	
	2 Cost of goods sold (Schedule A, line 8)			2		
	3 Gross profit. Subtract line 2 from line 1c			3	135,000.	
	4 Net gain (loss) from Form 4797, Part II, line 18 (attach Form 4797)			4		
	5 Other income (loss) (attach schedule)			5		
	6 Total income (loss). Combine lines 3 through 5			6	135,000.	
Deductions (See instructions for limitations)	7 Compensation of officers	STATEMENT 1			7	60,000.
	8 Salaries and wages (less employment credits)				8	60,000.
	9 Repairs and maintenance				9	2,100.
	10 Bad debts				10	
	11 Rents				11	18,000.
	12 Taxes and licenses	STATEMENT 2			12	9,180.
	13 Interest				13	
	14 a Depreciation (Attach Form 4562)	14a	400.			
	b Depreciation claimed on Schedule A and elsewhere on return	14b				
	c Subtract line 14b from line 14a				14c	400.
	15 Depletion (Do not deduct oil and gas depletion.)				15	
	16 Advertising				16	8,500.
	17 Pension, profit-sharing, etc., plans				17	
	18 Employee benefit programs				18	
	19 Other deductions (attach schedule)	STATEMENT 3			19	13,650.
20 Total deductions. Add the amounts shown in the far right column for lines 7 through 19				20	171,830.	
21 Ordinary income (loss) from trade or business activities. Subtract line 20 from line 6				21	<36,830.>	
Tax and Payments	22 Tax: a Excess net passive income tax (attach schedule)	22a				
	b Tax from Schedule D (Form 1120S)	22b				
	c Add lines 22a and 22b				22c	
	23 Payments: a 2003 estimated tax payments and amount applied from 2002 return	23a				
	b Tax deposited with Form 7004	23b				
	c Credit for Federal tax paid on fuels (attach Form 4136)	23c				
	d Add lines 23a through 23c				23d	
	24 Estimated tax penalty. Check if Form 2220 is attached <input type="checkbox"/>				24	
25 Tax due. If line 23d is smaller than the total of lines 22c and 24, enter amount owed.				25		
26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid				26		
27 Enter amount of line 26 you want: Credited to 2004 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/>				27		

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

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 <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code	EIN	Phone no.	

Schedule A Cost of Goods Sold (see page 18 of the instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	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 if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ▶

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d

e If property produced or acquired for resale, do the rules of Section 263A apply to the corporation? Yes No

f 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 page 19 of the instructions)

	Yes	No
1 Check method of accounting: (a) <input checked="" type="checkbox"/> Cash (b) <input type="checkbox"/> Accrual (c) <input type="checkbox"/> Other (specify) ▶		
2 See pages 31 through 33 of the instructions and enter the: (a) Business activity ▶ (b) Product or service ▶		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (a) name, address, and employer identification number and (b) percentage owned		X
4 Was the corporation a member of a controlled group subject to the provisions of section 1561?		X
5 Check this box if the corporation has filed or is required to file Form 8264, Application for Registration of a Tax Shelter ▶ <input type="checkbox"/>		
6 Check this box if the corporation issued publicly offered debt instruments with original issue discount If checked, the corporation may file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
7 If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain (defined in section 1374(d)(1)) in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years \$		
8 Check this box if the corporation had accumulated earnings and profits at the close of the tax year ▶ <input type="checkbox"/>		
9 Are the corporation's total receipts (see page 19 of the instructions) for the tax year and total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L and M-1	X	

Note: If the corporation had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Schedule K Shareholders' Shares of Income, Credits, Deductions, etc.

	(a) Pro rata share items		(b) Total amount	
1 Ordinary income (loss) from trade or business activities (page 1, line 21)	1		1	<36,830.>
2 Net income (loss) from rental real estate activities (attach Form 8825)	2		2	
3a Gross income from other rental activities	3a			
b Expenses from other rental activities (attach schedule)	3b			
c Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c			
4 Portfolio income (loss):				
a Interest income	4a	STATEMENT 4	4a	75.
b Dividends: (1) Qualified dividends ▶ (2) Total ordinary dividends ▶	4b(2)		4b(2)	
c Royalty income	4c		4c	
d Net short-term capital gain (loss): (1) Post-May 5, 2003 ▶ (2) Entire year ▶	4d(2)		4d(2)	
e Net long-term capital gain (loss): (1) Post-May 5, 2003 ▶ (2) Entire year ▶	4e(2)		4e(2)	
f Other portfolio income (loss) (attach schedule)	4f		4f	
5 Net section 1231 gain (loss) (att Form 4797): (a) Post-May 5, 2003 ▶ (b) Entire year ▶	5(b)		5(b)	
6 Other income (loss) (attach schedule)	6		6	

Schedule K Shareholders' Shares of Income, Credits, Deductions, etc. (continued)

		(a) Pro rata share items	(b) Total amount	
Deductions	7	Charitable contributions (attach schedule) STATEMENT 5	7	100.
	8	Section 179 expense deduction (attach Form 4562)	8	
	9	Deductions related to portfolio income (loss) (itemize)	9	
	10	Other deductions (attach schedule)	10	
Investment Interest	11a	Interest expense on investment debts	11a	
	b (1)	Investment income included on lines 4a, 4b(2), 4c, and 4f on page 2	11b(1)	75.
	(2)	Investment expenses included on line 9 above	11b(2)	
Credits	12a	Credit for alcohol used as a fuel (attach Form 6478)	12a	
	b	Low-income housing credit:		
	(1)	From partnerships to which section 42(j)(5) applies	12b(1)	
	(2)	Other than on line 12b(1)	12b(2)	
	c	Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12c	
	d	Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d	
	e	Credits related to other rental activities	12e	
13	Other credits	13		
Adjustments and Tax Preference Items	14a	Depreciation adjustment on property placed in service after 1986	14a	
	b	Adjusted gain or loss	14b	
	c	Depletion (other than oil and gas)	14c	
	d (1)	Gross income from oil, gas, or geothermal properties	14d(1)	
	(2)	Deductions allocable to oil, gas, or geothermal properties	14d(2)	
e	Other adjustments and tax preference items (attach schedule)	14e		
Foreign Taxes	15a	Name of foreign country or U.S. possession ▶	15a	
	b	Gross income from all sources	15b	
	c	Gross income sourced at shareholder level	15c	
	d	Foreign gross income sourced at corporate level:		
	(1)	Passive	15d(1)	
	(2)	Listed categories (attach schedule)	15d(2)	
	(3)	General limitation	15d(3)	
	e	Deductions allocated and apportioned at shareholder level:		
	(1)	Interest expense	15e(1)	
	(2)	Other	15e(2)	
f	Deductions allocated and apportioned at corporate level to foreign source income:			
(1)	Passive	15f(1)		
(2)	Listed categories (attach schedule)	15f(2)		
(3)	General limitation	15f(3)		
g	Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	15g		
h	Reduction in taxes available for credit (attach schedule)	15h		
Other	16	Section 59(e)(2) expenditures: a Type ▶	16a	
	b	Amount ▶	16b	
	17	Tax-exempt interest income	17	
	18	Other tax-exempt income	18	
	19	Nondeductible expenses STATEMENT 6	19	1,550.
	20	Total property distributions (including cash) other than dividends reported on line 22 below	20	30,000.
	21	Other items and amounts required to be reported separately to shareholders (attach schedule)	21	
22	Total dividend distributions paid from accumulated earnings and profits	22		
23	Income (loss). (Required only if Schedule M-1 must be completed.) Combine lines 1 through 6 in column (b). From the result, subtract the sum of lines 7 through 11a, 15g, and 16b	23	<36,855.>	

JWA

Note: The corporation is not required to complete Schedules L and M-1 if question 9 of Schedule B is answered "Yes."

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash		65,750.		7,745.
2 a	Trade notes and accounts receivable	75,000.		95,000.	
b	Less allowance for bad debts		75,000.		95,000.
3	Inventories				
4	U.S. Government obligations				
5	Tax-exempt securities				
6	Other current assets (Att. Sch.)				15,000.
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (Att. Sch.)				
10 a	Buildings and other depreciable assets	34,000.		34,000.	
b	Less accumulated depreciation	31,800.	2,200.	32,200.	1,800.
11 a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13 a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
14	Other assets (Att. Sch.)				
15	Total assets		142,950.		119,545.
Liabilities and Shareholders' Equity					
16	Accounts payable		5,000.		10,000.
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (Att. Sch.)				
19	Loans from shareholders		8,000.		
20	Mortgages, notes, bonds payable in 1 year or more		2,000.		35,000.
21	Other liabilities (Att. Sch.)				
22	Capital stock		100.		100.
23	Additional paid-in capital				
24	Retained earnings STMT 10		127,850.		74,445.
25	Adjustments to shareholders' equity (Att. Sch.)				
26	Less cost of treasury stock				
27	Total liabilities and shareholders' equity		142,950.		119,545.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return	
1 Net income (loss) per books	<23,405.>
2 Income included on Schedule K, lines 1 through 6, not recorded on books this year (itemize):	
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 11a, 15g, and 16b (itemize):	
a Depreciation \$	
b Travel and entertainment \$ 1,550.	1,550.
4 Add lines 1 through 3	<21,855.>
5 Income recorded on books this year not included on Schedule K, lines 1 through 6 (itemize):	
a Tax-exempt interest \$	
STMT 9 15,000.	15,000.
6 Deductions included on Schedule K, lines 1 through 11a, 15g, and 16b, not charged against book income this year (itemize):	
a Depreciation \$	
7 Add lines 5 and 6	15,000.
8 Income (loss) (Schedule K, line 23). Line 4 less line 7	<36,855.>

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see page 29 of the instructions)			
	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1 Balance at beginning of tax year	57,850.		
2 Ordinary income from page 1, line 21			
3 Other additions STMT 7	75.		
4 Loss from page 1, line 21	(36,830.)		
5 Other reductions STMT 8	(1,650.)		
6 Combine lines 1 through 5	19,445.		
7 Distributions other than dividend distributions	30,000.		
8 Balance at end of tax year. Subtract line 7 from line 6	<10,555.>		

Depreciation and Amortization
 (Including Information on Listed Property) **OTHER**

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

Name(s) shown on return DIVORTIUM CONSULTING	Business or activity to which this form relates OTHER DEPRECIATION	Identifying number 12-3456789
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Part I Election To Expense Certain Tangible Property Under Section 179 Note: If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount. See instructions for a higher limit for certain businesses	1	100,000.
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation	3	400,000.
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 2002 Form 4562	10	
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5	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 2004. Add lines 9 and 10, less line 12	13	

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

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 (see instructions)	15	
16 Other depreciation (including ACRS) (see instructions)	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 2003	17	400.
18 If you are electing under section 168(i)(4) 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 2003 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	
i Nonresidential real property	/		39 yrs.	MM	S/L	

Section C - Assets Placed in Service During 2003 Tax Year Using the Alternative Depreciation System

20a Class life	(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
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 instr.	22	400.
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 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								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.

	(a) Vehicle		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	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.

	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 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?		

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 2003 tax year:					
	:	:			
43 Amortization of costs that began before your 2003 tax year					43
44 Total. Add amounts in column (f). See instructions for where to report					44

SCHEDULE K		CHARITABLE CONTRIBUTIONS			STATEMENT	5
DESCRIPTION	50% LIMIT	30% LIMIT	20% LIMIT			
CHARITABLE CONTRIBUTIONS	100.					
TOTALS TO SCHEDULE K, LINE 7	100.					

SCHEDULE K		NONDEDUCTIBLE EXPENSES		STATEMENT	6
DESCRIPTION			AMOUNT		
EXCLUDED MEALS AND ENTERTAINMENT EXPENSES			1,550.		
TOTAL TO SCHEDULE K, LINE 19			1,550.		

SCHEDULE M-2		ACCUMULATED ADJUSTMENTS ACCOUNT - OTHER ADDITIONS		STATEMENT	7
DESCRIPTION			AMOUNT		
PORTFOLIO INTEREST INCOME			75.		
TOTAL TO SCHEDULE M-2, LINE 3 - COLUMN (A)			75.		

SCHEDULE M-2		ACCUMULATED ADJUSTMENTS ACCOUNT- OTHER REDUCTIONS		STATEMENT	8
DESCRIPTION			AMOUNT		
CHARITABLE CONTRIBUTIONS			100.		
NONDEDUCTIBLE EXPENSES			1,550.		
TOTAL TO SCHEDULE M-2, LINE 5 - COLUMN (A)			1,650.		

SCHEDULE M-1 INCOME RECORDED ON BOOKS BUT NOT INCLUDED ON RETURN STATEMENT 9

DESCRIPTION	AMOUNT
ACCRUAL TO CASH CONVERSION	15,000.
TOTAL TO SCHEDULE M-1, LINE 5	15,000.

SCHEDULE L ANALYSIS OF TOTAL RETAINED EARNINGS PER BOOKS STATEMENT 10

DESCRIPTION	AMOUNT
BALANCE AT BEGINNING OF YEAR - SCHEDULE L, LINE 24, COLUMN (B)	127,850.
NET INCOME PER BOOKS - SCHEDULE M-1, LINE 1	<23,405.>
DISTRIBUTIONS	<30,000.>
OTHER INCREASES (DECREASES)	
BALANCE AT END OF YEAR - SCHEDULE L, LINE 24, COLUMN (D)	74,445.

SCHEDULES M-2/L RECONCILIATION OF ENDING SCHEDULE M-2 AND RETAINED EARNINGS STATEMENT 11

DESCRIPTION	AAA	OAA	SUTIPT	OTHER ADJUSTMENTS
SCH. M-2 BALANCES	<10,555.>			
ACCRUAL TO CASH CONVERSION	85,000.			
SUBTOTALS	74,445.			
TOTAL RECONCILED SCHEDULE M-2 BALANCES				74,445.
ENDING RETAINED EARNINGS FROM SCHEDULE L, LINE 24				74,445.

**SCHEDULE K-1
(Form 1120S)**

Department of the Treasury
Internal Revenue Service

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

▶ See separate instructions.

For calendar year 2003 or tax year

OMB No. 1545-0130

2003

beginning Shareholder's identifying number ▶ 987-65-4321 Shareholder's name, address, and ZIP code SALLY DIVORTIUM 2 MAIN STREET RALEIGH, NC 27607	and ending Corporation's identifying number ▶ 12-3456789 Corporation's name, address, and ZIP code DIVORTIUM CONSULTING 1 MAIN STREET RALEIGH, NC 27607
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A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ▶ **100.000000%**

B Internal Revenue Service Center where corporation filed its return ▶ **CINCINNATI, OH**

C Tax shelter registration number (see instructions for Schedule K-1) ▶

D Check applicable boxes: (1) Final K-1 (2) Amended K-1

	(a) Pro rata share items	(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:	
Income (Loss)	1 Ordinary income (loss) from trade or business activities	<36,830.	} See page 4 of the Shareholder's Instructions for Schedule K-1 (Form 1120S).	
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			} Form 1040, line 8a Form 1040, line 9b Form 1040, line 9a Sch. E, Part I, line 4 Sch. D, line 5, col. (g) Sch. D, line 5, col. (f) Sch. D, line 12, col. (g) Sch. D, line 12, col. (f) (Enter on applicable line of your return.)
	a Interest income	75.	4a	
	b (1) Qualified dividends		4b(1)	
	(2) Total ordinary dividends		4b(2)	
	c Royalty income		4c	
	d (1) Net short-term capital gain (loss) (post-May 5, 2003)		4d(1)	
	(2) Net-short capital gain (loss) (entire year)		4d(2)	
	e (1) Net long-term capital gain (loss) (post-May 5, 2003)		4e(1)	
	(2) Net long-term capital gain (loss) (entire year)		4e(2)	
	f Other portfolio income (loss) (attach schedule)		4f	
5 a Net section 1231 gain (loss) (post-May 5, 2003)		5a	} See Shareholder's Instructions for Schedule K-1 (Form 1120S).	
b Net section 1231 gain (loss) (entire year)		5b		
6 Other income (loss) (attach schedule)		6	(Enter on applicable line of your return.)	
Deductions	7 Charitable contributions (attach schedule)	100.	} Sch. A, line 15 or 16	
	8 Section 179 expense deduction		} See page 5 of the Shareholder's Instructions for Schedule K-1 (Form 1120S).	
	9 Deductions related to portfolio income (loss) (attach schedule)			
	10 Other deductions (attach schedule)			
Investment Interest	11 a Interest expense on investment debts		} Form 4952, line 1	
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f above	75.	} See Shareholder's Instructions for Schedule K-1 (Form 1120S).	
	(2) Investment expenses included on line 9 above			
Credits	12 a Credit for alcohol used as fuel		} Form 6478, line 10	
	b Low-income housing credit:		} Form 8586, line 5	
	(1) From section 42(j)(5) partnerships			
	(2) Other than on line 12b(1)			
	c Qualified rehabilitation expenditures related to rental real estate activities		} See pages 6 and 7 of the Shareholder's Instructions for Schedule K-1 (Form 1120S).	
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities			
	e Credits related to other rental activities			
13 Other credits		13		

JWA For Paperwork Reduction Act Notice, see the Instructions for Form 1120S.

Schedule K-1 (Form 1120S) 2003

		(a) Pro rata share items	(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:	
Adjustments and Tax Preference Items	14 a	Depreciation adjustment on property placed in service after 1986	14a	See page 6 of the Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251	
	b	Adjusted gain or loss	14b		
	c	Depletion (other than oil and gas)	14c		
	d (1)	Gross income from oil, gas, or geothermal properties	14d(1)		
	d (2)	Deductions allocable to oil, gas, or geothermal properties	14d(2)		
	e	Other adjustments and tax preference items (attach schedule)	14e		
Foreign Taxes	15 a	Name of foreign country or U.S. possession		Form 1116, Part I	
	b	Gross income from all sources	15b		
	c	Gross income sourced at shareholder level	15c		
	d	Foreign gross income sourced at corporate level:			
	(1)	Passive	15d(1)		
	(2)	Listed categories (attach schedule)	15d(2)		
	(3)	General limitation	15d(3)		
	e	Deductions allocated and apportioned at shareholder level:			
	(1)	Interest expense	15e(1)		
	(2)	Other	15e(2)		
Other	16	Section 59(e)(2) expenditures: a Type		See Shareholder's Instructions for Schedule K-1 (Form 1120S).	
	b	Amount	16b		
	17	Tax-exempt interest income	17	Form 1040, line 8b	
	18	Other tax-exempt income	18	See page 7 of the Shareholder's Instructions for Schedule K-1 (Form 1120S).	
	19	Nondeductible expenses SEE STATEMENT	19		1,550.
	20	Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20		30,000.
	21	Amount of loan repayments for "Loans From Shareholders"	21		
	Form 8611, line 8	22	Recapture of low-income housing credit:		
a		From section 42(j)(5) partnerships	22a		
	b	Other than on line 22a	22b		
Supplemental Information	23	Supplemental information required to be reported separately to each shareholder (attach additional schedules if more space is needed):			

SCHEDULE K-1 CHARITABLE CONTRIBUTIONS

DESCRIPTION	AMOUNT	SHAREHOLDER FILING INSTRUCTIONS
CHARITABLE CONTRIBUTIONS - 50 % LIMIT	100.	SEE FORM 1040 INSTRUCTIONS
TOTAL TO SCHEDULE K-1, LINE 7	100.	

SCHEDULE K-1 NONDEDUCTIBLE EXPENSES

DESCRIPTION	AMOUNT	SHAREHOLDER FILING INSTRUCTIONS
EXCLUDED MEALS AND ENTERTAINMENT EXPENSES	1,550.	SEE FORM 1040 INSTRUCTIONS
TOTAL TO SCHEDULE K-1, LINE 19	1,550.	