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CFS Software
P.O. Box 879
Simi Valley, CA 93062-0879

Corporate Federal/State Tax Planner

State: California

Date: 05-04-2007

Prepared for Acme Incorporated Southern Cal

Prepared by CFS Tax Software Inc

	2006		2007		2008	
	Fed	State	Fed	State	Fed	State
INCOME						
Gross Receipts/Sales	747,645	747,645	770,074	770,074	793,177	793,177
Less Returns & Allowances	5,269	5,269	5,427	5,427	5,590	5,590
Balance	742,376	742,376	764,647	764,647	787,587	787,587
Cost of Goods Sold						
Inventory Beginning of Year	16,995	16,995	17,505	17,505	18,030	18,030
Purchases	129,408	129,408	133,290	133,290	137,289	137,289
Cost of Labor	33,539	33,539	34,545	34,545	35,582	35,582
Additional Sec 263A Costs	0	0	0	0	0	0
Other Costs	0	0	0	0	0	0
Total	179,942	179,942	185,340	185,340	190,901	190,901
Inventory at End of Year	0	0	0	0	0	0
Cost of Goods Sold	179,942	179,942	185,340	185,340	190,901	190,901
Gross Profit	562,434	562,434	579,307	579,307	596,686	596,686
Dividends	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Gross Rents	15,450	15,450	15,913	15,913	16,391	16,391
Gross Royalties	0	0	0	0	0	0
Capital Gain Net Income	0	0	0	0	0	0
Net Gain/Loss Form 4797	25,000	25,000	25,000	25,000	25,000	25,000
Other Income	0	0	0	0	0	0
State Adjustments to Fed Inc	N/A	1,545	N/A	1,591	N/A	1,639
TOTAL INCOME	602,884	604,429	620,220	621,811	638,077	639,716
DEDUCTIONS						
Advertising	6,695	6,695	6,896	6,896	7,103	7,103
Auto Expense	26,380	26,380	27,171	27,171	27,987	27,987
Bad Debts	0	0	0	0	0	0
Depreciation	16,101	16,101	16,584	16,584	17,082	17,082
Employee Benefit Programs	0	0	0	0	0	0
Insurance	3,734	3,734	3,846	3,846	3,961	3,961
Interest	0	0	0	0	0	0
Legal & Professional	5,150	5,150	5,304	5,304	5,464	5,464
Licenses	4,647	4,647	4,786	4,786	4,930	4,930
Meals & Entertainment (50%)	2,896	2,896	2,983	2,983	3,073	3,073
Office Supplies	4,647	4,647	4,786	4,786	4,930	4,930
Pension & P/S Plans	36,050	36,050	37,131	37,131	38,245	38,245
Salaries - Officers	231,750	231,750	238,702	238,702	245,864	245,864
Salaries - Employees	101,523	101,523	104,569	104,569	107,706	107,706
Repairs & Maintenance	6,721	6,721	6,923	6,923	7,130	7,130
Rents	19,318	19,318	19,898	19,898	20,494	20,494
Taxes	67,079	67,079	69,091	69,091	71,164	71,164
Telephone	4,661	4,661	4,801	4,801	4,945	4,945
Utilities	6,721	6,721	6,923	6,923	7,130	7,130
Other Deductions	26,499	26,499	27,144	27,144	27,809	27,809
TOTAL DEDUCTIONS	570,572	570,572	587,538	587,538	605,017	605,017
TAX COMPUTATIONS						
Taxable Income Before NOL/Spec Ded	32,312	33,857	32,682	34,273	33,060	34,699
Less: NOL Deduction	0	0	0	0	0	0
Less: Special Deductions	0	0	0	0	0	0
Taxable Income	32,312	33,857	32,682	34,273	33,060	34,699
Tax	4,847	2,993	4,902	3,030	4,959	3,067
Tentative Min Tax	0	N/A	0	N/A	0	N/A
Credits	0	0	0	0	0	0
AMT (schedule)	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0
TOTAL TAXES	4,847	2,993	4,902	3,030	4,959	3,067
PAYMENTS						
Prior Year Credited	0	0	0	0	0	0
Estimated Payments	4,120	1,030	4,244	1,061	4,371	1,093
Less Form 4466 Refund	0	N/A	0	N/A	0	N/A
Extension Form Deposit	0	0	0	0	0	0
Other Payments	0	N/A	0	N/A	0	N/A
TOTAL PAYMENTS	4,120	1,030	4,244	1,061	4,371	1,093
REFUND(-)/BALANCE DUE(+)	727	1,963	658	1,969	588	1,974

Starting a Business Checklist

Disclaimer: This checklist is provided to help you start your business. Due to the various policy and legislative changes that occur frequently, some of these steps may not apply to your business. Additionally, there may be other steps that are required by your business that are not covered here. As always, legal counsel is strongly advised.

- Choose a business.
- Research the business idea.
- Consult your tax professional regarding tax aspects of various business entities.
- Consult an attorney regarding federal and state laws governing creation, ownership, and operation of the entity.
- Write a business plan and marketing plan.
- Choose a business name.
- See if the business name is available for use as a domain name.
- Register the domain name even if you aren't ready to use it yet.
- Choose a location for the business.
- Check zoning laws.
- File partnership, corporate or limited liability company papers.
- Contact the Internal Revenue Service to apply for your federal identification number and for filing your federal tax schedules.
- Apply for state employee identification number if you will have employees.
- Find out about worker's compensation if you will have employees.
- Apply for sales tax number if needed.
- File state tax forms.
- Check to get any required business licenses or permits.
- Register or reserve federal trademark/service mark.
- Register copyrights.
- Apply for patent if you will be marketing an invention.
- Order any required notices (advertisements you have to place) or your intent to do business in the community.
- Have business phone or extra residential phone lines installed.
- Check into business insurance needs.
- Get adequate business insurance or a business rider to a homeowner's policy.

Starting a Business Checklist

- Get tax information such as record keeping requirements, information on withholding taxes if you will have employees, information on hiring independent contractors, facts about estimating taxes, etc.
- Open a bank account for the business.
- Fund the entity.
- Hold all necessary organizational meetings to elect officers and directors.
- Have business cards and stationery printed.
- Purchase equipment or supplies.
- Order inventory, signage and fixtures.
- Get an email address.
- Find a web hosting company.
- Get your website set up.
- Have sales literature prepared.
- Call for information about Yellow Pages advertising.
- Place advertising in newspapers or other media if yours is the type of business that will benefit from paid advertising.
- Call everyone you know and let them know you are in business.

LLC Operating Agreement Checklist

Disclaimer: This checklist is provided to help you develop your LLC operating agreement. Due to the various policy and legislative changes that occur frequently, some of these steps may not apply to your LLC. Additionally, there may be other steps that are required by your LLC that are not covered here. As always, legal counsel is strongly advised.

- Name of LLC, names of initial members, and date of agreement.
- Date the LLC intends to commence its legal existence.
- Description of LLC's business or investment purpose or activities.
- Duration of the LLC.
- Description of LLC's principal place of business, and name and address of LLC's registered agent.
- Designation of managers (if appropriate), and provisions for removing existing managers and replacing them with new managers.
- Required initial capital contributions and provisions for anticipated and unanticipated future contributions of capital (including what happens to members who fail to make their contributions).
- Dates of LLC distributions and rights of members to take draws in advance of formal distribution dates.
- Descriptions of how distributions are calculated (for example, if certain members are to receive "preferred returns" with respect to their capital accounts).
- Provisions for member salaries (treated as IRC section 707 guaranteed payments for tax purposes).
- Specific authority for LLC to borrow or incur debts.
- Specific authority for members to lend to LLC and/or for LLC to lend to members.
- Place where LLC's legal and financial records will be kept, and rights of members to demand an accounting from the entity.
- Rights of members to obtain access to LLC's books and records.
- Any restrictions on authority of managers to act without member approval (for example, a unanimous vote of the members may be required to amend the operating agreement or to engage in certain major transactions, such as a sale of substantially all of the LLC's assets).
- Voting provisions for what is a quorum, how members' votes are counted (per capita or based on percentage interest in the LLC), what majority is needed to conclude on certain issues, etc.
- Provisions for periodic meetings of the members.
- Procedures for admission of new members.

LLC Operating Agreement Checklist

- Provisions for voluntary withdrawal, retirement, or expulsion of members (including what rights these members have to payment for their ownership interests, payment terms, and how such interests will be valued).
- Provisions for whether the LLC will take the member's share of the LLC's goodwill into account for purposes of Item 19 above, and how such goodwill will be valued.
- Provisions for ability of members to sell, assign, or otherwise transfer their ownership interests to third parties (including rights of first refusal for the LLC or other members to purchase such interests, and how valuation of such interests will be determined).
- Provisions for buyouts of member's interests upon retirement, disability, insanity, death, etc. (including how such interests will be valued and what the payment terms will be).
- Noncompete provisions after member withdrawals.
- Provisions for voting to continue the LLC (or not) after the withdrawal, death, etc., of a member causes a legal dissolution of the entity.
- Provisions for the members agreeing to terminate the existence of the LLC, and how the LLC will be terminated in other circumstances.
- Provisions for how property will be valued if the LLC is terminated and all assets are distributed in liquidation.
- Financial accounting and tax provisions for how profits, losses, and liabilities will be shared, how "book" capital accounts will be maintained (including how they will be adjusted when noncash property is contributed or distributed), how tax items will be allocated among the members, how capital accounts will be maintained for tax accounting purposes, when the LLC will make an IRC section 754 election, etc.
- Arbitration provisions for resolving disputes between members or between the LLC and a member.
- A recitation that the members intend to form an entity that will be treated as a partnership for tax purposes as of the specified commencement date and that they intend to share the profits, losses, and obligations arising from the venture.

Corporate Dissolution or Liquidation
 (Required under section 6043(a) of the Internal Revenue Code)

Please type or print	Name of corporation Acme Incorporated Southern Cal			Employer identification number 77-1231456	
	Number, street, and room or suite no. (If a P.O. box number, see page 2 of instructions.) 23455 Southwest Boulevard			Check type of return	
	City or town, state, and ZIP code Olympia, WA 74512-6363			<input type="checkbox"/> 1120 <input type="checkbox"/> 1120-L <input type="checkbox"/> 1120-IC-DISC <input checked="" type="checkbox"/> 1120S <input type="checkbox"/> Other ▶	
1	Date incorporated 02/05/1998	2	Place incorporated California	3	Type of liquidation <input checked="" type="checkbox"/> Complete <input type="checkbox"/> Partial
4	Date resolution or plan of complete or partial liquidation was adopted 06/30/2007				
5	Service center where corporation filed its immediately preceding tax return Fresno	6	Last month, day, and year of immediately preceding tax year 12/31/2006	7a	Last month, day, and year of final tax year 06/30/2007
7b	Was corporation's final tax return filed as part of a consolidated income tax return? If "Yes," complete 7c, 7d, and 7e. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
7c	Name of common parent			7d	Employer identification number of common parent
7e	Service Center where consolidated return was filed Fresno CA				
8	Total number of shares outstanding at time of adoption of plan of liquidation			Common 100	Preferred 500
9	Date(s) of any amendments to plan of dissolution			04/15/03	
10	Section of the Code under which the corporation is to be dissolved or liquidated			321	
11	If this form concerns an amendment or supplement to a resolution or plan, enter the date the previous Form 966 was filed			12/31/04	

Attach a certified copy of the resolution or plan and all amendments or supplements not previously filed.

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

Signature of officer	President Title	Date
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INDEPENDENT CONTRACTOR EMPLOYMENT AGREEMENT

AGREEMENT, dated June 28, 2005 between Biff's Surf Shop (hereinafter "the Corporation") and Bill's Surfboards (hereinafter "the Independent Contractor").

Now, therefore, the parties hereto agree as follows:

1. **EMPLOYMENT.** The Corporation shall employ the Independent Contractor, and the Independent Contractor shall serve the Corporation upon the terms and conditions hereinafter set forth.
2. **TERM AND EXTENSION.** The employment of the Independent Contractor hereunder shall commence on January 1, 2005 and shall continue to and including December 31, 2006.
3. **DUTIES.** During the period or periods of his/her employment hereunder, the Independent Contractor shall serve the Corporation and shall perform any and all general fabrication services required or requested in connection with their business. Within the limitations herein above provided, the Independent Contractor will render such other advisory services in connection with the manufacturing services of the Corporation as may be requested from time to time by the officers or directors of the Corporation, without further compensation other than that for which provision is made in this Agreement.
4. **TIME REQUIREMENTS.** The Independent Contractor shall devote during the period ending December 31, 2006 not more than 50 percent of his/her entire time, energy, and skill to the duties of his/her employment hereunder and shall periodically, or at any time upon the request of the Corporation, submit data as to the time performed.
5. **COMPENSATION.** The Corporation shall pay to the Independent Contractor for his/her services sums in the aggregate amounting to ten thousand dollars (\$10,000) or 50 percent per project, during the period of his/her employment hereunder. Such aggregate sums shall be paid upon satisfactory completion of any project and from the proceeds received from the client for whom services are rendered.
6. **INDEMNIFICATION AND HOLD HARMLESS PROVISION.** The Independent Contractor agrees hereby to indemnify and hold harmless the Corporation from any and all claims by the Independent Contractor which may arise out of and in the course of the performance of his/her duties hereunder. Any and all claims for unemployment benefits and or claims for workers' compensation benefits are hereby expressly waived by the within Independent Contractor who agrees to maintain separate policies of liability, health, and accident insurance as may be necessary or required by the Corporation in connection with the performance of its duties herein.
7. **RELATIONSHIP BETWEEN PARTIES.** The Independent Contractor is employed by the Corporation only for the purposes and to the extent set forth in this Agreement, and his/her relation to the Corporation shall, during the period or periods of his/her employment and services hereunder, be that of an independent contractor. The Independent Contractor shall be free to dispose of such portion of his/her entire time, energy, and skill during regular business hours as he is not obligated to devote hereunder to the Corporation in such manner as he sees fit and to such persons, firms, or corporations as he deems advisable. The Independent Contractor shall not be considered as having an employee status or as being entitled to participate in any plans, arrangements, or distributions by the Corporation pertaining to or in connection with any insurance, pension, stock, bonus, profit-sharing, or similar benefits for their regular employees.
8. **PROFESSIONAL RESPONSIBILITY.** Nothing in this Agreement shall be construed to interfere with or otherwise affect the rendering of services by the Independent Contractor in accordance with his/her services in a

good and workmanlike manner and in accordance with generally accepted surfboard manufacturing practices.

9. ENTIRE AGREEMENT. The within Agreement shall be construed in accordance with California law and shall constitute the entire Agreement between the parties. In witness whereof, Biff's Surf Shop has caused this Agreement to be executed in its corporate name by its corporate officers, and Bill's Surfboards, the Independent Contractor hereunder.

Executed at Huntington Beach, CA, on the date and year first written above.

"Corporation": Biff's Surf Shop, a California corporation

By: _____, Owner
Bill Jones

"Contractor": _____
Bill's Surfboards

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Financial Data

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Three Year Summary

Detail by Month, First Year

Detail by Quarters, Second Year

Detail by Quarters, Third Year

Assumptions Used in Income Projections

Pro-forma cash flow projections

Three Year Summary

Detail by Month, First Year

Detail by Quarters, Second Year

Detail by Quarters, Third Year

Assumptions Used in Cash Flow Projections

Supporting Documents (Attachments)

Tax returns of principals for last three years

Personal Financial statement

Franchise contract and all supporting documents provided by the franchisor

Copy of proposed lease or purchase agreement for building space

Copy of licenses or other legal documents

Copies of resumes of all principals

Copies of letters of intent from suppliers, etc.

Entity Classification Election

Type or Print	Name of entity	EIN ▶
	Acme Incorporated Southern Cal	77-1231456
	Number, street, and room or suite no. If a P.O. box, see instructions.	
	23455 Southwest Boulevard	
	City or town, state, and ZIP code. If a foreign address, enter city, province or state, postal code and country.	
	Olympia WA 74512-6363	

1 Type of election (see instructions):

- a Initial classification by a newly-formed entity.
- b Change in current classification.

2 Form of entity (see instructions):

- a A domestic eligible entity electing to be classified as an association taxable as a corporation.
- b A domestic eligible entity electing to be classified as a partnership.
- c A domestic eligible entity with a single owner electing to be disregarded as a separate entity.
- d A foreign eligible entity electing to be classified as an association taxable as a corporation.
- e A foreign eligible entity electing to be classified as a partnership.
- f A foreign eligible entity with a single owner electing to be disregarded as a separate entity.

3 Disregarded entity information (see instructions):

- a Name of owner ▶ _____
- b Identifying number of owner ▶ _____
- c Country of organization of entity electing to be disregarded (if foreign) ▶ _____

4 Election is to be effective beginning (month, day, year) (see instructions) ▶ 06/26/2007

5 Name and title of person whom the IRS may call for more information	6 That person's telephone number
Marshall Longstead, President	(562) 987-6541

Consent Statement and Signature(s) (see instructions)

Under penalties of perjury, I (we) declare that I (we) consent to the election of the above-named entity to be classified as indicated above, and that I (we) have examined this consent statement, and to the best of my (our) knowledge and belief, it is true, correct, and complete. If I am an officer, manager, or member signing for all members of the entity, I further declare that I am authorized to execute this consent statement on their behalf.

Signature(s)	Date	Title
		President
		Secretary
		Treasurer

Equipment Lease vs Buy Comparison

Name: Acme Incorporated Southern Cal

Date: June 27, 2007

Equipment description: Printing Equipment

INPUT DATA

Tax rates Federal: .. 25.00% State: .. 7.00%
 Business use % 100.00%
 Time value of money 6.00%

Lease Information

Date of lease start 06/27/2005
 Term of lease (months) 60
 Start up costs 1,500
 Refundable security deposit 1,000
 Monthly payment 625

Purchase Information

Equipment cost 150,000
 Selling price at end of lease period 65,000
 Will taxpayer pay cash? No
 Down payment on purchase 15,000
 Loan interest rate 8.25%
 Term of loan (months) 60
 Depreciation method (3, 5, 7, 10 yr. 200% DB) 5 year MACRS 200% DB
 Convention (HY, MQ) HY
 Special first year allowance NONE
 Section 179 deduction 25,000

SUMMARY

Year	LEASE			BUY		
	Lease Expense	Tax Benefit	Net PV of Expenses & Benefits	Purchase Expense	Tax Benefit	Net PV of Payments & Benefits
2005	6,875	1,376	5,202	34,274	17,171	17,062
2006	7,500	2,360	4,722	33,042	15,155	16,247
2007	7,500	2,360	4,448	33,042	9,696	20,005
2008	7,500	2,360	4,190	33,042	6,120	21,750
2009	7,500	2,360	3,946	33,042	5,391	21,055
2010	2,125	983	890	(51,233)	(17,285)	(39,574)
TOTALS	39,000	11,799	23,398	115,209	36,248	56,545

LEASING provides a net PV cost savings of \$33,147.

Prepared By:

CFS Tax Software Inc
1445 Los Angeles Ave Ste 214
Simi Valley CA 93065
Tel: (800) 343-1157 Fax: (805) 522-0187

05-04-2007

Weekly Employee Expense Report

Employee Name: _____ **Date From:** _____

Company/Unit: _____ **Date To:** _____

Expenses	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total
1. Travel Expenses								
Airlines								
Car Rental								
Bus/Shuttle								
Cab/Limousine								
Tips								
2. Meals								
Breakfast								
Lunch								
Dinner								
Daily Allowance								
3. Lodging								
Hotel Name								
Room Charge								
Per Diem								
4. Automobile Expenses								
Mileage: Ending								
Starting								
Total								
X .445 rate								
5. Entertainment								
Business Purpose								
Place								
Amount								
6. Other Expense								
Postage								
Telephone								
Office Expenses								
Total Expenses Reimbursed								

Notes: _____

Employee's Signature: _____ **Date:** _____

Note: All receipts should be attached.

1065

Form Department of the Treasury Internal Revenue Service

U.S. Return of Partnership Income

For calendar year 2006, or tax year beginning, 2006, ending, 20..... See separate instructions

OMB No. 1545-0099

2006

Form header section with fields for Principal business activity (Sales), Principal product or service (Furniture), Business code number (145252), Name of partnership (Billy's Backyard Furniture), Employer identification number (75-9865423), Date business started (02/02/2000), and Total assets (\$15645).

Check applicable boxes section for Initial return, Final return, Name change, Address change, Amended return, Accounting method (Cash), Number of Schedules K-1 (2), and Schedule M-3 required.

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

Main table with columns for Income and Deductions. Rows include Gross receipts or sales (65125), Cost of goods sold (20251), Total income (59874), Salaries and wages (8000), Total deductions (24612), and Ordinary business income (35262).

Sign Here section with a declaration statement and a signature line for the general partner or manager.

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

Paid Preparer's Use Only section with fields for Preparer's signature, Date, Check if self-employed, Preparer's SSN or PTIN (5645646), Firm's name (CFS Tax Software Inc), address, EIN (42-8855794), and Phone no. (800) 343-1157.

Schedule A Cost of Goods Sold (see the instructions)

1	Inventory at beginning of year	1	25625.
2	Purchases less cost of items withdrawn for personal use	2	1514.
3	Cost of labor	3	8745.
4	Additional section 263A costs (attach statement)	4	
5	Other costs (attach statement)	5	
6	Total. Add lines 1 through 5	6	35884.
7	Inventory at end of year	7	15633.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	20251.

9a Check all methods used for valuing closing inventory:

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

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

Schedule B Other Information

	Yes	No
1 What type of entity is filing this return? Check the applicable box:		
a <input checked="" type="checkbox"/> Domestic general partnership		
b <input type="checkbox"/> Domestic limited partnership		
c <input type="checkbox"/> Domestic limited liability company		
d <input type="checkbox"/> Domestic limited liability partnership		
e <input type="checkbox"/> Foreign partnership		
f <input type="checkbox"/> Other _____		
2 Are any partners in this partnership also partnerships?		X
3 During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment		X
4 Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details		X
5 Does this partnership meet all three of the following requirements? a The partnership's total receipts for the tax year were less than \$250,000; b The partnership's total assets at the end of the tax year were less than \$600,000; and c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item N on Schedule K-1	X	
6 Does this partnership have any foreign partners? If "Yes," the partnership may have to file Forms 8804, 8805 and 8813. See the instructions	X	
7 Is this partnership a publicly traded partnership as defined in section 469(k)(2)?		X
8 Has this partnership filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
9 At any time during calendar year 2006, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country. _____		X
10 During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520. See the instructions		X
11 Was there a distribution of property or a transfer (for example, by sale or death) of a partnership interest during the tax year? If "Yes," you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described under <i>Elections Made By the Partnership</i> in the instructions		X
12 Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return _____		

Designation of Tax Matters Partner (see the instructions)

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

Name of designated TMP Identifying number of TMP

Address of designated TMP

Schedule K Partners' Distributive Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 22)	1	35262.
	2 Net rental real estate income (loss) (<i>attach Form 8825</i>)	2	
	3a Other gross rental income (loss)	3a	
	b Expenses from other rental activities (<i>attach statement</i>)	3b	
	c Other net rental income (loss). Subtract line 3b from line 3a	3c	0.
	4 Guaranteed payments	4	5000.
	5 Interest income	5	
	6 Dividends: a Ordinary dividends	6	
	b Qualified dividends	6b	
	7 Royalties	7	
	8 Net short-term capital gain (loss) (<i>attach Schedule D (Form 1065)</i>)	8	
Income (Loss)	9a Net long-term capital gain (loss) (<i>attach Schedule D (Form 1065)</i>)	9a	
	b Collectibles (28%) gain (loss)	9b	
	c Unrecaptured section 1250 gain (<i>attach statement</i>)	9c	
	10 Net section 1231 gain (loss) (<i>attach Form 4797</i>)	10	
	11 Other income (loss) (<i>see instructions</i>) Type ▶	11	
	Deductions	12 Section 179 deduction (<i>attach Form 4562</i>)	12
13a Contributions		13a	
b Investment interest expense		13b	
c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶		13c(2)	
d Other deductions (<i>see instructions</i>) Type ▶		13d	
Self-Employment	14a Net earnings (loss) from self-employment	14a	
	b Gross farming or fishing income	14b	
	c Gross nonfarm income	14c	
Credits	15a Low-income housing credit (section 42(j)(5))	15a	
	b Low-income housing credit (other)	15b	
	c Qualified rehabilitation expenditures (rental real estate) (<i>attach Form 3468</i>)	15c	
	d Other rental real estate credits (<i>see instructions</i>) Type ▶	15d	
	e Other rental credits (<i>see instructions</i>) Type ▶	15e	
	f Other credits (<i>see instructions</i>) Type ▶	15f	
Foreign Transactions	16a Name of country or U.S. possession ▶		
	b Gross income from all sources	16b	
	c Gross income sourced at partner level	16c	
	<i>Foreign gross income sourced at partnership level</i>		
	d Passive ▶ e Listed categories (<i>attach statement</i>) ▶ f General limitation ▶	16f	
	<i>Deductions allocated and apportioned at partner level</i>		
	g Interest expense ▶ h Other	16h	
	<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
	i Passive ▶ j Listed categories (<i>attach statement</i>) ▶ k General limitation ▶	16k	
	l Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/>	16l	
m Reduction in taxes available for credit (<i>attach statement</i>)	16m		
n Other foreign tax information (<i>attach statement</i>)			
Alternative Minimum Tax (AMT) Items	17a Post-1986 depreciation adjustment	17a	
	b Adjusted gain or loss	17b	
	c Depletion (other than oil and gas)	17c	
	d Oil, gas, and geothermal properties - gross income	17d	
	e Oil, gas, and geothermal properties - deductions	17e	
	f Other AMT items (<i>attach statement</i>)	17f	
Other Information	18a Tax-exempt interest income	18a	
	b Other tax-exempt income	18b	
	c Nondeductible expenses	18c	
	19a Distributions of cash and marketable securities	19a	
	b Distributions of other property	19b	
	20a Investment income	20a	
b Investment expenses	20b		
c Other items and amounts (<i>attach statement</i>)			

Analysis of Net Income (Loss)

1 Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l						1	40262.
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a General partners		58513.					
b Limited partners							

Schedule L Balance Sheets per Books

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash		45652.		32145.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach statement)		800.		800.
7 Mortgage and real estate loans				
8 Other investments (attach statement)				
9a Buildings and other depreciable assets	12566.		15899.	
b Less accumulated depreciation	10500.	2066.	11655.	4244.
10a Depletable assets				
b Less accumulated depletion				
11 Land (net of any amortization)				
12a Intangible assets (amortizable only)				
b Less accumulated amortization				
13 Other assets (attach statement)		2566.		2566.
14 Total assets		51084.		39755.
Liabilities and Capital				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year		4250.		3743.
17 Other current liabilities (attach statement)		2123.		2750.
18 All nonrecourse loans				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities (attach statement)				
21 Partners' capital accounts		44711.		33262.
22 Total liabilities and capital		51084.		39755.

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

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

1 Net income (loss) per books	33262.	6 Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
2 Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):		a Tax-exempt interest \$	
3 Guaranteed payments (other than health insurance)		7 Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize):	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize):		a Depreciation \$	
a Depreciation \$		8 Add lines 6 and 7	
b Travel and entertainment \$		9 Income (loss) (Analysis on Net Income (Loss), line 1). Subtract line 8 from line 5	33262.
5 Add lines 1 through 4	33262.		

Schedule M-2 Analysis of Partners' Capital Accounts

1 Balance at beginning of year	25000.	6 Distributions: a Cash	25000.
2 Capital contributed: a Cash		b Property	
b Property		7 Other decreases (itemize):	
3 Net income (loss) per books	33262.		
4 Other increases (itemize):		8 Add lines 6 and 7	25000.
5 Add lines 1 through 4	58262.	9 Balance at end of year. Subtract line 8 from line 5	33262.